

MALUTI-A-PHOFUNG MUNICIPALITY



BID NUMBER: SCM/BID23/2023/2024

APPOINTMENT OF A SERVICE PROVIDER FOR mSCOA COMPLIANT FINANCE SYSTEM FOR THE PERIOD OF FIVE (5)

CLOSING DATE: 30 MAY 2024 AT 10H00

PREPARED BY: SUPPLY CHAIN MANAGEMENT UNIT MALUTI-A-PHOFUNG MUNICIPALITY PRIVATE BAG X 805 WITSIESHOEK 9870 TEL: (058) 718 3871/3863 FAX: (058) 713 0459	PREPARED FOR: MALUTI-A-PHOFUNG MUNICIPALITY PRIVATE BAG X 805 WITSIESHOEK 9870 CONTACT PERSON: MRS N.P. KHUMALO Cell: 058 718 3741 Email: nratengk@map.fs.gov.za
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NAME OF BIDDER: _____

BID AMOUNT EXCL/INCL VAT: _____

CSD NUMBER: _____

NOTE: NO BIDS WILL BE CONSIDERED FROM PERSONS IN THE SERVICE OF THE STATE

MALUTI-A-PHOFUNG MUNICIPALITY



NOTICE NUMBER: 27/2023
BID NO SCM/BID23/2023/24

**APPOINTMENT OF A SERVICE PROVIDER FOR mSCOA COMPLIANT
FINANCE SYSTEM FOR THE PERIOD OF FIVE (5) YEARS**

Maluti-a-Phofung Municipality hereby invites Bids for mSCOA Compliant Finance System for the
Period of Five (5) years

Requirements:

- Bidders must submit Copy of Company Registration Certificate (CRC) Reflecting Active Members (Except for Sole Traders and Partnership).
- Bidders must be registered with Central Supplier Database (CSD), CSD number must be provided.
- Bidders are required submit their unique personal identification Number (Pin) issued by SARS to enable the Municipality to view the taxpayer's profile and tax Status
- In Bids where consortia/ joint ventures/ sub-contractors are involved, each party must submit a separate Tax Compliance Status (TCS) Certificate/Pin/CSD Number
- All supplementary forms including municipal rates and taxes clearance certificate form contained in the bid documents must be completed in full or (submit a proof that the municipal rates and taxes are not in arrears for more than three months)
- Copy of company proposal & profile should be attached
- Sealed Bids should clearly indicate: **Description of the Project and Reference of the Bid number APPOINTMENT OF A SERVICE PROVIDERS FOR mSCOA COMPLIANT FINANCE SYSTEM FOR THE PERIOD OF FIVE (5) YEARS SCM/BID23/2023/2024)**

Briefing Session:

10 May 2024 (Friday)
Maluti-a-Phofung Municipality
Setings Business Centre
C/O Moremoholo & Mottoung streets
Phuthaditjhaba (Finance Boardroom)
10H00 AM

Closing date:

30 MAY 2024

Bid Box:

Bid Box No. 'A'
Maluti-a-Phofung Municipality
Setings Business Centre
C/O Moremoholo & Mottoung streets
Phuthaditjhaba

Supply chain enquiries:

(058) 718 3871 / (058) 718 3863 – thabisot@map.fs.gov.za
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thabangml@map.fs.gov.za
Mrs N.P. KHUMALO @ 058 718 3741 – mratenkgk@map.fs.gov.za

Technical Enquiries:

Please note:

1. **No bids will be accepted from persons in the service of the state.**
2. Bid documents will be obtainable as from Tuesday **30 April 2024** after **10h00 am** from the cashiers point, Phuthaditjhaba offices upon payment of a **R 604.80** non-refundable fee (cash or bank guaranteed in favor of Maluti-a-Phofung Municipality) or can be downloaded on E-tender portal.
3. No telegraphic, telefaxes and late Bids will be accepted.
4. Municipality is not bound to accept the lowest Bid.
5. Municipality reserve the right not to award the bid.
6. Municipal Supply Chain Management Policy and Preferential Procurement Policy Framework Act No 5 of 2000 (80/20 preferential points allocation system in line with revised Procurement Regulations of 2022 by using the balance scorecard methodology) will be applied
7. Empowerment goals as per the Municipality Preferential Procurement Policy will be allocated as follows:

- **Empowerment goal as per the Municipal Preferential Procurement Policy will be allocate as follows :**

- ❖ Location based (Office Municipal Rates Statement, Lease Agreement and Affidavit for Rural Entities

- Within Maluti-A-Phofung **10 points**
- Within Thabo Mofutsanyana District **08 points**
- With Free State Province **06 points**
- Outside Free State Province **04 points**

- ❖ Historically Disadvantaged Persons (Any Person who had no Franchise in National elections Prior to the Introduction of the Constitution of Republic of South Africa and Discriminated on a Basis of Disability) Company Registration Documents, Identification and Doctors Report or a Complete EEA1 Form by Medical Doctors Confirmation Impairments. **10 Points**

8. Only one submission for this bid will be considered from the bidder.
9. Failure to comply with the above mentioned conditions may invalidate your bid.
10. Should you not receive any correspondence from us within 120 days, regard your bid as Unsuccessful.
11. Communication will be limited to the successful bidder.

H.A GOLIATH
ACTING MUNICIPAL MANAGER

EVALUATION CRITERIA

FUNCTIONALITY

<u>NO</u>	<u>CRITERIA</u>	<u>POINTS TO BE ALLOCATED ON EACH POINT</u>	<u>TOTAL</u>
1.	<u>CAPACITY, EXPERIENCE & EXPERTISE</u>	Reference letters should be in the Company's letterhead and signed by that Company	20 points
	<ul style="list-style-type: none"> • A proof that the system has been successfully implemented and functional in high capacity municipalities within the Republic of South Africa for a period of not less than three (3) years 	Three references 20 points Two references 15 points One reference 10 points	20 points
	<ul style="list-style-type: none"> • A proof that the company has assisted high capacity municipalities with all in-year data strings including non-financial reporting sheets 	Three references 20 points Two references 15 points One reference 10 points	20 points
	<ul style="list-style-type: none"> • A proof that the company has prepared GRAP compliant fixed asset register in high capacity municipalities within the republic of South Africa for a period of not less than three years and the municipality did not get a qualification paragraphs on Assets from Auditor General 	Three references 20 points Two references 15 points One reference 10 points	20 points
	<ul style="list-style-type: none"> • Proof that a company has assisted high capacity municipalities for a period 	Three references 20 points	

Bidders who score minimum of 70 points will be considered for further Evaluation.

		<ul style="list-style-type: none"> Human capacity – availability of consultants to be onsite until the system is up and running at least for a period of one year Training plan of change management to municipal officials Training plan to the municipal officials Transfer of skills plan to the municipal officials 	<p>15 points</p> <p>One reference</p> <p>10 points</p>	<p>20 points</p> <p>20 points</p>
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TOTAL 100 POINTS

PRICE 80

SPECIFIC GOALS 20

Historically disadvantaged persons	10
Location	10
Within Maluti-A-Phofung	10 points
Within Thabo Mofutsanyana District	8 points
Within Free State Province	6 points
Outside Free State province	4 points

Assumptions

Master Speck Link Modules / Systems		Number of Users
A	Chart of Accounts	5
a1	General Ledger - containing MSCOA as per regulation	
B	IDP / Budget Max	
b1	Integrated development plan (IDP) maintenance	2
b2	Budget module - Directly linked and informed from the IDP and Project driven and MSCOA segmented	6
b3	Performance Management linked to SDBIP	2
b4	Project management (PMU) functionality	5
b5	Revenue sub-system budgeting tool	6
b6	Asset sub-system budgeting tool	9
b7	HR/Payroll budgeting tool	5
C	Supply Chain Management	
c1	Supply Chain management	15
c3	Safety Health and Environmental(SHE) maintenance	2
c4	Contract management	2
D	Accounts Payable	
d1	Creditors with payments	7
E	Management Accounting	
e1	Costing module	5
F	Asset Management	
f1	Financial asset maintenance	2
f2	Asset tracking - software	8
f3	Maintenance system	2
f4	Stores and inventory (At minimum virtual)	2
f5	Fleet management	3
f6	Fleet tracking	3
G	Financial Management and Administration	
g1	Cashbook	4
g2	Petty cash system	4
g3	Loan management system	4
g4	Investment management system	4

Assumptions

Master Speck Link Modules / Systems		Number of Users
g5	Insurance management system	4
g6	Grant management system	4
H	Accounts Receivable	
h1	Billing core	9
h2	Point of Sales system	9
h3	Metered services	20
h4	Prepaid vending system / Integration at debtor level from 3 rd party.	5
h5	Consumer portal	14
h6	Debt collection system	10
h7	Credit control system	20
h8	SMS and email management system	20
h9	Abbatior system	0
h10	Cemeteries system	8
h11	Facilities rental systems	15
h12	Fire and emergency services systems	10
h13	Fresh produce market systems	0
h14	Holiday resort systems	0
h15	Library system	0
h16	Nursaries systems	0
h17	Pound system	5
h18	Residential rental system	5
h19	Traffic fines systems	6
h20	Transport services systems	3
h21	Weigh bridge system	0
I	Property Maintenance	
i1	Valuation roll	10
i2	Property Register	10
i3	GIS viewer	5
J	Human Capital Management	
j1	Human Resource module	10
j2	Leave module	3
j3	Payroll	5
j4	Time and attendance	5
K	Administrative	
k1	Work flow	5
k2	Document management	5
k3	Biometric system access and -verification	6
k4	Resolution Tracker	2

Assumptions

Master Speck Link Modules / Systems	Number of Users
K5 Task Tracker	2
K6 Website Maintenance	3
K7 Risk management	3
L Reporting	
11 Report writer	15
12 Statutory reporting	15
13 Annual financial statements	5
14 Management dashboards	10



Municipal Budget Circular for the 2019/20 MTRF

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Introduction

This circular comes at a time where National Treasury needed to respond to a call by the President of the Republic of South Africa for a stimulus package and the implementation of the recovery plan in order to stimulate the economy. The stimulus package call responds to amongst others the recent technical recession, the high percentage of unemployment that sits at 27 per cent, slow economic growth, weakening of the currency amidst rising global interest rates and the strengthening of the US dollar affecting most developing countries.

Local government has a vital role to play in turning around the economy. In many areas of the country, municipal finances are under pressure. This is the result of the rising cost of delivering basic services and weak financial planning and controls, with poor management decisions leading to underinvestment in and insufficient maintenance of infrastructure. In some cases, corrupt practices have taken root in local administrations. Over the period ahead, national transfers to local government will continue to support the delivery of basic services, while incentivising improved performance and the turnaround of troubled municipalities.

In the local space, fiscal prudence cannot be overemphasised, renewed attitude towards revenue management, improvement of governance and financial management to support service delivery including the adoption of funded budgets and implementation of the municipal standard chart of accounts and the long awaited plan to infuse consequence management for maladministration must be the primary way to respond to a stimulus package plan by the President.

The purpose of the annual MFMA budget circular is to guide municipalities with their compilation of the 2019/20 Medium Term Revenue and Expenditure Framework (MTRRF), in particular to ensure that funded budgets are adopted by municipal Councils. This means that expenditure must be contained within realistic revenue projections.

In 2010 National Treasury introduced the local government budget and financial reform agenda and since then several projects to further this agenda have been introduced. The current implementation of the Municipal Standard Chart of Accounts (MSCOA) and the accompanying "game changers" signals a smarter way forward to strengthening local government finances.

Among the objectives of this budget circular is to demonstrate how municipalities should undertake annual budget preparation in accordance with the budget and financial reform agenda and associated "game changers".

Municipalities are reminded to refer to the annual budget circulars of the previous years for guidance on budget preparation that is not covered in this circular.

1. The South African economy at a crossroads

South Africa finds itself at a crossroads. The Medium Term Budget Policy Statement (MTBPS) presented by the Minister of Finance, Mr Tito Mboweni highlights the difficult economic and fiscal choices confronting government over the next several years. In the 2018 MTBPS, the Minister of Finance stated that given the current economic climate the country faces, the government is confronted by difficult economic and fiscal choices over the medium term. The Minister further indicated that South Africa needs to choose a path that leads to faster and more inclusive economic growth and strengthens private and public sector investment. The path should also stabilise and reduce the national debt, as South Africa cannot afford to borrow at the rate we are currently borrowing at.

The 2018 Budget set out expectations of improved economic performance that proved premature. During the first half of this year, South Africa experienced a technical recession – that is, declining of the two consecutive quarters of Gross Domestic Product (GDP) – driven primarily by contractions in agriculture and mining.

A strengthening US dollar and rising global interest rates have triggered fiscal crises in several major developing countries. South Africa's inflation targeting regime, flexible exchange rate and prudent debt management strategy have protected the economy from some of the global fallout. However, these events have led to a sharp depreciation of the Rand and large increases in government bond yields. It is important to note that the 2018 projected GDP growth forecast has been revised down from 1.5 per cent to 0.7 per cent. Growth is expected to recover gradually to over 2 per cent in 2021 as confidence returns and investment gathers pace.

To promote a return to faster growth and job creation, the President announced an economic stimulus and recovery plan in September 2018. The initiative focuses on five interventions:

- Implementing growth-enhancing economic reforms;
- Reprioritising public spending to support economic growth and job creation;
- Establishing an infrastructure fund;
- Addressing urgent matters in education and health; and
- Investing in municipal social infrastructure improvement.

Increased investment in social and economic infrastructure will be a focus of economic recovery over the medium term. This requires an increased role for private sector and better implementation of government's existing plans.

Similar to the same period last year (2017), the country's tax collection targets have not been met, further reducing the funds available to allocate across the three spheres of government.

The following macro-economic forecasts must be considered when preparing the 2019/20 MTRRF municipal budgets.

Table 1.1 Macroeconomic projections, 2017 – 2021

Calendar year	Percentage change unless otherwise indicated				
	2017	2018	2019	2020	
Actual	Estimate	Forecast	Forecast	2021	
Household consumption	2.2	1.6	1.9	2.3	2.6
Gross fixed-capital formation	0.4	0.9	1.5	2.1	2.9
Real GDP growth	1.3	0.7	1.7	2.1	2.3
GDP at current prices (R billion)	4,651.8	4,949.1	5,317.2	5,724.1	6,167.2
CPI inflation	5.3	4.9	5.6	5.4	5.4
Current account balance (% of GDP)	-2.4	-3.2	-3.2	-3.7	-3.9

Source: Reserve Bank and National Treasury

Note: the fiscal year referred to is the national fiscal year (April to March) which is more closely aligned to the municipal fiscal year (July to June) than the calendar year inflation

2. Key focus areas for the 2019/20 budget process

2.1 Local government conditional grants and additional allocations

The proposed division of revenue continues to prioritise funding services for poor communities. Allocations to local government subsidise the cost of delivery of free basic services to low-income households, and the infrastructure needed to deliver those services.

The 2018 Medium Term Budget Policy Statement (MTBPS) indicates transfers to local government for the 2019 MTEF are R415.5 billion, of which R269.2 billion is in the form of unconditional allocations while the remainder is conditional grant funding. The allocations for local government over the medium term represent 8.9 per cent of non-interest expenditure and grows to 9.1 per cent during the same period, which constitutes an increase of 7.2 per cent. These are notable increases from 2018 MTEF, which require municipalities, despite the rising cost of providing basic services, find innovative, effective and efficient ways of making better use of the limited resources, given the current economic situation.

The equitable share and the allocation of the general fuel levy to local government constitute unconditional funding. Municipalities are reminded that this funding allocation is formula driven and designed to fund the provision of free basic services to disadvantaged communities.

Conditional grant funding must be utilised for the intended purpose within the stipulated timeframes, as specified in the annual Division of Revenue Act. Monies not spent must be returned to the fiscus and requests for roll-overs will only be considered where unforeseen and unavoidable circumstances led to underspending of conditional grants.

The annual Division of Revenue Bill will be tabled in February 2019 when the Minister of Finance delivers the budget speech. The grant allocations will be specified in this Bill and municipalities must reconcile their budgets to the numbers published therein.

Municipalities are advised to use the indicative numbers presented in the 2018 Division of Revenue Act to compile their 2019/20 MTEF. In terms of the outer year allocations (2021/22 financial year), it is proposed that municipalities conservatively limit funding allocations to the indicative numbers as proposed in the 2018 Division of Revenue Act for 2020/21. The DoRA is available at <http://www.treasury.gov.za/documents/national%20budget/2018/default.aspx>

Changes to local government allocations

- Over the MTEF period, R415.5 billion will be transferred to local government, including R146.3 billion in infrastructure conditional grants. The largest transfer to municipalities is cent in 2020/21 and 8.6 per cent in 2021/22. These above-inflation increases are due to expected growth in household numbers, and higher bulk water and electricity costs.
- Government will strengthen municipal capacity to improve the use of these allocations. Although the rules have been changed to allow municipalities to use grant funds to refurbish infrastructure, develop water conservation projects and maintain roads if certain conditions are met – few municipalities have taken advantage of these provisions. The national departments that administer these grants are improving their capacity to support municipalities and to assess proposed projects.

- It should be emphasised that the widespread decline in the quality and performance of essential municipal infrastructure significantly constrains the potential for inclusive economic growth. Municipalities should prioritise the maintenance and where necessary the refurbishment of essential municipal infrastructure.

- In many areas of the country, municipal finances are under pressure. This is the result of the rising cost of delivering basic services and weak financial planning and controls, with poor management decisions leading to underinvestment in and insufficient maintenance of infrastructure. In some cases, corrupt practices have taken root in local administrations. Over the period ahead, national transfers to local government will continue to support the delivery of basic services, while incentivising improved performance and the turnaround of troubled municipalities.

- The Department of Cooperative Governance (DCoG) has managed the process to assess applications from municipalities to shift from the Municipal Infrastructure Grant to leveraging of non-grant finance. Several municipalities applied to join this grant during 2018 and the Department of Cooperative Governance (DCoG) will notify those municipalities that have qualified. All other non-metropolitan municipalities should continue to adhere to the Municipal Infrastructure Grant's project registration processes in preparation for 2019/20.

- More than 3.1 million South Africans live in informal settlements, over half of which are in metropolitan municipalities. Over the medium term, informal-settlement upgrading will intensify. On-site upgrading of settlements involves providing municipal services and security of tenure to households. This will encourage residents to improve their own dwellings. Public programmes and funding mechanisms will focus on allowing more flexible and differentiated improvements to settlements. Government will prioritise engagement with communities and their inclusion in upgrading, for example through helping to build and maintain infrastructure. New conditions and ring-fenced funding for upgrading will be included in the urban settlements development grant for metropolitan areas and the human settlements development grant for provinces in 2019/20. Following the pilot phase, government intends to introduce separate metropolitan and provincial grants for informal settlement upgrading. With most electrification backlogs in metros in informal settlements, it is also proposed that allocations for the integrated national electrification programme (municipal) grant be incorporated into the new grant mechanism in these cities.

Reforms to local government fiscal framework

Metropolitan areas and other large cities fund most of their operational budgets from revenues they raise themselves. There is ample scope for creditworthy municipalities with strong financial management to increase local capital investment by expanding municipal borrowing. In 2017/18, half of infrastructure spending by metros and large cities was still funded from transfers, primarily from national government. Reforms over the medium term will enhance the ability of municipalities to raise revenue to invest in their own development.

Government will introduce: Policy reforms to clarify the role of development finance institutions in municipal borrowing and to regulate municipal development charges are under way to broaden municipal access to private capital markets. Financing arrangements with development finance institutions and multilateral development institutions will include much needed technical assistance to improve project planning, preparation and implementation. Government is also updating the policy framework for municipal borrowing and financial emergencies.

Government also provides extensive support to build municipal capacity, including over R2.5 billion per year allocated for this purpose in the budget. The growing number of distressed municipalities indicates the need to make better use of these resources. The current system will be reviewed during 2019.

The new grant that government had proposed to help municipalities facing financial crisis will no longer be introduced. The funds set aside for this will instead be re-prioritised for other initiatives that will assist the turnaround of municipalities. Ultimately, sustainable financial recovery will require improved governance within the affected municipalities following the intervention. And better use of grants, together with improved maintenance, will also reduce pollution from wastewater treatment works, which has become a more pressing concern in a number of municipalities.

Over R2.5 billion has been allocated per year over the 2019/20 MTRRF to enable National and provincial treasuries to better manage interventions. This will strengthen the National Treasury's Municipal Recovery Service (MFRS) capacity to draft financial recovery plans for municipalities and that of provinces to implement these plans. These recovery plans set revenue and spending targets for the municipality and identify specific revenue-raising measures.

In 2018/19, 113 municipalities adopted unfunded budgets, compared to 83 in the prior year. In addition, municipalities owe more than R23 billion in arrears, including to Eskom and water boards. Although the primary responsibility to resolve these financial problems rests with municipalities themselves, the Constitution states that when a municipality is in financial crisis, the provincial government must intervene – and if the province is not able to, then national government must do so. However, few past interventions have succeeded in producing a sustained turnaround.

2.3 Addressing the growing financial crisis in municipalities

The importance of tabling funded budgets is highlighted in MFMA Circular No. 74 and 89. Adopting a funded budget has become more critical now than before as it has direct bearing on the financial sustainability of the institution. It has been agreed that no municipality will adopt an unfunded budget in the future. There are cases that may warrant a plan as this may not be achievable over one year. As a result, such municipalities must, together with their 2019/20 MTRRF budget, table a plan in a municipal council on how and by when the budget will improve from an unfunded to a funded position. This will be essential when the National and provincial treasuries are assessing the budget to determine its credibility. The assessment of the 2018/19 MTRRF budgets have shown a deterioration with more budgets being unfunded. Plans and support will have to be re-evaluated to produce a positive outcome.

2.2 Tabling of funded budgets

The purpose is to establish a system which not only ensures stability and certainty in local government finances, but also seeks to implicitly create incentives and attract more players in the municipal debt market space, i.e. insurers, pension funds, fund managers and DFIs.

2.4 Municipal Standard Chart of Accounts (MSCOA)

Release of Version 6.3 of the Chart

On an annual basis, the MSCOA chart is reviewed to address implementation challenges and correct chart related errors. Towards this end, Version 6.3 is released with this circular (see Annexure A). Version 6.3 of the chart will be effective from 2019/20 and must be used to compile the 2019/20 MTRRF and is available on the link below:

<http://mfma.treasury.gov.za/RegulationsandGazettes/MunicipalRegulationsOnAStandardChartOfAccountsFinal/Pages/default.aspx>

Amendments of adopted budget errors during the adjustments budget

During the 2018/19 budget verification process it was evident that municipalities are still not able to align MSCOA original budget data string to the original budget adopted by municipal council. The root cause for the discrepancies is that municipalities do not plan, test and generate the Schedules A1 directly from the financial systems but prepare the Schedules A1 manually on excel spreadsheets and then captured the tabled and original budgets on the system (or worse, the core system vendor does it for them) after these were tabled and adopted in Council.

Furthermore, some municipalities prepared their tabled budgets in the financial system but made changes to it during community consultation and council meeting(s). These changes were effected to the Schedule A that served before Council but never made on the financial system. Hence, the municipality started transacting against the tabled budget on the system instead of the adopted budget. In terms of the MSCOA Regulations, the budget must be approved and locked on the financial system prior to the municipality transacting against it on the financial system.

In terms of the MFMA and Municipal Budget and Reporting Regulations, errors in the budget can only be corrected during the adjustments budget process. Municipalities should therefore ensure that their adjusted budget data strings align to Schedule B adopted by municipal council. National and provincial treasuries will undertake a verification process on the adjusted budgets in relation to the data strings. Municipalities are advised to submit the draft adjusted budget data strings and Schedule B in advance for verification purposes to ensure that aligned documents are adopted by municipal council by 28 February 2019.

Changing of the Core Financial System

Municipalities must follow the required due diligence processes required in terms of MFMA Circular 80 and MSCOA Circulars No. 5 and 6 prior to changing their core financial systems. In terms of these circulars:

1. A municipality must conduct an ICT due diligence of all the existing ICT system(s).
2. Once this ICT Due Diligence has been completed, the municipality's MSCOA Project Steering Committee (chaired by the Accounting Officer) must:
 - a) Assess whether the municipality's existing system(s) as a package, meets the systems comply with the functionality requirements for its category and 15 business processes required in terms of MSCOA. This should be the main consideration in the decision on whether a new financial system is required;
 - b) Consider the cost of any additional functionality the municipality will have to procure from its existing package of service provider(s) and the affordability

thereof to the municipality considering its budget. Importantly, if a municipality did not budget to purchase or upgrade their core financial system or any component thereof in the budget adopted by Council, then the purchase will have to be deferred to the next financial year to avoid irregular expenditure;

- c) Compare the total cost of its existing 'package of system(s)', including the cost for any additional functionality with the other available service offerings for its category; and
- d) Consider the penalties and reasons for contract termination in any of its contracts with existing service providers.

3. The project steering committee must document its decision and recommendation(s) on the way forward (relating to the items listed above) for the municipality and its municipal entities (on the municipality's 'package of existing system(s)'), clearly setting-out its findings.

4. Once the municipality's MSCOA project steering committee has made its decision and recommendation(s), the municipality must solicit the comments of the National Treasury and Provincial Treasury. A detailed motivation on the need to change the core financial system should be provided to the National and Provincial Treasuries, the Municipal Manager and Council.

5. Once the municipality has received the comments of the National Treasury and the Provincial Treasuries, the MSCOA Project Steering Committee and Municipal Manager should consider such comments and prepare a recommendation to the Municipal Council in this regard.

6. The municipal manager must submit a copy of the municipal council's decision to the National Treasury and Provincial Treasury within five (5) working days after the meeting during which the Municipal Council has made the decision in this regard.

7. **The municipality should then follow its own tender processes to procure a financial system on the open market until such time that a new transversal tender are in place.** Thereafter, municipalities may request permission from National Treasury's Office of the Chief Procurement Officer to use the transversal tender to procure a financial system.

8. The municipality should ensure that the Service Level Agreement entered into with the system provider provides for specific and realistic milestones and include penalties and termination clauses for failing to meet milestones. In addition, municipalities should implement proper contract management and exercising tight control over contractual obligations by system providers.

The National Treasury has also secured funding to conduct independent audits on all municipal core financial systems to determine to what extent these systems comply with the functional requirements and 15 business processes required in terms of MSCOA. These results will also inform the new transversal tender for the procurement of municipal financial and internal control systems in 2019. Until these audits have been concluded and the results have been released, municipalities should exercise caution when changing their financial system to avoid purchasing a system that do not comply with the necessary MSCOA functionality requirements.

Municipalities are advised to use their internal audit function to ensure that the correct process requirements of MSCOA and the reports of internal audit must be tabled at audit committee and at municipal council for their consideration.

3. The revenue budget

The economic situation has not improved since the previous financial year. Therefore, municipalities are reminded as it was communicated in MFMA Circular No. 89 that weak national government are growing more slowly than in the past. Some municipalities have managed these challenges well, but others have fallen into financial distress and face liquidity problems. These include municipalities that are unable to meet their payment obligations to Eskom, water boards and other creditors. There is a need for municipalities to focus on collecting revenues owed to them, and eliminate wasteful and non-core spending. Municipal budgets will be scrutinised to ensure that municipalities adequately provide to service their debt obligations. Municipalities must ensure that expenditure is limited to the maximum revenue collected and not spend on money that they do not have.

National Treasury encourages municipalities to maintain tariff increases at levels that reflect an appropriate balance between the affordability to poorer households and other customers while ensuring the financial sustainability of the municipality. The Consumer Price Index (CPI) inflation is forecasted to be within the upper limit of the 3 to 6 per cent target band; therefore, municipalities are required to **justify all increases in excess of the projected inflation target for 2019/20** in their budget narratives, and pay careful attention to the differential incidence of tariff increases across all consumer groups. In addition, municipalities should include details of their revenue growth assumptions for the different service charges in the budget narrative.

3.1 Maximising the revenue generation of the municipal revenue base

Municipalities must comply with Section 18 of the MFMA and ensure that they fund their 2019/20 MTRFE budgets from realistically anticipated revenues to be collected. Subsequently, municipalities are cautioned against assuming collection rates that are unrealistic and unattainable as this has been identified as a fundamental reason for municipalities in financial distress.

It is critical to compare the valuation roll data to that of the billing system to ensure that revenue anticipated from property rates are realistic. The list of exceptions derived from this reconciliation will provide an indication of where the municipality may be compromising its revenue generation in respect of property rates. A further test would be to reconcile this with the deeds office registry. This reconciliation should be undertaken quarterly. Towards this end, municipalities are requested to submit the following information to the National Treasury:

1. A copy of the approved current Valuation Roll of the municipality;
2. A copy of the approved Supplementary Valuation Roll of the municipality;
3. An extract from the financial system showing the property rates information (preferably in excel);
4. The detail of the reconciliation between the GVR and the financial system illustrating the variances; and
5. The proposed process to rectify the variances.

In addition, the format below (excel) is required that captures a high level summary of the exercise.

Rates Category	Number of Properties	Consolidated Value of Properties	Financial System Number of Properties	Consolidated Value of Properties	Variance	Comments
Approved General Valuation Roll						

The above information must be submitted on a CD or USB to the LGBA, for attention:

For couriered documents
 Ms Linda Kruger
 National Treasury
 40 Church Square
 Pretoria, 0002

For posted documents
 Ms Linda Kruger
 National Treasury
 Private Bag X115
 Pretoria, 0001

In addition, municipalities that maintain an indigent register and not utilise a targeted approach, are requested to periodically review the indigent register to verify that beneficiaries are still eligible for the subsidy that they obtain. Municipalities are also encouraged to revise their Local Economic Development strategies to have a targeted approach to alleviate the situation of the indigents as part of poverty alleviation.

3.2 Eskom bulk tariff increases

The National Energy Regulator of South Africa (NERSA) develops the municipal tariff guideline increase based on Eskom's approved bulk price increase of electricity to municipalities and the increase on the municipalities' cost structures. Eskom has made a revenue application for the 2019/20 financial year, but NERSA has yet to make a decision on the application. Municipalities should refer to www.nersa.org.za for updates on the outcome of this process. Municipal bulk tariff increases will depend on the outcome of that process.

Municipalities are also urged to examine the cost structure of providing electricity services and to apply to NERSA for electricity tariff increases that reflect the total cost of providing the service so that they work towards achieving fully cost-reflective tariffs that will help them achieve financial sustainability. Municipalities in arrears with Eskom should ensure that their payment arrangements are effected in their 2019/20 MTRRF budget.

3.3 Water tariff increases

Drought conditions makes it difficult for some municipalities to improve revenue generation from this service. It is now more important to improve demand management, infrastructure maintenance, loss management, meter reading and tariff setting in respect of water services.

Municipalities must ensure that the tariffs charged are able to cover for the cost of bulk purchases, ongoing operations as well as provision for future infrastructure. There are municipalities that are struggling to pay water boards due to a number of issues, one of which is poor financial sustainability and cost recovery. All municipalities in arrears with bulk suppliers must ensure that their payment arrangements are effected in their 2019/20 MTRRF budget.

Accounting officers should take note that failure to undertake proper due diligence in terms of the affordability of payment arrangements and making the necessary provision in the municipality's budget will be considered as an act of financial misconduct and the necessary action in terms of chapter 15 of the MFMA read with the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, 2014, will have to be taken.

4. Funding choices and budgeting issues

As a result of the economic landscape and weak tariff setting, municipalities are under pressure to generate additional revenue. The ability of customers to pay for services continues to decline, leading to limited revenue collection. Therefore, municipalities must consider the following when compiling their 2019/20 MTRRF budgets:

- Improving the effectiveness of revenue management processes and procedures;

- Unspent Grants – linked by a formula from Table SA3;
- Working Capital – Creditors due - linked by a formula from Table SA3 that currently includes all Trade and Other-Payables from Exchange Transactions as explained above;

and

The inclusion of such liabilities as "Trade and Other-Payables from Exchange Transactions" under "Working Capital – Creditors due" on Table A8 has an impact on the funding assessment as they are considered when determining whether the budget is funded as per the Municipal Budget and Reporting Regulations schedules. Table A8 is separated into three disclosures which are:

Municipalities raised concerns about the calculation used for determining the creditors' payment period ratio. As a result, an analysis was undertaken of the note in the Annual Financial Statements relating to Trade Payables from Exchange Transactions as it is disclosed on the face of the Statement of Financial Position. The analysis revealed that this liability includes creditors which do not have a direct impact on the ratio, such as payments received in advance, funds administered on behalf of third parties, retention, accrued staff leave, license fees etc.

4.3 Budgeting for Trade Payables on Table SA3

Municipalities are advised to budget for the actual costs approved in accordance with the Government Gazette No. 20 of 1998 on the Remuneration of Public Office Bearers Act. Determination of Upper Limits of Salaries, Allowances and Benefits of different members of municipal councils published annually between December and January by the Department of Cooperative Governance (DCoG). Any overpayment to councillors contrary to the upper limits as published by the Minister of Cooperative Governance and Traditional Affairs will be irregular expenditure in terms of Section 167 of the MFMA and must be recovered from the councillor(s) concerned.

4.2 Remuneration of councillors

The *Salary and Wage Collective Agreement* for the period 01 July 2018 to 30 June 2021 dated 15 August 2018 through the South African Local Government Bargaining Council Circular No. 6 of 2018 should be used when budgeting for employee related costs for the 2019 MTRRF. Municipalities are encouraged to perform an annual head count and payroll verification process by undertaking a once a year manual salary disbursement, in order to root out ghost employees.

4.1 Employee related costs

Accounting officers are reminded of their responsibility in terms of Section 62(1)(a) of the MFMA to use the resources of the municipality effectively, efficiently and economically. Failure to do this will result in the accounting officer committing an act of financial misconduct which will trigger the application of Chapter 15 of the MFMA read with the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.

- Accounting officers are reminded of their responsibility in terms of Section 62(1)(a) of the MFMA to use the resources of the municipality effectively, efficiently and economically. Failure to do this will result in the accounting officer committing an act of financial misconduct which will trigger the application of Chapter 15 of the MFMA read with the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.
- ensuring value for money through the procurement process;
- the affordability of providing free basic services to all households; and
- curbing consumption of water and electricity by the indigents to ensure that they do not exceed their allocation.
- paying special attention to cost containment measures by, amongst other things, controlling unnecessary spending on nice-to-have items and non-essential activities as was highlighted in MFMA Circular No. 82;

- Statutory Requirements – This refers to VAT and taxation and is not linked by a formula to any table as it may include VAT and taxation receivable included under Other Debtors in Table A6 and/or VAT and taxation payable included in Table SA3.

The disclosure above may be adequate in terms of the requirements to determine the funding of the budget on Table A8, but it does not assist with disclosing Trade Payables ("true trade creditors") for the purpose of calculating the expenditure management efficiency ratio ("Creditors Payment Period (Trade Creditors)" in terms of the National Treasury Circular No. 71.

Accordingly, Table SA3 has been amended to separate Trade and Other Creditors into two separate lines. The revised disclosure will be as follows:

- Trade payables - (should be "true creditors" only);
- Other creditors – (should include all the above liabilities, except VAT that is disclosed separately);
- Unspent conditional transfers; and
- VAT.

"Trade Payables" and "Other Creditors" will be added together for the purpose of calculating "Creditors Due" in row 31 under the working capital calculation on Table A8.

4.4 Budgeting for Inventory: Water

Bulk water purchases meet the criteria of the definition of inventory as per GRAP 12, paragraph .07. Therefore, water bulk purchases should be treated as inventory and should be budgeted and accounted for accordingly. National Treasury issued guidance on the treatment of non-revenue water and electricity in Annexure B to the MFMA Circular No. 70 for the 2014/15 MTRRF. However, since the issue of that circular, National Treasury has allowed municipalities to either budget for water bulk purchases as a direct expense in the Statement of Financial Performance as an interim measure or to account for water under inventory. The MSCOA chart also makes provision for such. However, to ensure compliance to GRAP 12 the necessary amendments must be effected to the Schedule A tables and the chart.

National Treasury considered the impact that the changes to the Schedule A tables will have on municipalities, as a result it was resolved that they are significant and should not be implemented in the 2019/20 MTRRF. This entails a change in approach where water bulk purchases will be processed as a cash transaction in the Statement of Financial Position – Acquisition of Inventory (Table A6). The system input volume (acquisitions) of water stock includes the following:

- Bulk purchases - Supply from bulk or other water service providers recognised by the amount paid;
- Water purified - Potable supply from Water Treatment Works. Value is to be determined by calculating primary and secondary cost components; and
- Natural sources - Supply from boreholes, springs, fountains if not supplied through the water treatment plant. Value is to be determined by calculating primary and secondary cost components.

It is therefore evident that the total input volume of water as it relates to water purified and water from natural sources should include both primary and secondary cost components. The allocation of secondary cost to the input volume of water will necessitate the utilisation of the Costing Segment of the MSCOA chart.

Municipalities are cautioned that the Schedule A for the 2020/21 MTRRF will be amended in line with the prescripts of GRAP12 and mSCOA in relation to the treatment of water bulk purchases as inventory. Therefore, municipalities will be required to budget accordingly and should now in advance consider the requirements necessary to facilitate this conversion and ensure accurate configuration of their financial systems as it is a mSCOA requirement that the schedules must be extracted directly from the system. Municipalities are urged to refer to the mSCOA chart on the definitions and the detail of what constitutes water inventory consumed (cost of sales). Furthermore, reference should be made to the Department of Water and Sanitation (DWS) Municipal Water Balance Guideline for guiding principles which is accessible on the link below:

Department of Water and Sanitation (DWS) Municipal Water Balance Guideline

5. Conditional Grant transfers to Municipalities

5.1 Summary of changes in the Division of Revenue Amendment Bill, 2018

An adjustments budget provides for unforeseen and unavoidable expenditure; appropriation of monies already announced during the tabling of the annual budget (but not allocated at that stage); the shifting of funds between and within votes where a function is transferred; the utilisation of savings; and the roll-over of unspent funds from the preceding financial year. If the adjustments budget effects changes to the division of revenue as contained in the Division of Revenue Act for the relevant year, the Minister of Finance must table a Division of Revenue Amendment Bill with the revised framework. There are amendments to the 2018 Budget that affect the Division of Revenue Act, 2018 which will be effected through the Division of Revenue Amendment Act, 2018, once enacted. The amendments as they impact on provinces and municipalities are discussed below.

Funding for drought relief

The Minister of Finance announced during the 2018 Budget Speech that, "a provisional allocation of R6 billion has been set aside in 2018/19 for several purposes, including drought relief and to augment public infrastructure investment." National Treasury managed a process to determine the allocation of drought relief funds that included two windows for applications. All applications were reviewed together with inputs from sector departments and the National Disaster Management Centre. A total of R3,4 billion in drought response funding has been allocated to all three spheres of government, including several direct and indirect grant allocations, which are included in this Bill.

A total of R1,98 billion is added to direct conditional grants for drought relief. These amounts have already been gazetted on 4 October 2018, after the Minister of Finance approved that the funds could be spent in terms of Section 6(1) of the Appropriation Act, 2018, (Act No. 4 of 2018). This section provides for the Minister of Finance to approve expenditure before an adjustment appropriation bill is enacted if that expenditure cannot reasonably be delayed without negatively affecting service delivery and such expenditure was announced during the tabling of the 2018/19 national annual budget. The following amounts have been added to direct conditional grants to municipalities:

- R288,1 million for the water services infrastructure grant to local government. This allocation will fund a variety of water supply augmentation projects for drought affected municipalities, including drilling and equipping boreholes to access groundwater and implementing water conservation measures where the reduction of water losses will improve the sustainability of supply.

R1.03 billion for the municipal disaster recovery grant to local government. Funds allocated through this grant will be transferred to three metropolitan municipalities that have been severely impacted by the drought: Cape Town, Nelson Mandela Bay and Mangungu. The funds will subsidise the costs of water augmentation projects, including groundwater development and water conservation measures where the reduction of water losses will improve the sustainability of supply. All of these cities are also expected to contribute funds from their own revenue base to their water augmentation projects.

The following amounts have been added to indirect conditional grants that benefit local government:

- R1.01 billion for the indirect water services infrastructure grant. This allocation will fund a variety of water supply augmentation projects for drought affected municipalities, including drilling and equipping boreholes to access groundwater and implementing water conservation measures where the reduction of water losses will improve the sustainability of supply.
- R6 million for the indirect regional bulk infrastructure grant. This allocation will fund a water supply augmentation project in Ndlambe Local Municipality affected by drought. The municipality is already receiving an allocation managed through this indirect grant in the 2018/19 financial year.

Additional changes to local government allocations

Additional allocations to support disaster recovery

R143.3 million is added to the municipal disaster recovery grant for post disaster repair and rehabilitation projects in a number of municipalities in KwaZulu-Natal and Western Cape. The municipalities in KwaZulu-Natal are allocated a total of R138.7 million for the repair and rehabilitation of roads, storm water and sanitation infrastructure and community facilities that were damaged by floods. R4.6 million is allocated for the repair and rehabilitation of water and electricity infrastructure in the Bitou Local Municipality in Western Cape.

Additional allocation for the public transport network grant

R33 million is added to the public transport network grant for the City of Cape Town to begin detailed design on a new phase of the MyCiti public transport network approved through the Budget Facility for Infrastructure.

Conversion of the municipal systems improvement grant from Schedule 6, Part B (indirect) to Schedule 5, Part B (direct)

R23.2 million of the municipal systems improvement grant will be converted from Schedule 6, Part B (indirect) to Schedule 5, Part B (direct) for 22 municipalities affected by major boundary changes that took effect after the 2016 local government elections. This amount was made available in the indirect municipal systems improvement grant in 2018/19, to assist with the completion of transitional work in the affected municipalities, following the end of the municipal demarcation transition grant (Schedule 5, Part B (direct)) at the end of the 2017/18 financial year.

These municipalities have been implementing the institutional and administrative changes that were required as a result of the boundary changes, including with funding from the former municipal demarcation transition grant. This conversion supports these 22 municipalities to complete the implementation of these transitional matters.

5.2 Conditional grant monitoring support and Non-compliance of in year monitoring

National Treasury has through its in-year Division of Revenue Act monitoring observed that certain departments that administer municipal grants have not fully complied with the provisions of the Act. Notably the national departments of Transport and Water Services have not fully transferred some of the transfers that were due to the municipalities. Stringent measures are being put in place to ensure compliance to the Division of Revenue Act, 2018 (Act No 1 of 2018) in that regard.

Furthermore, National Treasury has facilitated an adjustment gazette in terms of the Division of Revenue Act in terms of distressed municipalities that could not safeguard the transfers bestowed to them but also to reallocate some of these grants to the respective district municipalities in support of their distressed locals. Government gazette No. 42067 of 28 November 2018 provides for the following in this regard:

Municipal Infrastructure Grant (MIG)

National Treasury in consultation with the Department of Cooperative Governance (DCoG), concluded that municipalities reflecting significant uncommitted underspending would have their funds stopped within four provinces, namely: Eastern Cape, Free State, Northern Cape and North West, and be re-allocated to the respective District Municipalities for delivery on behalf of their locals.

The Municipal Emergency Housing Grant (MEHG)

The Department of Human Settlements (DHS) recommended to National Treasury that an allocation of an amount of R3.9 million is allocated through MEHG following a fire disaster that damaged most of the informal settlements within the Bitou LM in the Western Cape in order to fund the relocation costs and Transitional Residential Area units.

The Neighbourhood Development Partnership Grant (NDPG)

Based on Msunduzi Local Municipality's (LM) request, R27.4 million is stopped from Msunduzi's 2018/19 allocation and re-allocated to West Rand District Municipality (DM) in Gauteng province and City of Matlosana LM in North West province. West Rand DM will receive R20 million, while City of Matlosana LM will be allocated R7.4 million of the R27.4 million stopped from Msunduzi LM.

5.3 Support afforded to municipalities reflecting significant underspending

The municipalities that are affected by the stopping process due to governance and financial challenges will continue to receive support from National Treasury, DCoG and the relevant stakeholders on the MIG cost reimbursement and invoice verification which has been ongoing in the current financial year.

5.4 2017/18 Unspent conditional grant process

National Treasury has concluded the assessment of the 2017/18 conditional grant rollovers and the verification of the unspent conditional grants. This is a process that is governed by Section 22 of the 2017 Division of Revenue Act.

National Treasury through this process undertakes to travel to all provinces on a roadshow and set-up a combined session with all provincial treasurers and all sector departments responsible for administering conditional grants. In these sessions, rollover requests from municipalities are assessed in accordance to the division of revenue act and the guiding MFMA Circular. It is a process that begins on 31 August 2018 and ends 03 December 2018.

Municipalities with unspent conditional grants that were not approved for rollover, are afforded an opportunity to refund the portion of the unspent funds to the National Revenue Fund (NRF). In instances wherein the unspent funds are not refunded to the NRF, National Treasury in accordance to Section 22 of the Division of Revenue Act, offsets these funds against the equitable share allocations.

6. Preparation of Municipal Budgets for 2019/20 MTRRF

6.1 Schedule A1 version to be used for the 2019/20 MTRRF

National Treasury has released Version 6.3 of the Schedule A1 (the Excel Formats) which is aligned to Version 6.3 of the mSCOA classification framework and must be used when compiling the 2019/20 MTRRF budget. Refer to Annexure B for the changes to this version of the Schedule A1.

ALL municipalities MUST use this version for the preparation of their 2019/20 MTRRF budget.

It is imperative that all municipalities prepare their 2019/20 MTRRF budgets in their financial systems and that the Schedule A1 be produced directly from their financial system. Vendors have recently demonstrated their budget modules to the National Treasury and provincial treasuries. All financial systems have this functionality to assist and prepare budgets and to generate the prescribed Schedule A1 directly from the financial system. Municipalities **must** start early enough to capture their tabled budget (and later the adopted budget) in the budget module provided and **must** ensure that they produce their Schedule A1 directly out of the budget module.

To promote this approach, from the **2020/21 MTRRF** the National Treasury will only accept a Schedule A1 in PDF format, containing ALL sheets as prescribed and with each worksheet displaying an embedded system stamp to certify that it has been produced directly from the system. For purposes of collecting additional data which we previously did using the Schedule A1 in Excel, a prescribed data string containing the data must be populated and uploaded by each municipality (refer to the attachment to MFMA Budget Circular No 93 on the website).

<http://mfma.treasury.gov.za/Circulars/Pages/default.aspx>

Special attention must be given to the supporting schedules in the prescribed Schedule A1. Where detailed data is lying in a sub-system e.g. human resource data for SA22 to SA24, this data must be pulled from the sub-system into the applicable supporting sheet and must form part of the complete endorsed Schedule A1.

Version 6.3 of Schedule A1 is available on the following link:

The Municipal Budget and Reporting Regulations, formats and associated guides are available on National Treasury's website at:
<http://mfma.treasury.gov.za/RegulationsandGazettes/Pages/default.aspx>

6.2 Assistance with the compilation of budgets

If municipalities require advice with the compilation of their respective budgets, specifically the budget documents or Schedule A1, they should direct their enquiries to their respective provincial treasuries or to the following National Treasury officials:

Province	Responsible NT officials	Tel. No.	Email
Eastern Cape	Bernard Mokgabodi	012-315 5936	Bernard.Mokgabodi@treasury.gov.za
Free State	Jordan Maja	012-315 5663	Jordan.Maja@treasury.gov.za
	Cethekile Moshane	012-315 5079	Cethekile.moshane@treasury.gov.za
Gauteng	Kgomotso Baloyi	012-315 5866	Kgomotso.Baloyi@treasury.gov.za
KwaZulu-Natal	Bernard Mokgabodi	012-315 5936	Bernard.Mokgabodi@treasury.gov.za
	Johan Botha	012-315 5171	Johan.Botha@treasury.gov.za
Limpopo	Una Rautenbach	012-315 5700	Una.Rautenbach@treasury.gov.za
	Sifiso Mabaso	012-315 5952	Sifiso.Mabaso@treasury.gov.za
Mpumalanga	William Voigt	012-315 5830	WilliamCordes.Voigt@treasury.gov.za
	Mandla Gillimani	012-315 5807	Mandla.Gillimani@treasury.gov.za
Northern Cape	Jordan Maja	012-315 5663	Jordan.Maja@treasury.gov.za
	Anthony Moseki	012-315 5174	Anthony.Moseki@treasury.gov.za
North West	William Voigt	012-315 5830	WilliamCordes.Voigt@treasury.gov.za
	Makgabo Maboya	012-315 5156	Makgabo.Maboya@treasury.gov.za
Western Cape	Kgomotso Baloyi	012-315 5866	Kgomotso.Baloyi@treasury.gov.za
	Kevin Bell	012-315 5725	Kevin.Bell@treasury.gov.za
Technical issues with Excel formats	Elisabe Rossouw	012-315 5534	Igdataqueres@treasury.gov.za

National and provincial treasuries, will undertake a compliance check and, where municipalities have not provided complete budget information, the municipal budgets will be returned to the mayors and municipal managers of the affected municipalities for the necessary corrections. Municipal managers are reminded that the annual budget must be accompanied by a quality certificate and council resolution in accordance with the format specified in item 31 of Schedule A of the Municipal Budget and Reporting Regulations.

The National Treasury would like to emphasise that where municipalities have not adhered to the Municipal Budget and Reporting Regulations, they will be required to go back to the municipal Council and table a complete budget document aligned to the requirement of the Municipal Budget and Reporting Regulations. In addition, where municipalities have adopted an unfunded budget, they will be required to correct the budget to ensure they adopt and implement a funded budget. However, where there are challenges the process indicated in paragraph 2.2 above will be applied.

Municipalities with municipal entities are once again reminded to prepare consolidated budgets and in-year monitoring reports for both the parent municipality and its entity or entities. The following must be compiled:

- An annual budget, adjustments budget and monthly financial reports for the parent municipality in the relevant formats;
- An annual budget, adjustments budget and monthly financial reports for the entity in the relevant formats; and
- A consolidated annual budget, adjustments budget and monthly financial reports for the parent municipality and all its municipal entities in the relevant formats.

The A Schedule that the municipality submits to National Treasury must be a consolidated budget for the municipality (including entities) and the budget of the parent municipality. D schedules must be submitted for each entity.

7. Budget process and submissions for the 2019/20 MTRF

7.1 Submitting budget documentation and schedules for 2019/20 MTRF

To facilitate oversight of compliance with the Municipal Budget and Reporting Regulations, accounting officers are reminded that:

- Section 22(b)(i) of the MFMA requires that, **immediately** after an annual budget is tabled in a municipal council, it must be submitted to the National Treasury and the relevant provincial treasury in both printed and electronic formats. If the annual budget is tabled to council on 29 March 2019, the final date of submission of the electronic budget documents and corresponding electronic returns is **Monday, 01 April 2019**. The deadline for submission of hard copies including council resolution is **Friday, 05 April 2019**.
- Section 24(3) of the MFMA, read together with regulation 20(1) of the Municipal Budget and Reporting Regulations, requires that the approved annual budget must be submitted to both National Treasury and the relevant provincial treasury **within ten working days** after the council has approved the annual budget. E.g. if the council approves the annual budget on 31 May 2019, the final date for such a submission is Friday, 14 June 2019.

The municipal manager must submit:

- the budget documentation as set out in Schedule A (version 6.3) of the Municipal Budget and Reporting Regulations, including the main Tables (A1 - A10) and ALL the supporting tables (SA1 – SA38) in PDF format with stamp that will confirm production directly out of the financial system;
- the draft service delivery and budget implementation plan in both printed and electronic format;
- the draft integrated development plan;
- the council resolution;
- signed Quality Certificate as prescribed in the Municipal Budget and Reporting Regulations; and
- schedules D specific for the entities.

Budget related documents and schedules must be uploaded by approved registered users using the LG Upload Portal at:

<https://lguuploadportal.treasury.gov.za/>

Please note that the LG Upload Portal does not have size restrictions to the documents but requires all documents to:

1. be in PDF format; and
2. each PDF file must NOT contain multiple document e.g. council resolution and quality certificate within the budget document.

Municipalities may still send electronic versions of documents and the Schedule A1 to lgdocuments@treasury.gov.za but only when experiencing problems with the LG Upload Portal. Any problems experienced in this regard can be addressed with Elisabe Rossouw at Elisabe.Rossouw@treasury.gov.za.

Note: lgbigfiles@gmail.com is no longer available.

Municipalities are required to send printed submissions of their budget documents and council resolution to:

For couriered documents	Ms Linda Kruger National Treasury 40 Church Square Pretoria, 0002
For posted documents	Ms Linda Kruger National Treasury Private Bag X115 Pretoria, 0001

In addition to the above-mentioned budget documentation, metropolitan municipalities must submit the draft Built Environment Performance Plan (BEPF) tabled in council by 29 March 2019 to Yasmin.coovadia@treasury.gov.za. If the BEPF documents are too large to be sent via email (exceeds 4MB) please submit to yasmin.coovadia@gmail.com or send to Yasmin Coovadia via Dropbox; any problems experienced in this regard can be addressed with Yasmin.Coovadia@treasury.gov.za. Hard copies of the BEPF may be sent to Yasmin Coovadia, National Treasury, 3rd floor 40 Church Square, Pretoria, 0002 or Private Bag X115, Pretoria, 0001.

7.2 Retirement of the Budget reform returns (Appendix B)

From 2019/20 onwards, municipalities will no longer be required to continue with the use of the Budget Reform Returns to upload budget and monthly expenditure to the National Treasury Local Government Database for publication purposes. The National Treasury will use only the *mSCOA* data strings required for submission as prescribed and all publications will use the data collected from the *mSCOA* data strings.

This places the responsibility on each municipality to ensure that:

1. Budgets are accurately locked into the financial system;
2. Each transaction is accurately recorded on a daily base;
3. Data collected from sub-systems is accurately represented in the General Ledger (GL);
4. At the end of the reporting period, all reconciliations are done, sub-systems are in balance and the Municipal Manager and CFO agrees with the figures as presented in the Schedule C and other management reports or dashboards;
5. The reporting period is **CLOSED** for further transactions; and
6. The data string for the period is produced directly out of the financial system and uploaded using the LG Upload Portal.

While the National Treasury will still share control reports and Schedule C as produced from the data uploaded by municipalities, the verification process before each quarterly Section 71 publication will fall away as the responsibility now lies with the municipality **BEFORE** submitting the data strings to ensure that the data is an accurate reflection of the state of municipal finances.

The tabled and adopted budget data strings submitted to the Local Government Database and Reporting system should also be consolidated figures.

NOTE: Municipalities must conclude all reporting for 2018/19 up to restated audit outcomes on the Appendix B (old electronic returns) to ldatabase@treasury.gov.za before we can retire the returns.

7.3 Budget verification process

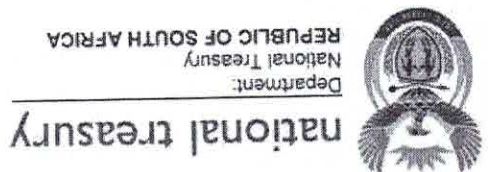
Annually during the budget verification process, it is noted that municipalities have challenges to align the audited years, which results in amendments to the Schedule A. Municipalities must ensure that the audited figures and adjusted budget figures captured on the Schedule A aligns to the annual financial statements and Schedule B respectively.

7.4 Publication of budgets on municipal websites

In terms of section 75 of the MFMA, all municipalities are required to publish their tabled budgets, adopted budgets, annual reports (containing audited annual financial statements) and other relevant information on the municipality's website. This will aid in promoting public accountability and good governance.

All relevant documents mentioned in this circular are available on the National Treasury website, <http://mfma.treasury.gov.za/Pages/Default.aspx>. Municipalities are encouraged to visit it regularly as documents are regularly added / updated on the website.

Contact



Post Private Bag X115, Pretoria 0001
Phone 012 315 5009
Fax 012 395 6553
Website <http://www.treasury.gov.za/default.aspx>

JH Hattingh
 Chief Director: Local Government Budget Analysis
 07 December 2018

Annexure A – Changes to MSCOA Version 6.3

No.	Segment	Amendment
1	Item Revenue: National transfers and subsidies	Included all national transfers and subsidies as per MTBPS and allowed for the split between operating and capital as per the grant frameworks
2	Item Revenue: Provincial transfers and subsidies	Allowed provincial transfers and subsidies to be breakdown required where municipalities will specify the names of the grants
3	Item Revenue: Property rates	Included the new property categories as per section 8 of the Municipal Property Rates Act (MPRA)
4	Item Revenue: Sale of goods: Agricultural products	Added a separate line for fresh produce
5	Item Revenue	Added availability charges under non-exchange revenue
6	Item Expenditure: Operational costs	Included breakdown for Speaker under entertainment
7	Item Expenditure: Depreciation	Retired sport and recreation facilities as an asset category as it is included in community assets as per CIDMS
8	Item Expenditure	Changed the spelling for Eskom
9	Item gains and losses	Aligned the high level structure for impairment and reversal of impairment to depreciation and amortisation
10	Item gains and losses and Item assets	Added a line for impairment of construction work in progress assets as per GRAP 21
11	Item assets	Retired libraries as an asset category as it is included in community assets as per CIDMS
12	Item assets: Construction Work in Progress	Added a line to transfer assets from construction work in progress to completed assets
13	Item assets	Changed the definition for general plant to align to the ASB guideline
14	Function	Retired the line item for Budget and Treasury Office as it is part of Finance
15	Function	Retired public forces, traffic and street parking control from Road Transport and included it as Public Safety
16	Region	Included ward / township breakdown as requested by municipalities
17	Region	Retired decommissioned municipalities due to demarcation
18	Region	Swapped municipalities included under DC 36 and DC 30
19	Region	Retired duplicated municipality

Annexure B – Changes to Schedule A1 – the ‘Excel formats’

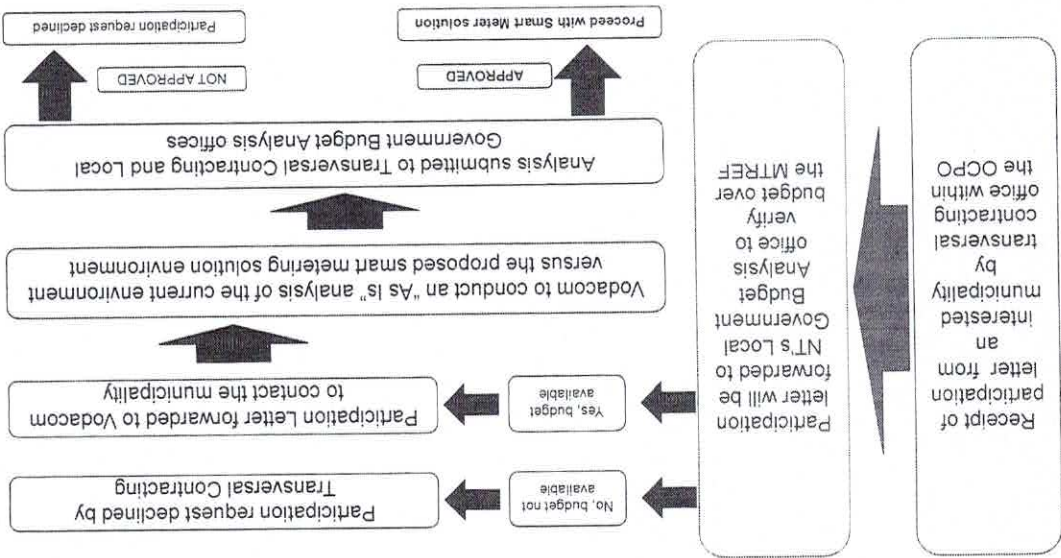
As noted above, National Treasury has released Version 6.3 of Schedule A1 (the Excel Formats). It incorporates the following changes:

No.	Sheet	Amendment	Reason
1	A2A	Budget and Treasury office has been removed	It is a duplication of Finance
2	A4	Line 10 Service charges – other is no longer available	Not available on the mSCOA chart
3	A6	Line 20 Agriculture is no longer available	Not available on the mSCOA chart
2	A6	Formula link change on line 32 Trade and other payables	Adjustments made on SA3
4	A8	Formula link change on line 31 Creditors due	Adjustments made on SA3
5	A9	Adjustments made to lines 134 to 165 Asset Register Summary – PPE (WDV)	Only high level summary required
6	SA3	Line 35 and 36 – split Trade payables and Other creditors	To refine calculation of creditors days ratio
8	SA8	Note: Formula in line 23 now only take into account Trade payables	Due to change made on SA3
9	SA25	Line 10 Service charges – other is no longer available	Not available on the mSCOA chart
11	SA30	Line 10 Service charges – other is no longer available	Not available on the mSCOA chart

Annexure C – Participation in RT15-2016 Vodacom transversal contract

Participation in RT15-2016 Vodacom transversal contract for the supply and delivery of mobile communication services to the state

It has become apparent that an increasing number of municipalities are intending to embrace smart technology to augment their operations. One such opportunity is through the RT15-2016 transversal contract that provides the option for an account management service offering in respect of smart meters. The pre-requisite, however, is that the municipality intending to participate must demonstrate evidence of adequate operating budget provision over the MTRRF. The following process is applicable for the approval to participate.



In this regard the municipality should engage the Office of the Chief Procurement Officer (OCPD) in the National Treasury as the first point of contact. Kindly contact Ms. Kwanale Mtembu, Tel: (012) 406 9188 or email: Kwanale.Mtembu@treasury.gov.za for guidance.

The objective of the attached excel spreadsheet is to assist municipalities and system vendors to populate the indicators contained in MFMA Circular No. 71 automatically. Secondly, all system vendor dashboards should host as a minimum these indicators. It will assist the Accounting Officer to understand the overall financial management position of the municipality before submitting the regulated Budget and Reporting Schedules and MSCOA data strings to the Local Government Database and Reporting System (LGDRS).

Annexure D – MFMA Circular No. 71 aligned MSCOA Dashboard



It is crucial to note that the system specifications included in this Annexure B is the comprehensive list of system specifications and that the application of the detail varies according to the specific category of municipality (A, B or C).

To view the system specifications applicable to a specific category of municipality, kindly refer to the excel Annexures to the Request for Proposal (RFP) issued on 4 March 2016 for the appointment of service providers for an integrated financial management and internal control system for local government (RT25-2016 on page 115 of Tender Bulletin No. 2906).

The documentation can be accessed at:

<http://www.etenders.gov.za/content/rt25-2016-appointment-service-providers-integrated-financial-management-and-internal-control>

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Business Process	Sub-Process	Legislative or Business Requirement	System / Applications minimum functionality
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Corporate Governance

Governance is associated with ensuring greater economic and social responsibility within organisations to shareholders and stakeholders. Accountability, transparency and openness in reporting and disclosing information are imperative to the practice of good governance and are non-negotiable. Generally, corporate governance refers to the processes by which municipalities and municipal entities are directed, controlled, and held to account as guided by the Constitution, the Municipal Financial Management Act, 2003 (MFMA) and Municipal Systems Act, 2000 (MSA). The MFMA and MSA complement each other and deal with internal control, risk management, internal audit, and external audit, and financial risk management, compliance to legislation, performance system and reporting mechanisms to enhance accountability and progress. Municipalities' policies and procedures need to address these areas to accomplish good corporate governance.

Internal Audit	Approved Internal Audit Plan in existence and Risk Management Strategy in Place	Integrated work flow Request for the information management tool, backed by document management.	Ability to obtain base transactional information 'View Only' ability.	Ability to request sample transactions from all sub and core financial systems. This include documents as loaded via the document management systems.	Issue audit findings and risk registers and invoke consequence management procedures.	Continues work flow on risks identified to ensure mitigation.
	Internal Audit	Public Audit Act, 2004	Work flow and incident management tool to ensure progressive dealing with Request for Information and Communication of Audit findings.	Document management to ensure delivery of responses and documents requested on 'Request for Information' to the Auditor General.		

Business Process	Sub-Process	Legislative or Business Requirement	System / Applications minimum functionality
Real time system (date time stamped) electronic responses to AG queries and continued internal escalation of non- responded queries.	Escalation and continuous request for 'auditor conclusion' on responded communication of audit findings.	Escalation and classification of matters influencing auditor's opinion.	Compilation and work flow on audit recovery plans.
Audit Committee	Audit Charter	Document management and work flow to ensure resolution tracking is achieved.	Access control of all systems and modules should adhere to the following: Minimum Information Security Standards. Authentication, authorisation and security cryptographic security technologies and digital certificates must be given high emphasis throughout the entire system including but not limited to the application, data processing, data storage, data communications and user access.
System Configurations			Must integrate secondary authentication systems such as biometric devices for users that provides access to critical modules, processes and digital signatures or similar technologies to prevent document tampering.
			Must support complex user profiles, with segregation of duties, in order to limit user rights beyond the transaction, but to also include content sensitive measures such as organisational structure, payroll, cost centre, project, source of funding, other segmented transactions or other system objects needed to ensure confidentiality of information and

System / Applications minimum functionality	Legislative or Business Requirement	Sub-Process	Business Process
transactional integrity.			
<p>Online approval and authorisation with electronic signature capabilities of transactions via integrated security systems and segregated functionality. This should be provided through application of appropriate security policies and internal service level agreements between various units.</p>			
<p>Comprehensive on-line audit trail of all transactions at a transaction level must be available. This is in order to identify date, time and the user who initiated, approved or amended any transaction, including workflow. The administrator must be able to customise this for enhanced analysis and reporting.</p>			
<p>Additionally, the audit trail on all activities on the system, date, time and responsible user, stamped. This must be done to the extent that an activity log can be drawn from the system, outlining a particular user's activities on the system for the entire workday.</p>			
<p>Monthly period closure and certification within the statutory reporting dates. No back-dating of transactions is allowed.</p>	<p>Period Control</p>		
<p>Balancing of the sub-system with control accounts must be a condition of any period closure.</p>			
<p>Year-end closures period 12 as at 30 June (of the current year) result in a transactional transfer of opening balance to period one in the following year.</p>			

Business Process	Sub-Process	Legislative or Business Requirement	System / Applications minimum functionality
		Integration	<p>Finalisation and submission of annual financial statements (AFS) period 13 results in opening balance transactional transfer of only the transactions of period 13.</p> <p>Audit periods with allowed audit approved journals occur in period 14 and result in opening balance transactional transfer of only the transactions of period 14.</p> <p>Accommodate a period 15 for prior period errors (GRAP 3).</p> <p>Any corrections of prior period error(s) result in opening balance transactions in the subsequent years.</p> <p>Period closing, finalisation and audit period corrections are opening balance transactions in the current open period as well as normal transactions in the audit periods.</p> <p>Document management must occur at the capturing point of all transactions.</p> <p>Sub-system(s) or ledgers must, without (manual) intervention or manipulation, integrate and constantly balance with the core financial system.</p> <p>Create workflow and exception reporting mechanisms.</p> <p>Enable drill down from the general ledger (GL) to sub-system source transactions to transactional level.</p> <p>Integration and automation of the annual financial statements (AFS) as well as monthly MFMA section 71 reports (financial management statements).</p>

Business Process			
Sub-Process			
Legislative or Business Requirement	<p>Help function user manual</p> <p>The System must include an online procedural manual facility that allows for the recording and updating of all relevant processes to aid the users of the system.</p> <p>The manual must be context specific and accessible from any input screen in the system.</p> <p>Functionality is required to permit a duly authorised user to maintain the user manual.</p>	<p>Document and transaction control</p> <p>The solution must include the online recording of all transactions with a unique transactional identifier and a date/time stamp format which records transactions in all systems.</p> <p>It is important to note that no records are physically deleted. Deleting a record in the context of the Solution means to 'flagging as deleted', the record so that it is no longer visible or active and does not present 'clutter' to normal users.</p> <p>However, duly authorised users may view or report on logically deleted records.</p> <p>Logically deleted records MAY NOT be reactivated. (If a record was 'flagged for deletion' in error, it will require recapturing).</p>	<p>Training and Skills transfer</p> <p>End User Training which includes both theoretical as well as practical training.</p> <p>Complete Solution Hand Over to Municipal Project Team including full documentation.</p> <p>Deployment of an IT strategy for maintenance and future developments.</p>
System / Applications minimum functionality			

Business Process	Sub-Process	Legislative or Business Requirement	System / Applications minimum functionality
Data back-up procedures must be continuous and roll back. Recovery should be at the maximum extent possible and not cause system down time "RAID configuration".	Disaster recovery sites are either off site at the municipality or cloud based solutions that are to be tested regularly.	Daily, weekly, monthly and yearly backups must be documented and signed-off.	Due to the nature of local government the performance management system of a municipality originates from its integrated development plan (IDP) and as such the key performance indicators are created in the IDP. This module therefore formally starts with and should assist in the compilation of the IDP.
The performance management system must therefore include the following components:	Seamless integration with the budgeting module;	The compilation and solution to capture the service delivery- and budget implementation plan (SDBIP) measurable performance indicators and the assignment of tasks to specific managers;	Ensuring that policies and Municipal By-laws are aligned to the developmental nature of the municipality and give effect to the measurable performance objectives and service delivery- (SDBIP) of the municipality (for staff and political office bearers);
Performance Management System	Performance Management System that gives effect to chapter 6 of the Municipal Systems Act, 2000	Due to the nature of local government the performance management system of a municipality originates from its integrated development plan (IDP) and as such the key performance indicators are created in the IDP. This module therefore formally starts with and should assist in the compilation of the IDP.	The performance management system must therefore include the following components: Seamless integration with the budgeting module; The compilation and solution to capture the service delivery- and budget implementation plan (SDBIP) measurable performance indicators and the assignment of tasks to specific managers; Ensuring that policies and Municipal By-laws are aligned to the developmental nature of the municipality and give effect to the measurable performance objectives and service delivery- (SDBIP) of the municipality (for staff and political office bearers);

Business Process	Sub-Process	Legislative or Business Requirement	System / Applications minimum functionality
<p>Ensure that internal municipality delegations are updated and assigned and formally accepted by individuals;</p> <p>Manage and control external service mechanisms/providers via a contract management component that ensures delivery, sign-off and minutes are contained in a single point of entry;</p> <p>The contract management module should monitor key deliverables and also invoke penalty clauses, retentions and consequences in cases of persistent breach of contract. This include listing of transgressors on the National Treasury website under the appropriate listing for transgressors;</p> <p>A performance management module that manages the contracts of senior management and allows for electronic submissions and portfolio of evidence management;</p> <p>The performance management module should assist in consequence management and record any such actions; and</p> <p>The performance management system should as a minimum produce the following documents:</p> <p>The integrated development plan (IDP) for publication;</p> <p>The service delivery- and budget implementation plan (SDBIP);</p> <p>The service level agreements (SLA's) and performance contracts;</p>			

Business Process

Sub-Process

Legislative or Business Requirement

System / Applications minimum functionality

Reporting on service delivery- and budget implementation plan (SDBIP) indicators (inclusive of financial performance indicators); and

The municipality's annual report.

Municipal Web Site

A municipal website that gives effect to MFMA section 75, the Municipal Budget and Reporting Regulations, 2009; the mSCOA Regulations, 2014 and section 21A of the Municipal Systems Act, 2000

- Integrate from the core financial budget module;
- The annual and adjustments budgets and all budget-related documents;
- All budget-related policies;
- Annual financial statements (AFS) and Annual reporting tools BI modules;
- The annual report;
- Performance management, supply chain and asset management modules;
- section 57(1) of the Municipal Systems Act, 2000;
- All quarterly reports tabled in the council in terms of MFMA section 52(d).

All performance agreements required in terms of:

- All service delivery agreements;
- All long-term borrowing contracts;
- All supply chain management contracts above a prescribed value;
- An information statement containing a list of assets over a prescribed value that have been disposed of in terms of MFMA section 14(2) or (4) during the previous quarter;
- Contracts to which MFMA section 33(1) apply, subject to section 33(3) of that section;
- Public-private partnership

Business Process	Sub-Process	Legislative or Business Requirement	System / Applications minimum functionality
			<ul style="list-style-type: none"> • MFMA section 120; and agreements envisaged in Budget and Reporting Regulations (MBRR) and MSCOA Regulations as reporting templates as generated by the Core Financial system.
			<p>Integrate:</p> <ul style="list-style-type: none"> • The A&B valuation roll publication as required by the Municipal Property rates Act, 2004; and • The customer portal; and should as a minimum (if not hosted on the municipality's web site) be accessible or redirected from the website of the municipality.
	<p>Document Management</p>	<p>Document Management to ensure that all municipal documents are secured and if possible electronically received to achieve the lowest possible foot print. National Archives of South Africa Act, 1996.</p>	<p>Support secure and reliable document management including, but not limited to:</p> <ul style="list-style-type: none"> • Document sharing; • Dedicated registry for document filling; • Document tracking; and • Secure access to documents.
			<p>Document management should originate at the lowest level of transaction. (i.e. invoices should originate from creditors module).</p>
			<p>Scanned documents and images to be linked to the each enquiry of the system (e.g. Assistance-to-the-Poor application scanned forms to be linked to the customer identification number on the system).</p>

Business Process	Sub-Process	Legislative or Business Requirement	System / Applications minimum functionality
Reporting mechanisms	Business intelligence reporting solutions	The report writer should have a user configurable application utility like Sequel server reporting server (SSRS). This must include sample reports configured as well as standard reports. This will allow for consistency in reporting and best of client base reports that can be shared in the whole-of-municipal environments; Alternatively, an effective, flexible report-writing facility with access to the database dictionary is required;	Ensure that MSCOA segmented reports can be produced on any level of the MSCOA chart with any combination of segments; <i>In addition, there should be a management dashboard that displays at the Municipal Manager's (accounting officer) and senior managers' offices, the key performance areas information in a continues real time update. This should as a minimum:</i> Assist the municipal manager to adhere to MFMA section 70 by providing early warning of impending financial distress;
Monitor the financial progress of grants, programs and capital projects (as per the annual service delivery-and budget implementation plan (SDBIP));	Monitor performance of debt recovery and creditor payments;	Reflect budget versus actual performance of the votes/functions of the municipality.	

Business Process	Sub-Process	Legislative or Business Requirement	System / Applications minimum functionality
		National Treasury Portal and other statutory submissions National Treasury Database (LG government Database); mSCOA data extraction and upload to portal submissions with a dashboard configuration to allow the Municipal Manager (accounting officer) to verify the mSCOA data extracts before submitting them; The annual procurement plan - actual versus budget; The asset maintenance plan - actual versus budget; Annual Financial Statements (AFS); Annual report; National Energy Regulator SA (Nersa) and Department of Water Affairs and Sanitation (DWS) reports; VAT returns 201 reconciliations; PAYE and 501 reconciliations; IRP 5; and Unemployment Insurance Fund (UIF) forms.	Allow for the export of data via reports in commonly used file formats which is normally associated with spread sheet and other data base applications. Statutory submission to the National Treasury local Database); mSCOA data extraction and upload to portal submissions with a dashboard configuration to allow the Municipal Manager (accounting officer) to verify the mSCOA data extracts before submitting them; The annual procurement plan - actual versus budget; The asset maintenance plan - actual versus budget; Annual Financial Statements (AFS); Annual report; National Energy Regulator SA (Nersa) and Department of Water Affairs and Sanitation (DWS) reports; VAT returns 201 reconciliations; PAYE and 501 reconciliations; IRP 5; and Unemployment Insurance Fund (UIF) forms.
Municipal Budgeting, Planning and Financial Modelling: (IDP driven, project based main budget module that adhere to MFMA section 53 that as a minimum)			
Municipal budgeting and planning business processes are primarily derived from two sets of legislation, namely the Municipal Systems Act, 2000 (MSA) and the Municipal Finance Management Act, 2003 (MFMA). The MSA provides for the setting of the strategic objective whilst the MFMA and Municipal Budget and Reporting Regulations, 2009 (MBRR) provide for the output associated with this business process. This needs to incorporate key processes and procedures such as strategy formulation, integrated development planning (IDP), prioritisation,			

Business Process

Sub-Process

Legislative or Business Requirement

System / Applications minimum functionality

revenue generation, resource allocation, as well as long term forecasting and modelling of key financial dimensions such as the statement of financial position, cash flow forecasting, funding compliance, asset management and basic service delivery.

Main Budget

In terms of Section 25 of the Municipal Systems Act, 2000 each municipal council must, within a prescribed period after the start of its elected term, adopt a single, inclusive and integrated development plan (IDP) for the development of the municipality which must inform the municipal budget to be mutually credible and reliable and should include the following functionality:

Must have budgeting capabilities in that the budget are informed from the integrated development plan (IDP) and budget capturing occur across all the MSCOA segments as per the MSCOA Regulations, 2014.

System must support budgeting cycles across the medium term revenue and expenditure framework (MTRRF) (3-year budget) of the municipality.

The system should be able to link budgeting to final integrated development plan (IDP) priorities.

Budgeting on the factual elements of typical work streams.

Budgeting on the factual elements of municipal operational and running cost.

Enable users with budget and management information to determine funding adequacy of the budget to ensure the budget is funded. (Municipal Budget and Reporting Regulations, 2009 (MBRR)).

Incorporation of the sub modules elements.

Business Process	Sub-Process	Legislative or Business Requirement	System / Applications minimum functionality
<p>Tracking of the budget process plan and timetable.</p> <p>Automated workflow for departments' submissions as per budget guideline documents.</p> <p>Comparison capabilities for department budget submissions, scenarios and recommendations.</p> <p>Planning of secondary costing i.e. Departmental charges, internal recoveries and activity based charges.</p> <p>The system should be able to link Expenditure and Revenue to All segments of MSCOA.</p> <p>Track, compare and report on budget versus actual amounts for year 1 of the medium term revenue and expenditure framework (MTRRF) as per MSCOA Regulation requirement.</p> <p>Enable what-if inter-operability and modelling between the municipality's main budget module and the sub-budget modules.</p> <p>Ensure that the policies referred to in MFMA section 17 and the Municipal Budget and Reporting Regulation 7 are, via formal work flow, reviewed by the relevant municipality departments/ sections. Any amendments must be incorporated into the budget submission. These reviews, as a minimum, must include:</p> <p>The tariff policy referred to in section 74 of the Municipal Systems Act, 2000.</p> <p>The rates policy as required in terms of the Municipal Property Rates Act, 2004;</p>			

Business Process	Sub-Process	Legislative or Business Requirement	System / Applications minimum functionality
	Revenue	A revenue sub-ledger budget module that as a minimum:	<p>The credit control and debt collection policy referred to in section 96 of the Municipal Systems Act, 2000;</p> <p>The supply chain management policy referred to in Chapter 11 of the MFMA, 2003;</p> <p>The statutory budget submission to the National Treasury local government (LG Database);</p> <p>The annual procurement plan;</p> <p>The asset maintenance plan;</p> <p>Any amendments made/ proposed to the municipality's policies or By-laws;</p> <p>The rates and tariffs promulgation;</p> <p>The general tariff advertisement;</p> <p>Data extraction from the mandatory six (6) segments on the mSCOA classification framework and upload to the National Treasury local government Database (LG Database) portal.</p> <p>Calculate and spread budgets based on current consumption and database history.</p> <p>Measure and flag anomalies of the current database history against alternative information sources such as the Surveyor General (SG), Deeds Office and valuation rolls to ensure completeness of budgeting and actual billing.</p> <p>Provide functionality for town ship amounts and consumption on average per type of connection in this development.</p>

Business Process	Sub-Process	Legislative or Business Requirement	System / Applications minimum functionality
<p>Provide for the adjustment of distribution losses based on anticipated remedial actions on the sales loss as identified by the water and electricity distribution loss templates. Zero consumption account based on average and type of use tariffs.</p> <p>Create projected growth and tariff calculations taking into account the provision for bad debt and material losses. (In this regard transacting on the "Regional" segment is crucial for GRAP 104 type calculations).</p> <p>Planning of secondary costing i.e. Departmental charges, internal recoveries and activity based charges informing cost reflective tariffs.</p> <p>Review of sundry tariffs.</p> <p>Supply the general ledgers' "main budget module"-budgets with the full mSCOA segments as a budget line. It should be able to provide this for revenue, expenditure and balance sheet items.</p>			
<p>A Human Resource (HR) budget/ payroll module that as a minimum:</p> <p>Allow the municipality to budget for its full organogram (organisational structure).</p> <p>Incorporate the ability to apply costing allocation to projects and percentage (%) based allocation of administration costs to trading service departments (if not allocated) using direct calculation methods.</p>			
<p>Human Resources (HR) /Payroll</p>			

Business Process	Sub-Process	Legislative or Business Requirement	System / Applications minimum functionality
<p>Provision to calculate new notch values within grades either as a percentage increase or by minimum value. These notch values are to be held on a temporary file and the user must be able to perform Various "what if" scenarios without affecting the live data.</p> <p>Ensure that the planned positions is budgeted for pro-rata to when the expected appointment can be done.</p> <p>Utilising historical trends, calculate the likely provision for leave and bonus provisions. This function should also be able to anticipate (if applicable) any long service allocations.</p> <p>Supply the general ledger's main budget module with counts of the actual and planned positions (organogram) budgets for the full mSCOA segments as a budget line. The functionality should be able to provide this for both expenditure and balance sheet items.</p>			
<p>Assets</p> <p>An Asset management sub-ledger budget module that as a minimum:</p> <p>Allows budgeting for "new capital" projects requested in the integrated development plan (IDP).</p> <p>Anticipates completion and subsequent operational costs of these "new capital" projects.</p> <p>Calculates existing and anticipates new planned assets' maintenance, insurance and a percentage of "un-planned" maintenance.</p> <p>Calculates depreciation, taking into account the impact of major repairs.</p>			

Business Process	Sub-Process	Legislative or Business Requirement	System / Applications minimum functionality
			<p>Calculates profit or loss on planned disposals.</p> <p>Provides for a (contract) retention payment schedule.</p> <p>Provides for grant and work-in-progress (WIP) or contract management payment schedules to assist the main budget module with its forecasting and cash flow management.</p> <p>Supplies the general ledger's main budget module planned budgets with the full mSCOA segments as a budget line. This functionality should be able to provide this for both expenditure and balance sheet items.</p> <p>Provide the asset maintenance plan.</p>
	Budget Management	Budget Management and Monitoring	<p>Allow the public to provide comments on the budget electronically via the municipality's website. These comments received from public sessions to be populated/consolidated onto a tool that can be accessed by the public and councillors.</p> <p>Automate the virement process as per the virement policy.</p> <p>Link the service delivery- and budget implementation plan (SDBIP) and workflow to show progress on projects and include links to service delivery scorecards and municipal procurement plans.</p> <p>Provide the annual procurement plan.</p>

Business Process	Sub-Process	Legislative or Business Requirement	System / Applications minimum functionality
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Financial Accounting

Financial accounting incorporates a host of policies, processes and procedures in order to operationalise the effective and efficient recording and accounting of daily financial transactions as well as month and year end closure procedures and transactions. The MfMA provides a platform for the prescription of norms and standards such as the Standards of Generally Recognised Accounting Practices (GRAP) which have been designed and formulated based on unique South African circumstances (such as the VAT requirements which must be accommodated by the financial system) and leading international practices. Municipalities and municipal entities are therefore required to operationalise daily business processes and procedures that incorporate at the very least regular reconciliations, correct and accurate allocation and classification of transactions based on the SCOA classification framework. These processes and procedures must give rise to monthly performance represented by among others, the Statement of Financial Performance, Capital and Grant Performance, Statement of Financial Position, movement in net assets and cash flow in the Section 71 in-year reporting formats. It is important to keep in mind that outputs needs to be reported and must at all times be measurable so that progressive achievements can benefit communities. Processes should be focussed at clean and accountable operations and the outcome must be reported in terms of by all roll players.

General Ledger (Core Financials)	General Ledger (GL) that as a minimum	<p>Contains all the accounts for recording transactions relating to municipalities assets, liabilities and net assets as per mSCOA segments.</p> <p>Is a central repository for accounting data transferred from all sub-ledgers e.g. supply chain, revenue, cash management, fixed assets, purchasing, debt control, billing, prepaid, and projects etc.</p> <p>Reflect transactions posted in the sub-ledgers immediately in the main ledger thereby ensuring the financial integrity of the entire system without the need for manual reconciliations between main and sub-ledgers.</p> <p>Notwithstanding the above and due to probable packet loss a routine, is required to ensure that the general ledger and sub-ledger is in balance. This must be done by enforcing daily closing routines with subsequent blocking of opening routines if out of balance occurrence with control accounts is observed.</p>
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Business Process	Sub-Process	Legislative or Business Requirement	System / Applications minimum functionality
			<p>Drill down to transactions from the general ledger (GL) to the sub-ledger or 3rd party systems for an audit trail.</p> <p>Journal capturing capabilities (including reversible and recurring journals) including electronic approval.</p> <p>Reporting functionality for all financial reports in the full MSCOA segmented transactions.</p>
Accounts Receivable	<p>Transactions in debtors must reflect in the AR in MSCOA segmentation</p>	<p>Provide a debtor master record containing at least but not limited to:</p> <p>Debtor classes and discount categories to ensure correct billing and rebates;</p> <p>Trade, sundry and other debtor types to comply with MSCOA requirements;</p> <p>Debtor levies in MSCOA segmentation to the Accounts Receivable;</p> <p>Receipt allocation to AR in the correct MSCOA segmentation;</p> <p>Daily balancing between sub-system and AR; and</p> <p>Month-end and year-end procedures to ensure correct disclosure of cash on hand and age analysis;</p> <p>Drill down to transactions from the general ledger (GL) to the sub-ledger or 3rd party systems.</p>	<p>Integration of sundry systems</p> <p>Abattoir system.</p> <p>Cemeteries system.</p> <p>Fire and emergency services systems.</p>

System / Applications minimum functionality	Legislative or Business Requirement	Sub-Process	Business Process
Fresh produce market systems.			
Library system.			
Nurseries systems.			
Pound system.			
Traffic fines systems.			
Transport services systems.			
Weigh bridge system.			
Creating a supplier database.	Supplier maintenance	Accounts Payable	
Post supplier invoices, credit- and debit notes. Select documents to pay with payment dates.			
Make payments and part payments. Allow for future and scheduled payments.			
Align suppliers with debtors and HR modules.			
AP must include, at a bare minimum but not limited to:	Accounts Payable (AP)		
Goods received notes for full or partial deliveries aligned to authorised issued purchase orders. Goods return notes with debit and credit orders;			
Invoicing for goods received notes as partial or multiples invoice payments. Settlement discounts as allowed by suppliers;			
Selection of invoice payments on varied platforms. Bulk payment of invoices including direct linking to the banking sector. Producing of electronic remittance statements with automated distribution;			
Direct invoice payment such as Eskom;			

Business Process	Sub-Process	Legislative or Business Requirement	System / Applications minimum functionality
		<p>Cash Management</p>	<p>Sundry payments generated from payroll, billing or manual S&T transactions; Re-occurring and scheduled payment such as lease amounts or quarterly loan repayments; Retention register with auto mated update, pay-out and balancing; A cession register linked to the PMU with automated allocations; Age analysis of creditors with supporting reports; Must be able to calculate accounts payable VAT reconciliations (including calculations on returns and discounts); The option to scan and store invoices and other documents on the supplier; A web portal for suppliers to enquire on payment status and uploading/ submitting of invoices. Automated receipting of bank deposits received. Automated passing of journals for interest and other bank charges. Electronic payment of creditors and salaries.</p>
		<p>Investments</p>	<p>An investment register with notifications/responses for the end of fixed investment periods (date of maturity) incorporated within the workflow. Updates from cashbook and payments must be seamless. Produce a reconciliation of the investment register with all required documentation.</p>

Business Process	Sub-Process	Legislative or Business Requirement	System / Applications minimum functionality
		Loan Register	A loan register capable of calculating repayments and schedule payments within the workflow. Produce a reconciliation of the loan register with all required documentation.
		Tax & VAT	Fully integrated and approved VAT handling capabilities incorporating all statutory required documentation. Interface to SARS eFiling for automated reconciliations and submissions of disclosures.
		Automated Work flow	Where authorisations are across line functions, the process must be automated. Examples are deviations (section 36), Subsistence and Travel claims, Personnel Requisitions, Transfer of funds (virement Policy), Asset Transfer, Clearance forms, Works orders, Leave applications, etc.
		Fixed Asset Management	Trace all financial asset transactions to the asset level. Ensure that all asset transactions are aligned with MSCOA Regulations.
		Insurance Claims	Provide an insurance claims register with direct linking to the assets module. Derive valuation of assets to calculate insurance premiums from the asset register. Write-off of assets from the insurance module must update and transact on the asset register as well as the general ledger.

Business Process	Sub-Process	Legislative or Business Requirement	System / Applications minimum functionality
			Workflow with document management and reporting must be available.
Costing and Reporting			
<p>Costing or management accounting is concerned with financial and management information internal to the municipality and municipal entity which provides the basis for sound and informed business decision making. In contrast to financial accounting, management accounting is primarily forward looking instead of historically focused and informs planning and budget processes by applying forecasting and prediction models. Determining the full cost of tariff services including primary and secondary costing to inform tariffs and pricing of services in order to achieve cost reflective tariffs, reporting thereon and measuring performance of services based on financial and non-financial information.</p>			
	Cost Planning	Incorporate a costing module	<p>A full costing module aligned to the mSCOA costing segment to assist in calculation of tariffs and real costs. Charges must have a direct effect on tariffs. Therefore it will be necessary to ensure direct link to provisioning and payroll modules exist etc. through the application of internal billing departmental charges or activity based recoveries.</p> <p>Management reporting on all charges should be available for reports as well as dashboard information.</p>
Project Accounting			
<p>Project Accounting refers to the capability to account for individual project costs and ensure that these settle as assets under construction (AUC's) where applicable. The project accounting functionality should be extendable to provide project management capabilities in order to track physical project progress against predetermined milestones in addition to tracking the financial performance of the project or portfolio of projects.</p>			
	Project Creation & Planning		<p>A comprehensive project module that allows for integrated development plan (IDP) objectives to be transferred into the project module for planning, budgeting and ultimately reporting purposes.</p> <p>The municipal budget module must be aligned to the project module.</p>

Business Process				
Sub-Process		Project Management	Project Management Unit (PMU)	<p>Projects registered in the project module must be aligned to the MSCOA Project segment.</p> <p>All segmentation of MSCOA must be incorporated into the project module, whereby a project based budget is produced, informed by the integrated development plan (IDP) and giving input to the annual service delivery- and budget implementation plan (SDBIP).</p> <p>Capital acquisition, maintenance and replacements must be driven from the project module.</p> <p>Operating budget items such as operating expenditure on repairs and maintenance, operational costs and typical work streams must originate from the project module.</p> <p>Project management and stakeholder inputs must be controlled by clear business processes and user access controls.</p> <p>Projects not completed within a financial year must be carried over and work-in-progress (WIP) items registered.</p> <p>Project managers should have full access to their projects within the limitations of the budget and internal policies.</p> <p>Workflow processes must assist in project maintenance.</p> <p>Strict budget control as per the approved integrated development plan (IDP) must be maintained.</p>
Legislative or Business Requirement				System / Applications minimum functionality

Business Process	Sub-Process	Legislative or Business Requirement	System / Applications minimum functionality
			<p>A Safety, Health and Environmental (SHE) module to comply with general Health and Safety Regulations should be incorporated within the system. (For example the Construction Regulations, the Occupational Health and Safety (OHS) Act, 1993, General Administrative Regulations, General Safety Regulations and the National Environmental Management Act, 1998).</p> <p>Regulatory Safety, Health and Environmental (SHE) documentation must be available in a document management tool with defined check lists and milestones.</p> <p>Health and safety incidents must be recorded and managed on the system and reported as per legislation.</p>

Treasury and Cash Management

Treasury and cash management refers to investing, financing activities and operational cash management. The following processes must be considered relevant to this cycle –

(a) Investing activities comprises the acquisition, disposal and management of tangible assets, including land, buildings, plant and machinery, motor vehicles, furniture and equipment, computer hardware, software and communication networks. Also included are acquisition, disposal and management of intangible assets such as research and development expenditure, patents and trademarks, scientific and technical know-how, intellectual property rights such as copyrights and licences. Municipalities and municipal entities must introduce accounting policies for depreciation, impairment, revaluation, asset retirement, etc.;

(b) Financing activities are the means by which the municipality or municipal entity obtains its funding. This may be in the form of funds obtained from borrowing (external loans) or transfers and subsidies to the municipality or municipal entity. Financing activities also include finance and operating leases entered into by the municipality or municipal entity. Included are related transactions such as security and guarantees granted to a lender, accounts receivables pledged to a discount house, interest charges, finance charges on leases, foreign exchange gains and losses, hedging gains and losses and commitments for capital expenditure;

(c) Investment may take the form of fixed interest, long-term or short-term debt, investments or loans; secured or un-secured. Procedures must be implemented to control the purchase and sale of investments, the movement of scrip or recording of dematerialised securities and the resulting cash received and paid including income from investments, and

(d) Cash and bank refers to transactions occurring daily in all municipalities and municipal entities represented by a high volume of transactions in payments and receipts. Procedures must provide for expenses and reimbursements of "suspense accounts and floats" including regular surprise

Business Process	Sub-Process	Legislative or Business Requirement	System / Applications minimum functionality
<p>counts; cash handling procedures for unbanked receipts and money in transit; control over the opening of bank accounts and obtaining access to electronic banking signatures, regular reconciliations of bank accounts and timely follow-up of reconciling items by management.</p>	<p>Cash Management</p>	<p>Bank Reconciliation</p>	<p>A fully integrated and automated cashbook module that links to the banking sector and allows for at least:</p> <ul style="list-style-type: none"> Allow for multiple bank accounts and sweeping between accounts; Automated receipting of debtor payments and other monies received; Automated passing of journals for interest and other bank charges; Automated clearing of system generated transactions such as payments; and Automated clearing of cash received in the general ledger (GL) to the bank account; Automated reconciliation of bank statements to the ledger and supplying supporting documentation for management; Forecasting of cash must be available on a dashboard. Support MSCOA segmentation in the cashbook module.
			<p>Petty cash</p> <ul style="list-style-type: none"> A petty cash module that would allow for accounting for petty cash transactions and subsequent budget allocations and control as per MSCOA. Internal cash receipt with drawdown of petty cash. Automated payment requests with user authorisation and access control.

Business Process	Sub-Process	Legislative or Business Requirement	System / Applications minimum functionality
<p>Ad hoc: The Cash Management System must at least accommodate, but not be limited to:</p> <p>Loan liability register.</p> <p>Investment Management and Register (parameter driven).</p> <p>Interest Received and interest expense reconciliation.</p> <p>Cash Flow Management which includes forecasting and analysis and full integration with the budget and financial accounting modules.</p> <p>Funds management and budget availability control.</p>			

Procurement Cycle: Supply Chain Management, Expenditure Management, Contract Management and Accounts Payable

Supply Chain Management, Expenditure Management and Accounts Payable (Creditors) needs to incorporate as a minimum the following –

(a) Supply chain management is the management of a network of interconnected business processes involved in the provision of goods and services required by the municipality. It integrates the management of supply, demand, acquisition, logistics and disposal by implementing a supply chain management policy in compliance with the M/FMA and Municipal Supply Chain Management Regulations in a fair, equitable, transparent, competitive and cost effective way;

(b) Expenditure management follows the SCM processes that should ensure an effective system of expenditure control, including procedures for the approval, authorisation, withdrawal and payment of funds. These expenditures should be monitored against the approved budget, and reasons for variances must be explained and corrective action must be implemented to keep expenditure in line with budget estimates;

(c) Accounts payable results from any monies owed in respect of goods and services purchased and must be settled within thirty days of date of invoice or statement unless it is prescribed otherwise. The payment of creditors or accounts payable must be reconciled monthly according to the statements received from service providers;

(d) Material and inventory management deals with the maintenance of inventory catalogues classified according to the high-level categories provided for in the Standard Chart of Accounts. Business processes need to incorporate at a minimum, ordering, issuing and management of inventory levels; preferred suppliers linked to inventory categories; flagging of stock levels with limited movements for substantial periods; regular physical counts and reconciliation to system stock records; exception reporting and enhanced controls on stock items susceptible to misuse such as illegal stock-piling; and all sub stores to be activated on the system;

(e) Contract management entails the management of contracts through the entire Contract Life Cycle so as to maximise value for money that includes procedures for planning; contract creation; collaboration; execution; administration; and close-out. Contracts should be listed in a contract

Business Process	Sub-Process	Legislative or Business Requirement	System / Applications minimum functionality
<p>register embedded into the financial application that automates all the activities necessary to manage the contract as informed and dependant on the nature of the work, the type of contract, the legal aspects and delivery timframes. It also entails the activities carried out to determine whether the service provider and the municipality are performing adequately to meet the requirements in listed contracts that had been awarded through the procurement process and the prescriptions in the MFMA; and</p> <p>(f) Vendor management entails managing a supplier database in support of various strategic procurement objectives.</p>			
<p>Supply Chain Management (SCM)</p> <p>A Supply chain management system that give effect to section 11 of the Municipal Finance Management Act, 2003 (MFMA), the Municipal Supply Chain Management Regulations and council's approved SCM policy</p>			
<p>Allow for requisition from the annual procurement plan;</p> <p>Align requisition to be project based;</p> <p>Supplier rotation management (parameter driven);</p> <p>Supply Chain Deviation Management Facility in terms of legislation;</p> <p>Adhere to the municipality's delegation of duties and authority levels;</p> <p>Electronically validate against the National Treasury database for prohibited, employees of state and related parties and invite tenders based preferential procurement principals;</p> <p>Electronically manage the invitation, bid closure and adjudication process with a full document management server unpinning the cycle;</p>			

Business Process	Sub-Process	Legislative or Business Requirement	System / Applications minimum functionality
<p>Record and electronically store the bid adjudication committee's meeting minutes and store the minutes on the document management server;</p> <p>Ensure the service level agreement (SLA) and allocation letters are electronically archived prior to any payment being made;</p> <p>Enforce where applicable retention enforcement and manage retention registers;</p> <p>Ensure tax clearance management for the duration of the contract;</p> <p>Integrate with the asset management system;</p> <p>Ensure that all payments are made within 30 days of receipt of an invoice therefore; and</p> <p>Ensure that full accrual is done at month-end and year-end cut-off periods.</p> <p>Contract Management that gives effect to MFMA section 116.</p>			
<p>Requisitions</p> <p>Different requisition origination such as online, manual, stores and other modules.</p> <p>Project based requisition forms.</p> <p>mSCOA segmented capturing.</p> <p>Ability to attach documents to online requisitions such as drawings or specifications.</p> <p>Must support full work flow and electronic signatures.</p>			
<p>Projects</p> <p>Must be able to support the generation of mandatory budget pricing at the beginning of the project and the maintenance thereof.</p>			

Business Process			
Sub-Process			
Legislative or Business Requirement	<p>Follow accepted project management methodology through work flow and document management.</p> <p>Allow for incentives, penalties and returns.</p> <p>Evaluate supplier performance in accordance with contract deliverables.</p> <p>Update incentives and penalties to supplier database.</p> <p>Automate notification alerting relevant system users when a supplier's BEE certificate and tax certification reach expiry dates.</p> <p>Maintain a Request for quote, quotations and proposals database linked to suppliers.</p> <p>Automated notification of price differences outside of approved variance.</p> <p>Automated evaluating of quotations with parameters.</p> <p>Comparative tables for allocation of bids.</p> <p>Automated notification and ordering system.</p> <p>Workflow and document management in quotation process.</p>	<p>Request for quote, quotations and Request quotations for proposals</p>	<p>Order Processing(PO)</p>
System / Applications minimum functionality	<p>Automated sending of purchase orders (PO's) to supplier through email and/or fax.</p> <p>Processing of partial order deliveries with automated reminders of outstanding items.</p> <p>Automated transfers of outstanding orders to future periods with budget controls.</p>	<p>Electronic authorising and signing of purchase orders (PO's) through workflow process.</p> <p>Allow for automated purchase orders from approved requisitions.</p>	<p>Automated sending of purchase orders (PO's) to supplier through email and/or fax.</p> <p>Processing of partial order deliveries with automated reminders of outstanding items.</p> <p>Automated transfers of outstanding orders to future periods with budget controls.</p>

Business Process	Sub-Process	Legislative or Business Requirement	System / Applications minimum functionality
	Inventory	Inventory / Stores sub system	<p>All consumable items in terms of the classification framework is purchased via an inventory principal. This include direct purchases like pens, stationary, etc.</p> <p>In terms of the above, all systems should cater for a stores module be it virtual or actual that will allow management to control the consumable items in an effective and controlled manner.</p> <p>The stores module must seamlessly integrate and balance with the core financial system.</p> <p>Where a full stores module is operational, high value items should annually be measured to establish whether any of these items should be capitalised as 'assets'.</p> <p>Normal functions should be included as standard but practice and should include but not be limited to:</p> <p>Warehouse management; Acquisitions; Stock Level Management; Disposals; and Automated consumable stores stock count sheets (departmental stores).</p>
Grant Management			
<p>Grant management includes all the activities, processes and procedures to register and reconcile all the grants allocated, received and spent according to the conditions in the Annual Division of Revenue Act.</p>			
	Subsidies	Maintain a grant register that as a minimum:	<p>Provide for a grant register linked to ledger accounts.</p> <p>Automate receipt allocation of grants.</p> <p>Automate payment allocations.</p>

Business Process	Sub-Process	Legislative or Business Requirement	System / Applications minimum functionality
			Link to MSCOA funding source with budget control. Provide for reporting in accordance with the MSCOA Regulation and internal control.
Full Asset Life Cycle Management Including Maintenance Management			
<p>In terms of Section 152 of the Constitution, local government's primary mandate is to ensure services are provided in a sustainable and developmental manner; this notion and spirit is supported by the MfMA. Good asset management facilitates the provision of services in a financially sustainable manner and requires adequate automation of critical process within the asset management cycle. Typical to an effective and efficient system at least the following functions need to be addressed as part of the minimum business process requirements –</p> <p>(a) Safeguarding of assets, e.g. asset tracking, numbering and locations; (b) Maintaining assets, planned and unplanned maintenance which needs to also incorporate capital asset renewal; (c) Maintenance costing as an input into asset replacement plans; (d) Establishing and maintaining a management, accounting and information system that accounts for the assets of the municipality; (e) Asset valuation principles in accordance with Generally Recognised Accounting Practice (GRAP); (f) Establishing and maintaining systems of internal control over assets; (g) Establishing and maintaining an asset register; (h) Clarifying responsibilities and accountabilities for the asset management process, and (i) Insurance of assets.</p>			
	Asset Management	Subject to the existing legislative and generally recognised accounting practice (GRAP) requirements:	<p>An asset and liabilities subsystem that gives effect to MfMA section 63: Assets classes with its associated asset types to manage the accounting policy statements as well as the financial statements as well as give overall control of all assets within asset classes with its associated useful lives and its associated SCOA reporting framework.</p> <p>It should also include the NERSA Regulatory Reporting Manual (RAM) classification as well as the Department of Water Affairs (DWA) in order for the municipality to comply with NERSA and DWA requirements.</p>

Business Process	Sub-Process	Legislative or Business Requirement	System / Applications minimum functionality
			<p>All asset transaction types must be accommodated in a flexible manner to accommodate future expansion within the SCOA framework.</p> <p>An audit Trail, with an enquiry facility into the audit trail, of all movement within these files is a requirement.</p> <p>The 'asset management system' module should:</p> <p>Manage the full asset life cycle;</p> <p>Manage the contract and build phase of the project by registering the component and rolling the accounting transaction up to the work-in-progress (WIP);</p> <p>Immediately after a completion certificate is received, unbundle assets and maintain the parent-child relationship between the main asset and its components;</p> <p>Enable table-to-floor inspection sheets (electronic devices are preferred) as well as floor-to-table look-up methodologies;</p> <p>Host the insurance register and constantly update the portfolio as new assets are purchased or if there is progress on the value of work-in-progress (WIP);</p> <p>Compile and monitor expenditure against the asset maintenance plans;</p> <p>Integration to billing systems to monitor investment properties and valuation inconsistencies;</p> <p>Utilise the billing system functionality to ensure ownership of land and buildings to the deeds register;</p>

Business Process	Sub-Process	Legislative or Business Requirement	System / Applications minimum functionality
			<p>Integration of the electronic scanning and verification device. The purpose is to ensure annual verification and conditional assessment with GPS co-ordinate capturing to the nearest extent possible; and</p> <p>Seamless integration with a Geographical Information System (GIS) or alternative mapping enabled graphical user interface.</p>
		Identification of Assets	<p>Ability to identify and track assets in a hierarchy structure of departments, locations, components and sub-components.</p> <p>Define Cost Centres, Work Centres, assigning of re-servicing the equipment to an individual.</p> <p>Allow for critically rating to be assignable to each asset via the risk assessment model.</p> <p>Ability to link movable assets to third party asset tracking systems.</p>
		Maintenance Strategies	<p>Must be able to configure different strategies.</p> <p>Ability to attach and insert links to Technical Documentation throughout the maintenance module.</p> <p>Must cater for a master maintenance schedule with reporting of 'maintenance done'.</p> <p>Must be able to indicate the lifespan of equipment for replacement budgeting purposes.</p> <p>Must be able to track warranty periods by components.</p> <p>Support call centre notifications and maintenance of assets with integrated workflow.</p>

Business Process	Sub-Process	Legislative or Business Requirement	System / Applications minimum functionality
		Fleet Management	Fleet Management system.
		Fleet Tracking	Fleet Tracking system.

Real Estate and Resources Management

Real estate management includes the management of land plus anything permanently fixed to it, including buildings, sheds and other items attached to the structure that are both lease-in and lease-out. It can be grouped into three broad categories based on its use - residential, commercial and industrial. Examples of real estate include undeveloped land, houses, condominiums, town homes, office buildings, retail store buildings and factories. Specific attention needs to be given to the property register inclusive of owned and leasehold properties, tenant and occupant information, lease contract administration and management, occupational health and safety requirements, insurance, etc. Other resources management among others include fleet (vehicle) management, plant and equipment, etc. including the hiring thereof.

Business Process	Sub-Process	Legislative or Business Requirement	System / Applications minimum functionality	Rental	
				Rent out	Maintain a rent register for rental properties. Holiday resort systems. Automated rent renewals with workflow and document management. Link to debtors system for collection of rent. Link to valuation system. Link to asset register.
General Processes	Maintenance	Facilities	Facilities rental module updated from receipting with workflow refunds.	Facilities	Facilities (Maintenance): Management
				Rent in	Lease register with work flow and document management.
					Automated payment scheduling.
					Maintenance module for properties and facilities.

Business Process	Sub-Process	Legislative or Business Requirement	System / Applications minimum functionality
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Human Resource and Payroll Management

Human resources and payroll management is the organisational function that deals with issues related to employees such as compensation, hiring, performance management, organisational development, safety, wellness, leave management, benefits, employee motivation, communication, administration, and training in line with the prescriptions of the Labour Relations Act. Staff establishment, human resources development and expenditures on staff benefits should be done according to the processes and procedures set out in the MSA and MFMA. Pay roll management entails the administration of the financial record of employees' salaries, wages, bonuses, net pay, and deductions and should be done within the limits of the approved budget and the prescriptions of the South African Revenue Services (SARS). Budgeted remuneration and benefits needs to be directly aligned to the approved staff establishment with provision for vacancies shown separately and all staff payments must be reconciled monthly. The issue of productivity or performance management needs to be addressed by using the latest available technologies such as bio metrics devices.

Human Resources (HR)	A Human Resource (HR) payroll module that as a minimum (in addition to the normal payroll calculation):	Organisation Management. Employee Records Management. Leave Records Management. Leave Pay Accrual to be automated also to be retrieved on an ad hoc basis. E-Leave functionality. Training and Development Management. Recruitment and Selection Management. Performance Management. Travel claims Management. Human Resource Self Service. Talent Management. Career Path Management. Payroll and Benefits Management.
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Business Process	Sub-Process	Legislative or Business Requirement	System / Applications minimum functionality
			<p>Automated reconciliation at predetermined intervals.</p> <p>Overtime claims Management/ Time off in lieu.</p> <p>Special Allowance Management (e.g. acting, secondments, etc.).</p> <p>Refunds to staff in respect of over-deductions and ad hoc payments.</p> <p>Deductions and payments to third parties (e.g. medical aids, SARS, union contributions, etc.).</p> <p>Ad hoc payroll runs must reflect in the Financial Management System.</p> <p>Must cater for pensioners' benefits.</p> <p>Provision to record allowance details against a post and employee (e.g. Telephone Allowance, categories, amounts, telephone number etc.).</p> <p>Employee Relations.</p> <p>The system must cater for all requirements of the South African Revenue Services (SARS).</p> <p>Must provide a facility to automate the update of tax tables whenever changes occur.</p> <p>History of previous tax tables must be retained on the system for an indefinite period.</p> <p>The system must be flexible so as to cater for any legislative changes to UIF, Workman's Compensation, Unions, etc.</p> <p>The system must be able to cater for more than 1 payroll type (e.g. Staff, Pensioners, etc.).</p>

Business Process	Sub-Process	Legislative or Business Requirement	System / Applications minimum functionality
<p>Narrative type pay slips must be provided (Hard copy and electronically);</p> <p>Accumulations of all deductions to be printed on pay slip if required, (Pension, tax, housing allowance, motor car allowance, etc.);</p> <p>Salary payments made to employees' bank accounts must be catered for electronically by either ACS (Automated Clearing Bureau) or electronic funds transfer (EFT).</p> <p>Provide a payment hold facility.</p> <p>Third Party deduction and payments in terms of schedules or ad hoc basis.</p> <p>Variance reporting.</p> <p>The ability to calculate back pay across tax periods and increment periods must be provided for.</p> <p>The system must allow for dummy validation pay runs to be carried out prior to running the final run.</p> <p>All temporary staff (e.g. seasonal workers, learner ship programs, contract workers, etc.) to be controlled via Budget availability.</p> <p>Provision to maintain (add, amend, delete) conditions of service pertaining to specific posts.</p> <p>The Payroll System must be able to accommodate or account for all vacancies (i.e. funded and or unfunded vacancies) based on a Council approved Organogram in terms of Section 66A of the Municipal Systems Act Amendment Act (MSAA).</p>			

Business Process	Sub-Process	Legislative or Business Requirement	System / Applications minimum functionality
<p>Budget control and management of virement requirements.</p> <p>Ensure that all employees' and councillors' declaration of interest and related parties are captured on the master files.</p> <p>Bank account monitoring against supplier and/ or contract payment AND against own and related parties' bank accounts.</p> <p>Test against the central database for contracts with any 'organs of state'/'persons in the service of state' and supply the central database with employees' and related parties' details.</p> <p>Supply the central database with the identification (ID) numbers of employees, councillors and related parties.</p> <p>Report and create the workflow for collection of all employees and councillors with arrear accounts.</p> <p>Provide the financial statements with regulated reporting requirements regarding the municipal councillors' outstanding debtor account details.</p> <p>Provide the general ledger (GL) with transactions that debit expenditure and credit revenue votes when applicable. This creates a temporary total liability of the payroll balance on the integration control.</p> <p>Create the clearing transactions that clear the integration control, these transactions include:</p>			

Business Process	Sub-Process	Legislative or Business Requirement	System / Applications minimum functionality
			<p>Electronic funds transfer (EFT) to employee's bank accounts into the core financial systems cashbook awaiting approval;</p> <p>Creation of "invoices" for 3rd parties, SARS (PAYE, VAT, etc.), UIF, Medical aid and pension funds;</p> <p>Provide for an employee portal to update personal information and re-produce documents.</p> <p>The system must support a disciplinary module which should allow for (not complete list):</p> <ul style="list-style-type: none"> - Grievances created (bottom up workflow) - System should recommend action to be performed based on type of grievance - Allow for exception reporting (when a grievance is not being addressed in correct time frame).
	Time Management		<p>Work schedule and shift planning.</p> <p>Time data recording and administration.</p> <p>Align with Safety Health and Environmental (SHE) module.</p>
	Payroll		<p>Must be able to easily integrate with banks. Seamless upload of payroll information.</p> <p>Support multiple payrolls with different pay structures.</p> <p>Produce, in conjunction with the Human Resource system, a multi-year budget in the MSCOA segmentation.</p> <p>Integrate with the time management system.</p>

Business Process	Sub-Process	Legislative or Business Requirement	System / Applications minimum functionality
Customer Care, Credit Control and Debt Collection			
<p>Each municipality must within its financial and administrative capacity establish a sound customer management system as prescribed in the MSA. Credit control and debt collection is the responsibility of the municipality and processes, procedures and mechanisms must be implemented in line with the policy as adopted by the Council as prescribed in the MSA.</p>			
<p>Credit Control</p> <p>A credit control and debt collection system that integrate with the revenue management system and that gives effect to Chapter 9 of the Municipal Systems Act, 2000</p>			
<p>Provide for SMS, email and hand delivered late payment notifications;</p>			
<p>Provide for parameter based disconnection list generation;</p>			
<p>Manage re-connection and arrangements with integrated notes on the debtor master file and workflow with technical services;</p>			
<p>Integrated clearance applications and calculations;</p>			
<p>Final demand and summons issuing; and</p>			
<p>Management of attorney actions on an integrated level.</p>			
<p>If the module is a 3rd party solution – it must as a minimum integrate the fees as well as the action history to the billing sub-ledger. This integration must be seamless.</p>			
<p>Debtor Classification and Categorisation</p> <p>Indigent Management (Assistance-to-the-Poor).</p>			

Business Process	Sub-Process	Legislative or Business Requirement	System / Applications minimum functionality
<p>Indigent Register must be accommodated in a work flow of various administration processes including, but not limited to: Online Application; House visit; Capturing of details; Verification of details, Test against Central Supplier Database; Authorisation of application; Automated Subsidy, Write Off and reversals thereof.</p>			
<p>Arrear Arrangements</p> <p>Arrear arrangement functionality must be accommodated in a work flow of various administration processes including, but not limited to: Online Application; Authorisation of application; Automated arrangement financials; Automated Default process; Irrecoverable Debt Write Off process; Restriction and Reinstatement of Credit and prepaid meters; Meter Tampering Management; Debtor (individual/group) dashboard; Management facility to monitor Debtors that are also Service Providers (creditors) set off Management; Management of staff arrear set off.</p> <p>Legal Process</p> <p>Up to the Default Judgement. Debit Order Payments.</p>			

Business Process	Sub-Process	Legislative or Business Requirement	System / Applications minimum functionality
			Councillor Arrear Management
	Customers	Customer portals to give effect to Section 95 of the Municipal Systems Act, 2000 which (amongst other) requires the following:	<p>A sound customer management system that:</p> <p>Aims to create a positive and reciprocal (give-and-take) relationship between persons liable for payments and the municipality;</p> <p>Establishes mechanisms for users of services and ratepayers to provide feedback to the municipality or other service providers/ mechanisms (of the municipality) regarding the quality of the services and the performance of the municipality or its service providers/ mechanisms;</p> <p>Provides accessible mechanisms to any person to query or verify municipal accounts and metered consumption;</p> <p>Enables electronic query and appeal procedures which allow persons to receive prompt response/ action to 'inaccurate accounts' queries;</p> <p>Enables structured workflow mechanisms to deal with complaints from such persons, together with prompt replies and corrective action by the municipality;</p>

Business Process	Sub-Process	Legislative or Business Requirement	System / Applications minimum functionality
		Customer Relations & Management Community Liaison	<p>Mechanisms to monitor the municipality's response time and efficiency in complying with the above; and</p> <p>Provides for accessible, secure and electronic payment channels.</p> <p>Able to automate customer registration.</p> <p>Automate the registration of services (water, electricity & prepaid electricity).</p> <p>Automate the allocation of funds to the customer to trigger instruction to unblock/reconnect suspended service.</p> <p>Automated customer correspondence capabilities which includes, but is not limited to, automated responses to customer enquiries, linking a reference number to the customer's account.</p> <p>Updates on statements which will reflect latest adjustments.</p> <p>Integrate community liaison (e.g. service interruptions).</p> <p>Account payments and cashier balancing on one system.</p> <p>Must have real time reflection of payments.</p>

Valuation Roll Management

The valuation roll forms the basis for the levying of assessment rates and all processes and procedures are governed by the Municipal Property Rates Act, 2004 (MPRA). All categories of properties in the municipal boundary need to be recorder and maintained in a municipal register of properties including the value of land and improvements as described in the MPRA. Municipalities are also required to undertake interim valuations to ensure the property valuation roll is constantly maintained and updated. Importantly, the business processes need to ensure integration with the revenue value chain of the municipality and the billing processes and procedures.

Business Process	Sub-Process	Legislative or Business Requirement	System / Applications minimum functionality
		<p>Valuations Module to give effect to the Municipal Property Rates Act, 2004, and as a minimum:</p> <p>Seamlessly integrate with the revenue management module.</p> <p>Integrate information for spatial analysis in a Geographical Information System (GIS).</p> <p>Integrate with the building control system used in the municipality to ensure completion of additions and new buildings get immediately updated on the billing sub-system.</p> <p>Integrate with the land use system to ensure appropriate tariffs is timely applied.</p> <p>Integrate with the Surveyor General (SG) database and town planning systems in use at the municipality.</p> <p>Integrate with the deeds registry and monitor actual sales with current valuations as well as ownership against the billing system.</p> <p>Validate and report anomalies in the asset register on municipal owned properties.</p> <p>Provide the municipal website with the Municipal Property Rates Act, 2004 required A&B valuation rolls.</p>	<p>The valuation of property will be performed in the separate (Computer Assisted Mass Appraisal) system and the individual property values and charges on a property subject to a number of requirements including relevant property attributes passed to the solution via an interface with valuation module. Data to be validated and managed within the solution in compliance with legislation policies and business rules to enable calculation of</p>

Business Process	Sub-Process	Legislative or Business Requirement	System / Applications minimum functionality
			property rates.
			Property Rates and service charges are calculated at different tariffs depending on various criteria such as the category of the property.
			Functionality is required to exempt certain categories of property and/or certain categories of property owners from rates.
			Functionality is required to calculate a rebate or a reduction in rates in compliance with the requirements of legislation and/or business rules.
			Functionality is required for the phasing in of rates in compliance with legislation.
			Clearance Certificate Management to be online and comply with Section 118 of the Municipal Systems Act, 2000.
Land Use Building Control			
<p>Land use management is a process of managing the use and development of land. Aspects need to include spatial, urban policy usage, and economic considerations. A land use management system need to include all processes, methods and tools used for organising, operating and supervising the urban environment including the factors influencing it. A management system needs to cover all phases from the vision behind the preparation of plans and decisions to their implementation and the monitoring of impacts. Planning practices, decision making processes, procedures, implementation, monitoring mechanisms, methods and tools used in the above-mentioned phases are all elements of an integrated system. In general, land use management is driven by various decisions taken at different levels of administration (local, regional, national). Building management incorporates all activities relating to township management such as building plan approvals, rezoning applications, illegal land usage and Municipal By-laws management.</p>			

Business Process	Sub-Process	Legislative or Business Requirement	System / Applications minimum functionality
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Importantly, the land and building management needs to be integrated with the revenue value chain of the municipality.

Land use	Property register providing for all land in the municipal area. Town, township, suburb, street, erf, subdivision and sectional title detail must be aligned to the deeds office and Demarcation Board specifications. Integration with billing and valuation systems. Alignment of ownership must be verifiable with the deeds office. Property transfers, subdivisions, consolidations and zoning changes must be system process with work flow and document management driven.	Integration with external stakeholders	Must be able to align property register with the Surveyor General register. Where a 3rd party GIS system is used integration should be seamless. Integration with the asset register for municipal properties.	Special	Integration to the Town Planning function	Building Control	Property register providing for all land in the municipal area.	Document management for building plans and zoning certificates.
							Property register providing for all land in the municipal area.	Document management for building plans and zoning certificates.

Revenue Cycle Billing

The valuation roll forms the basis for the levying of assessment rates and all processes and procedures are governed by the Municipal Property Rates Act, 2004 (MPRA). All categories of properties in the municipal boundary need to be recorded and maintained in a municipal register of properties including the value of land and improvements as described in the MPRA. Municipalities are also required to undertake interim valuations to ensure the roll is constantly maintained and updated. Importantly, the business processes need to ensure integration with the

Business Process	Sub-Process	Legislative or Business Requirement	System / Applications minimum functionality
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revenue value chain of the municipality and the billing processes and procedures.

Billing	Revenue management module that give effect to MfMA section 64 that also incorporate:	<p>Additionally to the standard MfMA the billing system must:</p> <p>Measure and flag anomalies of the current database transaction (all services) against alternative information sources such as Surveyor General (SG), Deeds and valuation rolls to ensure completeness of actual billing;</p> <p>Calculate and account monthly for the provision of bad debt;</p> <p>Integration of Prepaid at a minimum of a 'debtor per tariff' - code per region, monthly bill the consolidation sales amount and daily receipt the sales;</p> <p>Provide accessible pay points and other mechanisms for settling accounts or for making pre-payments for services;</p> <p>Provide adequate information for spatial analysis in a GEOGRAPHICAL INFORMATION SYSTEM (GIS) system;</p> <p>Create and Maintain Regional Structure;</p> <p>Integrate with valuation and property systems;</p> <p>Allow for multiple billing cycles;</p> <p>Create and maintain a tariff structure to comply with MSCOA Regulations;</p> <p>Produce monthly invoices to debtors and group accounts;</p> <p>Allow for rebates and penalty levies.</p>

Business Process	Sub-Process	Legislative or Business Requirement	System / Applications minimum functionality
<p>Must have report writing capabilities for standard & Ad hoc reporting (daily, monthly & annual).</p> <p>Maintenance of tariffs as per the tariffing section.</p> <p>Integrate with debt collection for disconnections and reconnections.</p> <p>Integration into 3rd party software for receive readings taken.</p> <p>Must be able to store infrastructure (metering) diagrams which will show the physical location of meter in order to be able to drill down to all of the relevant information concerning the meter in question.</p> <p>Must have a full process and document flow for terminations and re-connections of services and the relevant documentation.</p> <p>Must integrate with the Geographical Information System (GIS) to the extent that reticulation of services can be viewed as a layer at any point in time within the context of the current property being worked on.</p>			
<p>Specific but not limited requirements</p>			
<p>Must be able to do consolidated billing of properties (all services and rates into one bill): As Municipalities are working within the determination of the Municipal Property Rates Act, 2004, a property relational database design is critical.</p> <p>Generate statements at any point in time and consolidate at customer level.</p>			

Business Process	Sub-Process	Legislative or Business Requirement	System / Applications minimum functionality
		Revenue receipting	<p>Flexible tariff building structure and design. System must be capable of inclining block tariffs based on daily, monthly, or annual rate scales.</p> <p>Must allow for the maintenance of tariffs as per the tariffing section.</p> <p>Customer must be able to nominate between mailing, MMS or e-mailing of monthly statement.</p> <p>Must adhere to applicable legislation and by-laws.</p> <p>Allow for all accepted payment methods at cashiers, including automated payment and clearing of card payments.</p> <p>To accommodate fully automated processing of multiple receipting streams including but not limited to:</p> <p>Payroll;</p> <p>Third Party vendors (e.g. Absa, Easy Pay, Prepaid Vendor, etc.);</p> <p>Cash Offices;</p> <p>Traffic;</p> <p>Other Municipal Directorates (e.g. Fresh Produce Market, Libraries, etc.);</p> <p>To cater for multiple bank accounts.</p> <p>Processing of payments at supervisor controlled cash offices to accommodate cashier opening, balancing and closing.</p> <p>Multiple daily and monthly online and automated reconciliations.</p> <p>Receipting to be online.</p>

Business Process	Sub-Process	Legislative or Business Requirement	System / Applications minimum functionality
<p>Cash payments must be able to be processed during database server and network downtime.</p> <p>All pay points and receipting streams to be uniquely identifiable in the sub ledger and general ledger.</p> <p>Receipting to also accommodate specialised payment types e.g. Rates Clearance, Arrear Debt arrangements, Assistance-to-the-Poor, Service Deposits, etc.</p> <p>To accommodate the correction of erroneous and/or rejected receipts.</p> <p>Facility to reverse "refer to drawer"(R/D) for Cheques, debit orders and IVR payments.</p> <p>To facilitate debit orders.</p> <p>Printing and re-printing (marked as "Copy Receipt") of receipts.</p> <p>Interface with barcode scanner to scan account numbers from the statements.</p> <p>Recording of cheque details.</p> <p>Reversal of receipt and associated interest where applicable.</p> <p>While the billing process itself follows standard accounting practices for raising debit and credit transactions, the tariffs of that govern the selection of the appropriate tariff are complex. The Solution will provide functionality to calculate the amounts due for services and levies in accordance with the determined tariffs and business rules.</p>			

Business Process	Sub-Process	Legislative or Business Requirement	System / Applications minimum functionality
<p>Calculate the income due to the municipality for services and/ or products or property, on a regular, user defined and maintainable basis.</p> <p>Generate invoices and/or statements for the amounts payable to the municipality on a regular, user defined and maintainable basis.</p> <p>Group accounts into one or more 'billing cycles' based on user defined criteria.</p> <p>Provides the facility to charge interest on arrears amount subject to certain user defined provisions and according to user maintainable rates.</p> <p>Functionality is required to raise debit and credit transactions which are updated to a Debtor account. The functionality must provide for the following transaction sources:</p> <p>Calculated transactions - these transactions will be the result of a calculation that is subject to user defined business rules to determine the tariff to be used, special conditions that may apply to be used, discounts or rebates to be applied etc.;</p> <p>Manually Input transactions - these transactions are captured by a user and will reflect all the details of the transaction;</p> <p>Electronic transactions - these transactions are received electronically, which then must be identified and raised to the relevant Debtor account.</p>			

Business Process	Sub-Process	Legislative or Business Requirement	System / Applications minimum functionality
<p>Transactions will be classified by type e.g. billing transaction, receipt transaction, journal transaction etc. The definition of a transaction type must be user maintainable.</p> <p>All transactions, regardless of type and origin, must be date/time stamped and have the user/origin included in the record. A narration / description field must be available whereby a short description of the transaction can be recorded.</p> <p>Functionality is required to correct and recalculate incorrect accounts with full audit trail of actions taken to rectify the error. This could include the recalculation of interest over different financial periods at different rates. (MSA section 95f).</p> <p>Account maintenance functionality is required to generate the necessary transactions to correct accounts which are in error by an authorised user with a full audit trail and maintenance report of actions taken to rectify the error. (MSA section 95f).</p> <p>Account maintenance functionality must produce 'hard copy' of all transactions generated to rectify the account to enable the user to verify and sign off the action taken.</p> <p>Functionality is required to categorise Debtors and Properties by a set of user defined parameters. The categories are used to create subsets of the Debtor Master for reporting, to establish appropriate tariffs and to determine billing cycles (MPRA section 3(3) c (i)).</p>			

Business Process	Sub-Process	Legislative or Business Requirement	System / Applications minimum functionality
			<p>Functionality is required to process different Debtor and property categories according to different business rule or time frames.</p> <p>Tariffs are stored by effective date from inception and all history is retained to enable recalculation of accounts even over different tariff periods.</p> <p>Functionality is required for the system to automatically apply new tariffs from the effective date specified in the tariff record. At this time the 'current' tariff will receive a status of 'expired' and the 'new' tariff becomes 'current'.</p> <p>It is important to note that in all areas of revenue calculation, rebates and/or exemptions may be applied based on a single or on multiple criteria which may be applied to the Debtor account in an 'and/or' context. The solution must provide the required level of flexibility to cater for these variations.</p> <p>Miscellaneous Charges: Certain miscellaneous charges may be raised at regular intervals (monthly, quarterly, annually) and fixed periods whilst others are raised on an ad hoc basis with automated escalation dates and percentages.</p>
			<p>Functionality is required to link the numbered meter that is used to measure the consumption of services to the erf/ property on which the meter is installed. It is important to note that there may well be more than one meter per erf/ property.</p> <p>Functionality is required to categorise meters.</p>
			<p>Meter Management (credit and prepaid)</p>

Business Process	Sub-Process	Legislative or Business Requirement	System / Applications minimum functionality
<p>The solution must be able to record the relationship of each meter to the property and track meter readings and relevant history of each meter individually.</p> <p>Functionality is required to link the Debtor to the numbered meter that is used to measure the Debtor consumption of services. It is important to note that a Debtor may well be linked to a number of meters. (E.g. a landlord with a number of leased properties). (MSA section 95d).</p> <p>Functionality is required to create and maintain practical and efficient meter reading routes.</p> <p>Functionality is required to capture and record the meter reading and the date on which the meter was read. At least the following methods of capture must be provided, namely:</p> <p>Capture via standard keyboard entry;</p> <p>Receiving meter readings electronically from a third party interface. Automated uploading and validation will be required.</p> <p>Meter readings must be retained at a transaction level and may not be overwritten, deleted or adjusted. Errors must be rectified by entering a cancelling entry and entering the correct reading.</p> <p>Functionality is required to calculate charges for services consumed according to user defined algorithm which may contain a number of variable factors in order to determine the correct tariffs to apply.</p>			

Business Process	Sub-Process	Legislative or Business Requirement	System / Applications minimum functionality
<p>Functionality is required to raise the charges against a debtor's account according to a user defined billing cycle (which may coincide with the meter reading cycle for an area).</p> <p>In the event of a meter being read 'out of cycle' the charges may be raised to the debtors account on an 'ad hoc' basis. These charges raised must be visible on the debtor's account immediately, but will not generate an invoice immediately as it will be included on the standard invoice/statement generated during the next billing cycle.</p> <p>In the event that a meter reading is not received, functionality is required to calculate an estimated consumption, according to a user maintained algorithm.</p> <p>Functionality is required to recalculate an account from all meter transaction history, taking into account any tariff changes, or from a specific starting point in the history on an ad hoc basis with the option to accept or discard the result. (i.e. the recalculation will be regarded as a 'what if' with the option to make it 'live').</p> <p>Meter management system must be integrated/ interfaced with the Billing Component.</p> <p>Prepaid electricity meters:</p> <p>Functionality that is an integral part of the Billing interface to its prepaid vendor;</p> <p>Automated blocking and arrear set off functionality is required.</p> <p>Water inventory managing.</p>			

Business Process	Sub-Process	Legislative or Business Requirement	System / Applications minimum functionality
			Functionality is required to manage an inventory of Water Meters. This to be work flowed as certain steps are dependent on others. Reports/ extracts including but not limited to: Water Meter maintenance management; Various statistical extracts and reports.

**PART A
INVITATION TO BID**

YOU ARE HEREBY INVITED TO BID FOR REQUIREMENTS OF MALUTI-A-PHONG LOCAL MUNICIPALITY

BID NUMBER:	SCM/BID23/2023/2024
DESCRIPTION:	APPOINTMENT OF A SERVICE PROVIDER FOR MSCOA COMPLIANT FINANCE SYSTEM FOR THE PERIOD OF FIVE (5) YEARS
CLOSING DATE:	30 MAY 2024
CLOSING TIME:	10H00

THE SUCCESSFUL BIDDER WILL BE REQUIRED TO FILL IN AND SIGN A WRITTEN CONTRACT FORM (MBD7). BID RESPONSE DOCUMENTS MAY BE DEPOSITED IN THE BID BOX SITUATED AT:

MALUTI-A-PHONG LOCAL MUNICIPALITY
 CNR MOREMOHOLO & MOTLUNG STREETS
 SETSING BUSINESS CENTRE
 PHUTHADITJHABA
 9870
BID BOX "A"

SUPPLIER INFORMATION

NAME OF BIDDER			
POSTAL ADDRESS			
STREET ADDRESS			
TELEPHONE NUMBER	CODE	NUMBER	
CELLPHONE NUMBER	CODE	NUMBER	
E-MAIL ADDRESS			
VAT REGISTRATION NUMBER			
TAX COMPLIANCE STATUS		TCS PIN:	
ARE YOU THE ACCREDITED REPRESENTATIVE IN SOUTH AFRICA FOR THE GOODS/SERVICES OFFERED?		<input type="checkbox"/> Yes <input type="checkbox"/> No [IF YES ENCLOSE PROOF]	
ARE YOU A FOREIGN BASED SUPPLIER FOR THE GOODS/SERVICES OFFERED?		<input type="checkbox"/> Yes <input type="checkbox"/> No [IF YES, ANSWER PART B:3]	
TOTAL NUMBER OF ITEMS OFFERED	TOTAL BID PRICE	DATE	
SIGNATURE OF BIDDER			
CAPACITY UNDER WHICH THIS BID IS SIGNED			

TECHNICAL INFORMATION MAY BE DIRECTED TO: **TO:** SCM

BIDDING PROCEDURE ENQUIRIES MAY BE DIRECTED TO: MR T.M THOABALA
 CONTACT PERSON
 TELEPHONE NUMBER 058 718 3741
 FACSIMILE NUMBER N/A
 E-MAIL ADDRESS mratenk@map.fs.gov.za

DEPARTMENT: MRS N.P. KHUMALO
 CONTACT PERSON: MRS N.P. KHUMALO
 TELEPHONE NUMBER: 058 718 3741
 FACSIMILE NUMBER: N/A
 E-MAIL ADDRESS: mratenk@map.fs.gov.za

**PART B
TERMS AND CONDITIONS FOR BIDDING**

- 1. BID SUBMISSION:**
- 1.1. BIDS MUST BE DELIVERED BY THE STIPULATED TIME TO THE CORRECT ADDRESS. LATE BIDS WILL NOT BE ACCEPTED FOR CONSIDERATION.
 - 1.2. ALL BIDS MUST BE SUBMITTED ON THE OFFICIAL FORMS PROVIDED (NOT TO BE RE-TYPED) OR ONLINE
 - 1.3. THIS BID IS SUBJECT TO THE PREFERENTIAL PROCUREMENT POLICY FRAMEWORK ACT AND THE PREFERENTIAL PROCUREMENT REGULATIONS THE GENERAL CONDITIONS OF CONTRACT (GCC) AND, IF APPLICABLE, ANY OTHER SPECIAL CONDITIONS OF CONTRACT.

2. TAX COMPLIANCE REQUIREMENTS

- 2.1 BIDDERS MUST ENSURE COMPLIANCE WITH THEIR TAX OBLIGATIONS.
- 2.2 BIDDERS ARE REQUIRED TO SUBMIT THEIR UNIQUE PERSONAL IDENTIFICATION NUMBER (PIN) ISSUED BY SARS TO ENABLE THE ORGAN OF STATE TO VIEW THE TAXPAYER'S PROFILE AND TAX STATUS.
- 2.3 APPLICATION FOR THE TAX COMPLIANCE STATUS (TCS) CERTIFICATE OR PIN MAY ALSO BE MADE VIA E-FILING. IN ORDER TO USE THIS PROVISION, TAXPAYERS WILL NEED TO REGISTER WITH SARS AS E-FILERS THROUGH THE WEBSITE WWW.SARS.GOV.ZA.
- 2.4 FOREIGN SUPPLIERS MUST COMPLETE THE PRE-AWARD QUESTIONNAIRE IN PART B.3.
- 2.5 BIDDERS MAY ALSO SUBMIT A PRINTED TCS CERTIFICATE TOGETHER WITH THE BID.
- 2.6 IN BIDS WHERE CONSORTIA / JOINT VENTURES / SUB-CONTRACTORS ARE INVOLVED, EACH PARTY MUST SUBMIT A SEPARATE TCS CERTIFICATE / PIN / CSD NUMBER.
- 2.7 WHERE NO TCS IS AVAILABLE BUT THE BIDDER IS REGISTERED ON THE CENTRAL SUPPLIER DATABASE (CSD), A CSD NUMBER MUST BE PROVIDED.

3. QUESTIONNAIRE TO BIDDING FOREIGN SUPPLIERS

- 3.1. IS THE ENTITY A RESIDENT OF THE REPUBLIC OF SOUTH AFRICA (RSA)? YES NO
 - 3.2. DOES THE ENTITY HAVE A BRANCH IN THE RSA? YES NO
 - 3.3. DOES THE ENTITY HAVE A PERMANENT ESTABLISHMENT IN THE RSA? YES NO
 - 3.4. DOES THE ENTITY HAVE ANY SOURCE OF INCOME IN THE RSA? YES NO
 - 3.5. IS THE ENTITY LIABLE IN THE RSA FOR ANY FORM OF TAXATION? YES NO
- IF THE ANSWER IS "NO" TO ALL OF THE ABOVE, THEN IT IS NOT A REQUIREMENT TO REGISTER FOR A TAX COMPLIANCE STATUS SYSTEM PIN CODE FROM THE SOUTH AFRICAN REVENUE SERVICE (SARS) AND IF NOT REGISTER AS PER 2.3 ABOVE.

NB: FAILURE TO PROVIDE ANY OF THE ABOVE PARTICULARS MAY RENDER THE BID INVALID. NO BIDS WILL BE CONSIDERED FROM PERSONS IN THE SERVICE OF THE STATE.

SIGNATURE OF BIDDER:

CAPACITY UNDER WHICH THIS BID IS SIGNED:

DATE:

TAX CLEARANCE REQUIREMENTS

IT IS A CONDITION OF BIDDING THAT -

1. The taxes of the successful bidder must be in order, or that satisfactory arrangements have been made with the Receiver of Revenue to meet his / her tax obligations.

2. The attached form "Application for Tax Clearance Certificate (in respect of bidders)", must be completed in all respects and submitted to the Receiver of Revenue where the bidder is registered for tax purposes. The Receiver of Revenue will then furnish the bidder with a Tax Clearance Certificate that will be valid for a period of twelve (12) months from date of issue. This Tax Clearance Certificate must be submitted in the original together with the bid. Failure to submit the original and valid Tax Clearance Certificate may invalidate the bid.

3. In bids where Consortia / Joint Ventures / Sub-contractors are involved each party must submit a separate Tax Clearance Certificate. Copies of the Application for Tax Clearance Certificates are available at any Receiver's Office.

**APPLICATION FOR TAX CLEARANCE CERTIFICATE
(IN RESPECT OF BIDDERS)**

1. Name of taxpayer / bidder:

2. Trade name:

3. Identification number:

4. Company / Close Corporation registration number:

5. Income tax reference number:

6. VAT registration number (if applicable):

7. PAYE employer's registration number (if applicable):

Signature of contact person requiring Tax Clearance Certificate:

Name:

Telephone number: Code:..... Number:

Address:

.....

DATE: 20___ / ___ / ___

PLEASE NOTE THAT THE COMMISSIONER FOR THE SOUTH AFRICAN REVENUE SERVICE (SARS) WILL NOT EXERCISE HIS DISCRETIONARY POWERS IN FAVOUR OF ANY PERSON WITH REGARD TO ANY INTEREST, PENALTIES AND / OR ADDITIONAL TAX LEVAILABLE DUE TO THE LATE- OR UNDERPAYMENT OF TAXES, DUTIES OR LEVIES OR THE RENDITION RETURNS BY ANY PERSON AS A RESULT OF ANY SYSTEM NOT BEING YEAR 2000 COMPLIANT.

DECLARATION OF INTEREST

1. No bid will be accepted from persons in the service of the state.
2. Any person, having a kinship with persons in the service of the state, including a blood relationship, may make an offer or offers in terms of this invitation to bid. In view of possible allegations of favouritism, should the resulting bid, or part thereof, be awarded to persons connected with or related to persons in service of the state, it is required that the bidder or their authorised representative declare their position in relation to the evaluating/adjusting authority.
3. In order to give effect to the above, the following questionnaire must be completed and submitted with the bid.

3.1 Full Name of bidder or his or her representative:.....

3.2 Identity Number:

3.3 Position occupied in the Company (director, trustee, shareholder?):.....

3.4 Company Registration Number:

3.5 Tax Reference Number:.....

3.6 VAT Registration Number:

3.7 The names of all directors / trustees / shareholders members, their individual identity numbers and state employee numbers must be indicated in paragraph 4 below.

3.8 Are you presently in the service of the state? YES / NO

3.8.1 If yes, furnish particulars.

MSCM Regulations: "in the service of the state" means to be - a member of -

- (a) any municipal council;
- (i) any provincial legislature; or
- (ii) the national Assembly or the national Council of provinces;
- (iii)

- (b) a member of the board of directors of any municipal entity;
 - (c) an official of any municipality or municipal entity;
 - (d) an employee of any national or provincial department, national or provincial public entity or constitutional institution within the meaning of the Public Finance Management Act, 1999 (Act No.1 of 1999);
 - (e) a member of the accounting authority of any national or provincial public entity; or
 - (f) an employee of Parliament or a provincial legislature.
- Shareholder" means a person who owns shares in the company and is actively involved in the management of the company or business and exercises control over the company.

3.9 Have you been in the service of the state for the past twelve months? YES / NO

3.9.1 If yes, furnish particulars.....

3.10 Do you have any relationship (family, friend, other) with persons in the service of the state and who may be involved with

DECLARATION FOR PROCUREMENT ABOVE R10 MILLION (ALL APPLICABLE TAXES INCLUDED)

MBD 5

For all procurement expected to exceed R10 million (all applicable taxes included), bidders must complete the following questionnaire:

- 1 Are you by law required to prepare annual financial statements for auditing?
 1.1 If yes, submit audited annual financial statements for the past three years or since the date of establishment if established during the past three years.

- 2 Do you have any outstanding undisputed commitments for municipal services towards any municipality for more than three months or any other service provider in respect of which payment is overdue for more than 30 days?
 2.1 If no, this serves to certify that the bidder has no undisputed commitments for municipal services towards any municipality for more than three months or other service provider in respect of which payment is overdue for more than 30 days.

- 2.2 If yes, provide particulars.

3 Has any contract been awarded to you by an organ of state during the past five years, including particulars of any material non-compliance or dispute concerning the execution of

***YES / NO**

* Delete if not applicable

PREFERENCE POINTS CLAIM FORM IN TERMS OF THE PREFERENTIAL PROCUREMENT REGULATIONS 2022

This preference form must form part of all bids invited. It contains general information and serves as a claim form for preference points for specific goals.

NB: BEFORE COMPLETING THIS FORM, BIDDERS MUST STUDY THE GENERAL CONDITIONS, DEFINITIONS AND DIRECTIVES APPLICABLE IN RESPECT OF THE TENDER AND PREFERENTIAL PROCUREMENT REGULATIONS, 2022.

1. GENERAL CONDITIONS

1.1 The following preference point systems are applicable to all bids:

- the 80/20 system for requirements with a Rand value of up to R50 000 000 (all applicable taxes included); and
- the 90/10 system for requirements with a Rand value above R50 000 000 (all applicable taxes included).

1.2 a) The value of this bid is estimated to exceed/not exceed R50 000 000 (all applicable taxes included) and therefore the 80/20 preference point system shall be applicable; or

1.3 Points for this bid shall be awarded for:

- (a) Price; and
- (b) Specific goals

1.4 The maximum points for this bid are allocated as follows:

POINTS	PRICE	SPECIFIC GOALS	Total points for Price and Specific Goals must not exceed
80	80	20	100

1.6 Failure on the part of a bidder to submit proof or documentation required in terms of this tender to claim points for specific goals with the tender, will be interpreted to mean that preference points for specific goals are not claimed.

1.7 The purchaser reserves the right to require of a bidder, either before a bid is adjudicated or at any time subsequently, to substantiate any claim in regard to preferences, in any manner required by the purchaser.

2. DEFINITIONS

The words in this policy shall bear a meaning as prescribed as prescribed and/or ascribed by applicable legislation, and in the event of a conflict, the meaning attached thereto by National Legislation shall prevail:

(a) "Act" means the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000).

(b) "Black people" as defined in the Broad-Based Black Economic Empowerment Act, 2003 (Act No 53 of 2003), is a generic term which means Africans, Coloured and Indians.

(c) "Tender" means a written offer or bid in a prescribed or stipulated form in response to an invitation by an organ of state for the provision of services or goods.

(d) "price" means an amount of money tendered for good or services, and includes all applicable taxes less all unconditional discounts;

(e) "rand value" means the total estimated value of a contract in rand, calculated at the time of bid tender invitation, and includes all applicable taxes and

(f) "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 auction.

3. FORMULAE FOR PROCUREMENT OF GOODS AND SERVICES

3.1 POINTS AWARDED FOR PRICE

3.1.1 THE 80/20 PREFERENCE POINT SYSTEMS

A maximum of 80 points is allocated for price on the following basis:

80/20

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

Where

P_s = Points scored for price of bid under consideration

P_t = Price of bid under consideration

P_{\min} = Price of lowest acceptable bid

4. POINTS AWARDED FOR SPECIFICATION GOALS

4.1 In terms of Regulation 4(2); 5(2); 6(2) and 7(2) of the Preferential Procurement Regulations, preference points must be awarded for specific goals stated in the tender. For the purposes of this tender the tenderer will be allocated points based on the goals stated in table 1 below as may be supported by proof/documentation stated in the conditions of this tender:

4.2. In cases where organs of state intend to use Regulation 3(2) of the Regulations, which states that, 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,

then the organ of state must indicate the points allocated for specific goals for both the 90/10 and 80/20 preference point system.

Table 1: Specific goals for the tender and points claimed are indicated per the table below.
*(Note to organs of state: Where either the 90/10 or 80/20 preference point system is applicable, corresponding points must also be indicated as such.
 Note to tenderers: The tenderer must indicate how they claim points for each preference point system.)*

The specific goals allocated points in terms of this tender	Number of points allocated (90/10 system) (To be completed by the organ of state)	Number of points allocated (80/20 system) (To be completed by the organ of state)	Number of points allocated (90/10 system) (To be completed by the tenderer)	Number of points allocated (80/20 system) (To be completed by the tenderer)
Location Based	10	10		
Historically Disadvantaged Persons		10		
Total Points Allocated		20		

DECLARATION WITH REGARD TO COMPANY/FIRM

4.1 Name of company/firm:.....

4.2 VAT registration number:.....

4.3 Company registration number:.....

4.4 TYPE OF COMPANY/FIRM

- Partnership/Joint Venture / Consortium
- One person business/sole propriety
- Close corporation

Company
 (Pty) Limited
[TICK APPLICABLE BOX]

I, the undersigned, who is duly authorised to do so on behalf of the company/firm, certify that the points claimed, based on the specific goals as advised in the tender, qualifies the company/ firm for the preference(s) shown and I acknowledge that:

(i) The information furnished is true and correct;

(ii) The preference points claimed are in accordance with the General Conditions as indicated in paragraph 1 of this form;

(iii) In the event of a contract being awarded as a result of points claimed as shown in paragraphs 1.4 and 4.2, the contractor may be required to furnish documentary

proof to the satisfaction of the organ of state that the claims are correct;

(iv) If the specific goals have been claimed or obtained on a fraudulent basis or any of the conditions of contract have not been fulfilled, the organ of state may, in addition to any other remedy it may have –

(a) disqualify the person from the tendering process;

(b) recover costs, losses or damages it has incurred or suffered as a result of that person's conduct;

(c) cancel the contract and claim any damages which it has suffered as a result of having to make less favourable arrangements due to such cancellation;

(d) recommend that the tenderer or contractor, its shareholders and directors, or only the shareholders and directors who acted on a fraudulent basis, be restricted from obtaining business from any organ of state for a period not exceeding 10 years, after the audit

alternam partem (hear the other side) rule has been applied; and

(e) forward the matter for criminal prosecution, if deemed necessary.

Signature(s) of Tenderer(s): _____
Date: _____

DECLARATION OF BIDDER'S PAST SUPPLY CHAIN MANAGEMENT PRACTICES

- 1 This Municipal Bidding Document must form part of all bids invited.
- 2 It serves as a declaration to be used by municipalities and municipal entities in ensuring that when goods and services are being procured, all reasonable steps are taken to combat the abuse of the supply chain management system.
- 3 The bid of any bidder may be rejected if that bidder, or any of its directors have:
 - a. abused the municipality's / municipal entity's supply chain management system or committed any improper conduct in relation to such system;
 - b. been convicted for fraud or corruption during the past five years;
 - c. willfully neglected, reneged on or failed to comply with any government, municipal or other public sector contract during the past five years; or
 - d. been listed in the Register for Tender Defaulters in terms of section 29 of the Prevention and Combating of Corrupt Activities Act (No 12 of 2004).
- 4 In order to give effect to the above, the following questionnaire must be completed and submitted with the bid.

Item	Question				
4.1	Is the bidder or any of its directors listed on the National Treasury's Database of Restricted Suppliers as companies or persons prohibited from doing business with the public sector? (Companies or persons who are listed on this Database were informed in writing of this restriction by the Accounting Officer/Authority of the institution that imposed the restriction after the <i>audi alteram partem</i> rule was applied). The Database of Restricted Suppliers now resides on the National Treasury's website(www.treasury.gov.za) and can be accessed by clicking on its link at the bottom of the home page.	<input type="checkbox"/>	<input type="checkbox"/>	Yes	No
4.1.1	If so, furnish particulars:				
4.2	Is the bidder or any of its directors listed on the Register for Tender Defaulters in terms of section 29 of the Prevention and Combating of Corrupt Activities Act (No 12 of 2004)? The Register for Tender Defaulters can be accessed on the National Treasury's website (www.treasury.gov.za) by clicking on its link at the bottom of the home page.	<input type="checkbox"/>	<input type="checkbox"/>	Yes	No
4.2.1	If so, furnish particulars:				
4.3	Was the bidder or any of its directors convicted by a court of law (including a court of law outside the Republic of South Africa) for fraud or corruption during the past five years?	<input type="checkbox"/>	<input type="checkbox"/>	Yes	No

I, THE UNDERSIGNED (FULL NAME)
 CERTIFY THAT THE INFORMATION FURNISHED ON THIS
 DECLARATION FORM TRUE AND CORRECT.
 I ACCEPT THAT, IN ADDITION TO CANCELLATION OF A CONTRACT, ACTION MAY BE
 TAKEN AGAINST ME SHOULD THIS DECLARATION PROVE TO BE FALSE.

Signature
 Position

Date
 Name of Bidder

CERTIFICATION

Item	Question	Yes	No
4.3.1	If so, furnish particulars:		
4.4	Does the bidder or any of its directors owe any municipal rates and taxes or municipal charges to the municipality / municipal entity, or to any other municipal entity, that is in arrears for more than three months?	<input type="checkbox"/>	<input type="checkbox"/>
4.4.1	If so, furnish particulars:		
4.5	Was any contract between the bidder and the municipality / municipal entity or any other organ of state terminated during the past five years on account of failure to perform on or comply with the contract?	<input type="checkbox"/>	<input type="checkbox"/>
4.7.1	If so, furnish particulars:		

CERTIFICATE OF INDEPENDENT BID DETERMINATION

1 This Municipal Bidding Document (MBD) must form part of all bids¹ invited.

2 Section 4 (1) (b) (iii) of the Competition Act No. 89 of 1998, as amended, prohibits an agreement between, or concerted practice by, firms, or a decision by an association of firms, if it is between parties in a horizontal relationship and if it involves collusive bidding (or bid rigging).² Collusive bidding is a *pe se* prohibition meaning that it cannot be justified under any grounds.

3 Municipal Supply Regulation 38 (1) prescribes that a supply chain management policy must provide measures for the combating of abuse of the supply chain management system, and must enable the accounting officer, among others, to:

- a. take all reasonable steps to prevent such abuse;
- b. reject the bid of any bidder if that bidder or any of its directors has abused the supply chain management system of the municipality or municipal entity or has committed any improper conduct in relation to such system; and
- c. cancel a contract awarded to a person if the person committed any corrupt or fraudulent act during the bidding process or the execution of the contract.

4 This MBD serves as a certificate of declaration that would be used by institutions to ensure that, when bids are considered, reasonable steps are taken to prevent any form of bid-rigging.
5 In order to give effect to the above, the attached Certificate of Bid Determination (MBD 9) must be completed and submitted with the bid:

¹ Includes price quotations, advertised competitive bids, limited bids and proposals.

² Bid rigging (or collusive bidding) occurs when businesses, that would otherwise be expected to compete, secretly conspire to raise prices or lower the quality of goods and / or services for purchasers who wish to acquire goods and / or services through a bidding process. Bid rigging is, therefore, an agreement between competitors not to compete.

CERTIFICATE OF INDEPENDENT BID DETERMINATION

I, the undersigned, in submitting the accompanying bid:

_____ (Bid Number and Description)

in response to the invitation for the bid made by:

_____ (Name of Municipality / Municipal Entity)

do hereby make the following statements that I certify to be true and complete in every respect:

I certify, on behalf of: _____ that:

(Name of Bidder)

1. I have read and I understand the contents of this Certificate;
2. I understand that the accompanying bid will be disqualified if this Certificate is found not to be true and complete in every respect;
3. I am authorized by the bidder to sign this Certificate, and to submit the accompanying bid, on behalf of the bidder;
4. Each person whose signature appears on the accompanying bid has been authorized by the bidder to determine the terms of, and to sign, the bid, on behalf of the bidder;
5. For the purposes of this Certificate and the accompanying bid, I understand that the word "competitor" shall include any individual or organization, other than the bidder, whether or not affiliated with the bidder, who:
 - (a) has been requested to submit a bid in response to this bid invitation;
 - (b) could potentially submit a bid in response to this bid invitation, based on their qualifications, abilities or experience; and
 - (c) provides the same goods and services as the bidder and/or is in the same line of business as the bidder

6. The bidder has arrived at the accompanying bid independently from, and without consultation, communication, agreement or arrangement with any competitor. However communication between partners in a joint venture or consortium³ will not be construed as collusive bidding.

7. In particular, without limiting the generality of paragraphs 6 above, there has been no consultation, communication, agreement or arrangement with any competitor regarding:

- (a) prices;
- (b) geographical area where product or service will be rendered (market allocation)
- (c) methods, factors or formulas used to calculate prices;
- (d) the intention or decision to submit or not to submit, a bid;
- (e) the submission of a bid which does not meet the specifications and conditions of the bid; or
- (f) bidding with the intention not to win the bid.

8. In addition, there have been no consultations, communications, agreements or arrangements with any competitor regarding the quality, quantity, specifications and conditions or delivery particulars of the products or services to which this bid invitation relates.

9. The terms of the accompanying bid have not been, and will not be, disclosed by the bidder, directly or indirectly, to any competitor, prior to the date and time of the official bid opening or of the awarding of the contract.

³ Joint venture or Consortium means an association of persons for the purpose of combining their expertise, property, capital, efforts, skill and knowledge in an activity for the execution of a contract.

10. I am aware that, in addition and without prejudice to any other remedy provided to combat any restrictive practices related to bids and contracts, bids that are suspicious will be reported to the Competition Commission for investigation and possible imposition of administrative penalties in terms of section 59 of the Competition Act No 89 of 1998 and or may be reported to the National Prosecuting Authority (NPA) for criminal investigation and or may be restricted from conducting business with the public sector for a period not exceeding ten (10) years in terms of the Prevention and Combating of Corrupt Activities Act No 12 of 2004 or any other applicable legislation.

Signature
Position
Date
Name of Bidder

Maluti-a-Phofung Municipality



Private Bag X805
 Wisitshoek
 9870
 Tel: 058 718 3700
 Fax: 058 713 0459

Seting Business Centre
 C/o Moremoholo & Motloung Streets
 Phuthaditjhaba
 9866

Enquiries: Supply Chain Management Unit

MUNICIPAL SERVICES, RATES AND TAXES CLEARANCE CERTIFICATE FOR SUPPLY CHAIN MANAGEMENT PURPOSE

The purpose of this form is to obtain prove that municipal services, rates and taxes of the service provider are not more than three months in arrears with the relevant municipality / landlord in the municipal area where the service provider conduct his / her business. **This form is to be completed only if the service provider's rates and taxes are not in arrears for more than three months.**

PART A – to be completed by the relevant municipality in the case where the service provider is the registered owner of the site / owner pays for municipal services / tenant pays for municipal services

OR

PART B – to be completed by the landlord in the case where the service provider is renting the premises / rental paid by tenant include municipal services.

PART A (TO BE COMPLETED BY THE RELEVANT MUNICIPALITY)

Name of the Municipality:	_____
Property Physical Address:	_____
Registered Name:	_____
Official's Name:	_____
Signature:	_____
Date:	_____
Please tick whether in arrears or up-to-date	
Rates and taxes : Up-to-date /	in arrears for more than 3 months
Water: Up-to-date /	in arrears for more than 3 months
Electricity: Up-to-date /	in arrears for more than 3 months
Refuse : Up-to-date /	in arrears for more than 3 months

Municipality Stamp Here

Other services: Up-to-date / in arrears for more than 3 months

NB: If the company address or operate in rural settlement the service provider should attach their electricity purchase pattern. Electricity purchase pattern can be validated once the company purchase electricity in three (03) consecutive months.

PART B (TO BE COMPLETED BY THE LANDLORD)

Name of the Landlord:

Property Physical Address:

Landlord Signature:

Date: _____

Landlord's business stamp here Or an Affidavit from SAPS
Lease Agreement (Compulsory)

Please tick whether up-to-date or in arrears

Rental: Up-to-date / in arrears for more than 3 months

Municipal services: Up-to-date / in arrears for more than 3 months

NB: In the event that company is operating on leased premises and the address is not the same as the Company registration both lease agreement and landlord statement of account (not in arrears for more than three months) must be attached.

If the company address or operate in rural settlement the service provider should attach their electricity purchase pattern. Electricity purchase pattern can be validated once the company purchase electricity in three (03) consecutive months.

In the event the landlord does not have a business stamp an affidavit from SAPS AND lease Agreement must be attached.

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General Conditions of Contract

1. Definitions

1. The following terms shall be interpreted as indicated:
 - 1.1 "Closing time" means the date and hour specified in the bidding documents for the receipt of bids.
 - 1.2 "Contract" means the written agreement entered into between the purchaser and the supplier, as recorded in the contract form signed by the parties, including all attachments and appendices thereto and all documents incorporated by reference therein.
 - 1.3 "Contract price" means the price payable to the supplier under the contract for the full and proper performance of his contractual obligations.
 - 1.4 "Corrupt practice" means the offering, giving, receiving, or soliciting of any thing of value to influence the action of a public official in the procurement process or in contract execution.
 - 1.5 "Countervailing duties" are imposed in cases where an enterprise abroad is subsidized by its government and encouraged to market its products internationally.
 - 1.6 "Country of origin" means the place where the goods were mined, grown or produced or from which the services are supplied. Goods are produced when, through manufacturing, processing or substantial and major assembly of components, a commercially recognized new product results that is substantially different in basic characteristics or in purpose or utility from its components.
 - 1.7 "Day" means calendar day.
 - 1.8 "Delivery" means delivery in compliance of the conditions of the contract or order.
 - 1.9 "Delivery ex stock" means immediate delivery directly from stock actually on hand.
 - 1.10 "Delivery into consignees store or to his site" means delivered and unloaded in the specified store or depot or on the specified site in compliance with the conditions of the contract or order, the supplier bearing all risks and charges involved until the goods are so delivered and a valid receipt is obtained.
 - 1.11 "Dumping" occurs when a private enterprise abroad market its goods on own initiative in the RSA at lower prices than that of the country of origin and which have the potential to harm the local industries in the RSA.

GOVERNMENT PROCUREMENT: GENERAL CONDITIONS OF CONTRACT

- 1.24 "Services" means those functional services ancillary to the
- 1.23 "SCC" means the Special Conditions of Contract.
- 1.22 "Republic" means the Republic of South Africa.
- 1.21 "Purchaser" means the organization purchasing the goods.
- 1.20 "Project site," where applicable, means the place indicated in bidding documents.
- 1.19 "Order" means an official written order issued for the supply of goods or works or the rendering of a service.
- 1.18 "Manufacture" means the production of products in a factory using labour, materials, components and machinery and includes other related value-adding activities.
- 1.17 "Local content" means that portion of the bidding price, which is not included in the imported content provided that local manufacture does take place.
- 1.16 "Imported content" means that portion of the bidding price represented by the cost of components, parts or materials which have been or are still to be imported (whether by the supplier or his subcontractors) and which costs are inclusive of the costs abroad, plus freight and other direct importation costs such as landing costs, dock dues, import duty, sales duty or other similar tax or duty at the South African place of entry as well as transportation and handling charges to the factory in the Republic where the goods covered by the bid will be manufactured.
- 1.15 "Goods" means all of the equipment, machinery, and/or other materials that the supplier is required to supply to the purchaser under the contract.
- 1.14 "GCC" means the General Conditions of Contract.
- 1.13 "Fraudulent practice" means a misrepresentation of facts in order to influence a procurement process or the execution of a contract to the detriment of any bidder, and includes collusive practice among bidders (prior to or after bid submission) designed to establish bid prices at artificial non-competitive levels and to deprive the bidder of the benefits of free and open competition.
- 1.12 "Force majeure" means an event beyond the control of the supplier and not involving the supplier's fault or negligence and not foreseeable. Such events may include, but is not restricted to, acts of the purchaser in its sovereign capacity, wars or revolutions, fires, floods, epidemics, quarantine restrictions and freight embargoes.

supply of the goods, such as transportation and any other incidental services, such as installation, commissioning, provision of technical assistance, training, catering, gardening, security, maintenance and other such obligations of the supplier covered under the contract.

1.25 "Supplier" means the successful bidder who is awarded the contract to maintain and administer the required and specified service(s) to the State.

1.26 "Tort" means in breach of contract.

1.27 "Turnkey" means a procurement process where one service provider assumes total responsibility for all aspects of the project and delivers the full end product / service required by the contract.

1.28 "Written" or "in writing" means hand-written in ink or any form of electronic or mechanical writing.

2. Application

2.1 These general conditions are applicable to all bids, contracts and orders including bids for functional and professional services (excluding professional services related to the building or construction industry), sales, hiring, letting and the granting or acquiring of rights, but excluding immovable property, unless otherwise indicated in the bidding documents.

2.2 Where applicable, special conditions of contract are also laid down to cover specific goods, services or works.

2.3 Where such special conditions of contract are in conflict with these general conditions, the special conditions shall apply.

3. General

3.1 Unless otherwise indicated in the bidding documents, the purchaser shall not be liable for any expense incurred in the preparation and submission of a bid. Where applicable a non-refundable fee for documents may be charged.

3.2 Invitations to bid are usually published in locally distributed news media and on the municipality/municipal entity website.

4. Standards

4.1 The goods supplied shall conform to the standards mentioned in the bidding documents and specifications.

5. Use of contract documents and information inspection

5.1 The supplier shall not, without the purchaser's prior written consent, disclose the contract, or any provision thereof, or any specification, plan, drawing, pattern, sample, or information furnished by or on behalf of the purchaser in connection therewith, to any person other than a person employed by the supplier in the performance of the contract. Disclosure to any such employed person shall be made in confidence and shall

extend only so far as may be necessary for purposes of such performance.

5.2 The supplier shall not, without the purchaser's prior written consent, make use of any document or information mentioned in GCC clause 5.1 except for purposes of performing the contract.

5.3 Any document, other than the contract itself mentioned in GCC clause 5.1 shall remain the property of the purchaser and shall be returned (all copies) to the purchaser on completion of the supplier's performance under the contract if so required by the purchaser.

5.4 The supplier shall permit the purchaser to inspect the supplier's records relating to the performance of the supplier and to have them audited by auditors appointed by the purchaser, if so required by the purchaser.

6.1 The supplier shall indemnify the purchaser against all third-party claims of infringement of patent, trademark, or industrial design rights arising from use of the goods or any part thereof by the purchaser.

6.2 When a supplier developed documentation / projects for the municipality / municipal entity, the intellectual, copy and patent rights or ownership of such documents or projects will vest in the municipality / municipal entity.

7. Performance security

7.1 Within thirty (30) days of receipt of the notification of contract award, the successful bidder shall furnish to the purchaser the performance security of the amount specified in SCC.

7.2 The proceeds of the performance security shall be payable to the purchaser as compensation for any loss resulting from the supplier's failure to complete his obligations under the contract.

7.3 The performance security shall be denominated in the currency of the contract, or in a freely convertible currency acceptable to the purchaser and shall be in one of the following forms:

- (a) a bank guarantee or an irrevocable letter of credit issued by a reputable bank located in the purchaser's country or abroad, acceptable to the purchaser, in the form provided in the bidding documents or another form acceptable to the purchaser; or
- (b) a cashier's or certified cheque.

7.4 The performance security will be discharged by the purchaser and returned to the supplier not later than thirty (30) days following the date of completion of the supplier's performance obligations under the contract, including any warranty obligations, unless otherwise specified.

8. Inspections, tests and analyses

- 8.1 All pre-bidding testing will be for the account of the bidder.
- 8.2 If it is a bid condition that goods to be produced or services to be rendered should at any stage be subject to inspections, tests and analyses, the bidder or contractor's premises shall be open, at all reasonable hours, for inspection by a representative of the purchaser or organization acting on behalf of the purchaser.
- 8.3 If there are no inspection requirements indicated in the bidding documents and no mention is made in the contract, but during the contract period it is decided that inspections shall be carried out, the purchaser shall itself make the necessary arrangements, including payment arrangements with the testing authority concerned.
- 8.4 If the inspections, tests and analyses referred to in clauses 8.2 and 8.3 show the goods to be in accordance with the contract requirements, the cost of the inspections, tests and analyses shall be defrayed by the purchaser.
- 8.5 Where the goods or services referred to in clauses 8.2 and 8.3 do not comply with the contract requirements, irrespective of whether such goods or services are accepted or not, the cost in connection with these inspections, tests or analyses shall be defrayed by the supplier.
- 8.6 Goods and services which are referred to in clauses 8.2 and 8.3 and which do not comply with the contract requirements may be rejected.
- 8.7 Any contract goods may on or after delivery be inspected, tested or analysed and may be rejected if found not to comply with the requirements of the contract. Such rejected goods shall be held at the cost and risk of the supplier who shall, when called upon, remove them immediately at his own cost and forthwith substitute them with goods, which do comply with the requirements of the contract. Falling such removal the rejected goods shall be returned at the suppliers cost and risk. Should the supplier fail to provide the substitute goods forthwith, the purchaser may, without giving the supplier further opportunity to substitute the rejected goods, purchase such goods as may be necessary at the expense of the supplier.

- 8.8 The provisions of clauses 8.4 to 8.7 shall not prejudice the right of the purchaser to cancel the contract on account of a breach of the conditions thereof, or to act in terms of Clause 22 of GCC.

9. Packing

- 9.1 The supplier shall provide such packing of the goods as is required to prevent their damage or deterioration during transit to their final destination, as indicated in the contract. The packing shall be sufficient to withstand, without limitation, rough handling during transit and exposure to extreme temperatures, salt and precipitation during transit, and open storage. Packing, case size

9.2 The packing, marking, and documentation within and outside the packages shall comply strictly with such special requirements as shall be expressly provided for in the contract, including additional requirements, if any, and in any subsequent instructions ordered by the purchaser.

10.1 Delivery of the goods and arrangements for shipping and clearance obligations, shall be made by the supplier in accordance with the terms specified in the contract.

10. Delivery and documents

11.1 The goods supplied under the contract shall be fully insured in a freely convertible currency against loss or damage incidental to manufacture or acquisition, transportation, storage and delivery in the manner specified.

11. Insurance

12.1 Should a price other than an all-inclusive delivered price be required, this shall be specified.

12. Transportation

13.1 The supplier may be required to provide any or all of the following services, including additional services, if any:

13. Incidental Services

- (a) performance or supervision of on-site assembly and/or commissioning of the supplied goods;
- (b) furnishing of tools required for assembly and/or maintenance of the supplied goods;
- (c) furnishing of a detailed operations and maintenance manual for each appropriate unit of the supplied goods;
- (d) performance or supervision of maintenance and/or repair of the supplied goods, for a period of time agreed by the parties, provided that this service shall not relieve the supplier of any warranty obligations under this contract; and
- (e) training of the purchaser's personnel, at the supplier's plant and/or on-site, in assembly, start-up, operation, maintenance, and/or repair of the supplied goods.

13.2 Prices charged by the supplier for incidental services, if not included in the contract price for the goods, shall be agreed upon in advance by the parties and shall not exceed the prevailing rates charged to other parties by the supplier for similar services.

14. Spare parts
 14.1 As specified, the supplier may be required to provide any or all of the following materials, notifications, and information pertaining to spare parts manufactured or distributed by the supplier.

- (a) such spare parts as the purchaser may elect to purchase from the supplier, provided that this election shall not relieve the supplier of any warranty obligations under the contract; and;
- (b) in the event of termination of production of the spare parts:
 - (i) advance notification to the purchaser of the pending termination, in sufficient time to permit the purchaser to procure needed requirements; and
 - (ii) following such termination, furnishing at no cost to the purchaser, the blueprints, drawings, and specifications of the spare parts, if requested.

15. Warranty

15.1 The supplier warrants that the goods supplied under the contract are new, unused, of the most recent or current models, and that they incorporate all recent improvements in design and materials unless provided otherwise in the contract. The supplier further warrants that all goods supplied under this contract shall have no defect, arising from design, materials, or workmanship (except when the design and/or material is required by the purchaser's specifications) or from any act or omission of the supplier, that may develop under normal use of the supplied goods in the conditions prevailing in the country of final destination.

15.2 This warranty shall remain valid for twelve (12) months after the goods, or any portion thereof as the case may be, have been delivered to and accepted at the final destination indicated in the contract, or for eighteen (18) months after the date of shipment from the port or place of loading in the source country, whichever period concludes earlier, unless specified otherwise.

15.3 The purchaser shall promptly notify the supplier in writing of any claims arising under this warranty.

15.4 Upon receipt of such notice, the supplier shall, within the period specified and with all reasonable speed, repair or replace the defective goods or parts thereof, without costs to the purchaser.

15.5 If the supplier, having been notified, fails to remedy the defect(s) within the period specified, the purchaser may proceed to take such remedial action as may be necessary, at the supplier's risk and expense and without prejudice to any other rights which the purchaser may have against the supplier under the contract.

16. Payment

16.1 The method and conditions of payment to be made to the supplier under this contract shall be specified.

16.2 The supplier shall furnish the purchaser with an invoice accompanied by a copy of the delivery note and upon fulfillment of other obligations stipulated in the contract.

GOVERNMENT PROCUREMENT: GENERAL CONDITIONS OF CONTRACT

21.3 The right is reserved to procure outside of the contract small quantities or to have minor essential services executed if an emergency arises, the supplier's point of supply is not situated at or near the place where the goods are required, or the supplier's services are not readily available.

21.2 If at any time during performance of the contract, the supplier or its subcontractor(s) should encounter conditions impeding timely delivery of the goods and performance of services, the supplier shall promptly notify the purchaser in writing of the fact of the delay, its likely duration and its cause(s). As soon as practicable after receipt of the supplier's notice, the purchaser shall evaluate the situation and may at his discretion extend the supplier's time for performance, with or without the imposition of penalties, in which case the extension shall be ratified by the parties by amendment of contract.

21.1 Delivery of the goods and performance of services shall be made by the supplier in accordance with the time schedule prescribed by the purchaser in the contract.

21. Delays in the suppliers' performance

20.1 The supplier shall notify the purchaser in writing of all subcontracts awarded under this contract if not already specified in the bid. Such notification, in the original bid or later, shall not relieve the supplier from any liability or obligation under the contract.

20. Subcontracts

19.1 The supplier shall not assign, in whole or in part, its obligations to perform under the contract, except with the purchaser's prior written consent.

19. Assignment

18.1 In cases where the estimated value of the envisaged changes in purchase does not vary more than 15% of the total value of the original contract, the contractor may be instructed to deliver the goods or render the services as such. In cases of measurable quantities, the contractor may be approached to reduce the unit price, and such offers may be accepted provided that there is no escalation in price.

18. Variation orders

17.1 Prices charged by the supplier for goods delivered and services performed under the contract shall not vary from the prices quoted by the supplier in his bid, with the exception of any price adjustments authorized or in the purchaser's request for bid validity extension, as the case may be.

17. Prices

16.4 Payment will be made in Rand unless otherwise stipulated.

16.3 Payments shall be made promptly by the purchaser, but in no case later than thirty (30) days after submission of an invoice or claim by the supplier.

21.4 Except as provided under GCC Clause 25, a delay by the supplier in the performance of its delivery obligations shall render the supplier liable to the imposition of penalties, pursuant to GCC Clause 22, unless an extension of time is agreed upon pursuant to GCC Clause 22.2 without the application of penalties.

21.5 Upon any delay beyond the delivery period in the case of a goods contract, the purchaser shall, without cancelling the contract, be entitled to purchase goods of a similar quality and up to the same quantity in substitution of the goods not supplied in conformity with the contract and to return any goods delivered later at the supplier's expense and risk, or to cancel the contract and buy such goods as may be required to complete the contract and without prejudice to his other rights, be entitled to claim damages from the supplier.

22. Penalties

22.1 Subject to GCC Clause 25, if the supplier fails to deliver any or all of the goods or to perform the services within the period(s) specified in the contract, the purchaser shall, without prejudice to its other remedies under the contract, deduct from the contract price, as a penalty, a sum calculated on the delivered price of the delayed goods or unperformed services using the current prime interest rate calculated for each day of the delay until actual delivery or performance. The purchaser may also consider termination of the contract pursuant to GCC Clause 23.

23. Termination for default

23.1 The purchaser, without prejudice to any other remedy for breach of contract, by written notice of default sent to the supplier, may terminate this contract in whole or in part:

- (a) if the supplier fails to deliver any or all of the goods within the period(s) specified in the contract, or within any extension thereof granted by the purchaser pursuant to GCC Clause 21.2;
- (b) if the supplier fails to perform any other obligation(s) under the contract; or
- (c) if the supplier, in the judgement of the purchaser, has engaged in corrupt or fraudulent practices in competing for or in executing the contract.

23.2 In the event the purchaser terminates the contract in whole or in part, the purchaser may procure, upon such terms and in such manner, as it deems appropriate, goods, works or services similar to those undelivered, and the supplier shall be liable to the purchaser for any excess costs for such similar goods, works or services. However, the supplier shall continue performance of the contract to the extent not terminated.

23.3 Where the purchaser terminates the contract in whole or in part, the purchaser may decide to impose a restriction penalty on the supplier by prohibiting such supplier from doing business with the public sector for a period not exceeding 10 years.

- 23.4 If a purchaser intends imposing a restriction on a supplier or any person associated with the supplier, the supplier will be allowed a time period of not more than fourteen (14) days to provide reasons why the envisaged restriction should not be imposed. Should the supplier fail to respond within the stipulated fourteen (14) days the purchaser may regard the supplier as having no objection and proceed with the restriction.
- 23.5 Any restriction imposed on any person by the purchaser will, at the discretion of the purchaser, also be applicable to any other enterprise or any partner, manager, director or other person who wholly or partly exercises or exercised or may exercise control over the enterprise of the first-mentioned person, and with which enterprise or person the first-mentioned person, is or was in the opinion of the purchaser actively associated.
- 23.6 If a restriction is imposed, the purchaser must, within five (5) working days of such imposition, furnish the National Treasury, with the following information:
- (i) the name and address of the supplier and / or person restricted by the purchaser;
 - (ii) the date of commencement of the restriction
 - (iii) the period of restriction; and
 - (iv) the reasons for the restriction.
- These details will be loaded in the National Treasury's central database of suppliers or persons prohibited from doing business with the public sector.
- 23.7 . If a court of law convicts a person of an offence as contemplated in sections 12 or 13 of the Prevention and Combating of Corrupt Activities Act, No. 12 of 2004, the court may also rule that such person's name has been endorsed on the Register, the person will be prohibited from doing business with the public sector for a period not less than five years and not more than 10 years. The National Treasury is empowered to determine the period of restriction and each case will be dealt with on its own merits. According to section 32 of the Act the Register must be open to the public. The Register can be perused on the National Treasury website

27.2 If, after thirty (30) days, the parties have failed to resolve their dispute or difference by such mutual consultation, then either the purchaser or the supplier may give notice to the other party of his intention to commence mediation. No mediation in respect of this matter may be commenced unless such notice is given to the other party.

27.1 If any dispute or difference of any kind whatsoever arises between the purchaser and the supplier in connection with or arising out of the contract, the parties shall make every effort to resolve amicably such dispute or difference by mutual consultation.

Disputes

27. Settlement of

26.1 The purchaser may at any time terminate the contract by giving written notice to the supplier if the supplier becomes bankrupt or otherwise insolvent. In this event, termination will be without compensation to the supplier, provided that such termination will not prejudice or affect any right of action or remedy, which has accrued or will accrue thereafter to the purchaser.

26. Termination for insolvency

25.2 If a force majeure situation arises, the supplier shall promptly notify the purchaser in writing of such condition and the cause thereof. Unless otherwise directed by the purchaser in writing, the supplier shall continue to perform its obligations under the contract as far as is reasonably practical, and shall seek all reasonable alternative means for performance not prevented by the force majeure event.

25.1 Notwithstanding the provisions of GCC Clauses 22 and 23, the supplier shall not be liable for forfeiture of its performance security, damages, or termination for default if and to the extent that his delay in performance or other failure to perform his obligations under the contract is the result of an event of force majeure.

25. Force Majeure

24.1 When, after the date of bid, provisional payments are required, or anti-dumping or countervailing duties are imposed, or the amount of a provisional payment or anti-dumping or countervailing right is increased in respect of any dumped or subsidized import, the State is not liable for any amount so required or imposed, or for the amount of any such increase. When, after the said date, such a provisional payment is no longer required or any such anti-dumping or countervailing right is abolished, or where the amount of such provisional payment or any such right is reduced, any such favourable difference shall on demand be paid forthwith by the supplier to the purchaser or the purchaser may deduct such amounts from moneys (if any) which may otherwise be due to the supplier in regard to goods or services which he delivered or rendered, or is to deliver or render in terms of the contract or any other contract or any other amount which may be due to him.

24. Anti-dumping and countervailing duties and rights

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32. Taxes and duties
32.1 A foreign supplier shall be entirely responsible for all taxes, stamp duties, license fees, and other such levies imposed outside the purchaser's country.

31.2 The time mentioned in the contract documents for performing any act after such aforesaid notice has been given, shall be reckoned from the date of posting of such notice.

31. Notices
31.1 Every written acceptance of a bid shall be posted to the supplier concerned by registered or certified mail and any other notice to him shall be posted by ordinary mail to the address furnished in his bid or to the address notified later by him in writing and such posting shall be deemed to be proper service of such notice.

30. Applicable law
30.1 The contract shall be interpreted in accordance with South African laws, unless otherwise specified.

29. Governing language
29.1 The contract shall be written in English. All correspondence and other documents pertaining to the contract that is exchanged by the parties shall also be written in English.

(a) the supplier shall not be liable to the purchaser, whether in contract, tort, or otherwise, for any indirect or consequential loss or damage, loss of use, loss of production, or loss of profits or interest costs, provided that this exclusion shall not apply to any obligation of the supplier to pay penalties and/or damages to the purchaser; and
(b) the aggregate liability of the supplier to the purchaser, whether under the contract, in tort or otherwise, shall not exceed the total contract price, provided that this limitation shall not apply to the cost of repairing or replacing defective equipment.

28. Limitation of Liability
28.1 Except in cases of criminal negligence or willful misconduct, and in the case of infringement pursuant to Clause 6;

(a) the parties shall continue to perform their respective obligations under the contract unless they otherwise agree; and
(b) the purchaser shall pay the supplier any monies due the supplier for goods delivered and / or services rendered according to the prescripts of the contract.

27.4 Notwithstanding any reference to mediation and/or court proceedings herein,

27.3 Should it not be possible to settle a dispute by means of mediation, it may be settled in a South African court of law.

32.2 A local supplier shall be entirely responsible for all taxes, duties, license fees, etc., incurred until delivery of the contracted goods to the purchaser.

32.3 No contract shall be concluded with any bidder whose tax matters are not in order. Prior to the award of a bid SARS must have certified that the tax matters of the preferred bidder are in order.

32.4 No contract shall be concluded with any bidder whose municipal rates and taxes and municipal services charges are in arrears.

33.1 The contractor shall not abandon, transfer, cede assign or sublet a contract or part thereof without the written permission of the purchaser

33. Transfer of contracts

34.1 No agreement to amend or vary a contract or order or the conditions, stipulations or provisions thereof shall be valid and of any force unless such agreement to amend or vary is entered into in writing and signed by the contracting parties. Any waiver of the requirement that the agreement to amend or vary shall be in writing, shall also be in writing.

34. Amendment of contracts

35.1 In terms of section 4 (1) (b) (iii) of the Competition Act No. 89 of 1998, as amended, an agreement between, or concerted practice by, firms, or a decision by an association of firms, is prohibited if it is between parties in a horizontal relationship and if a bidder(s) / are or a contractor(s) was / were involved in collusive bidding.

35. Prohibition of restrictive practices

35.2 If a bidder(s) or contractor(s) based on reasonable grounds or evidence obtained by the purchaser has / have engaged in the restrictive practice referred to above, the purchaser may refer the matter to the Competition Commission for investigation and possible imposition of administrative penalties as contemplated in section 59 of the Competition Act No 89 Of 1998.

35.3 If a bidder(s) or contractor(s) has / have been found guilty by the Competition Commission of the restrictive practice referred to above, the purchaser may, in addition and without prejudice to any other remedy provided for, invalidate the bid(s) for such item(s) offered, and / or terminate the contract in whole or part, and / or restrict the bidder(s) or contractor(s) from conducting business with the public sector for a period not exceeding ten (10) years and / or claim damages from the bidder(s) or contractor(s) concerned.