

7 The City of Heritage 7'



Cashflow Management Policy

1. PURPOSE

1.1 The primary function of the Cash flow Management Committee is to assist the Finance Department of the Municipality to introduce a disciplined approach in the management of the Municipality's cash resources; and

1.2 To identify and address any shortfall that may arise.

2. COMPOSITION

2.1 The Cash flow Management Committee is constituted as a sub-committee of Ulundi Municipal Executive and Finance Committee and it shall be constituted as outlined here below.

2.2 The secretary shall be provided by the Office of the Municipal Manager.

2.3 The Committee may from time to time invite any external individual with a particular skill or interest to sit in a meeting.

2.4 The following members shall be in attendance at meetings with a proviso that attendance in all meetings of the committee shall be compulsory:

MEMBERS

2.4.1 Ulundi Municipality: Municipal Manager (Chairperson)

2.4.2 Ulundi Municipality: Chief Financial Officer (Finance)

2.4.3 Deputy Chief Financial Officer

2.4.4 Executive Directors responsible for each budget vote

2.4.5 Mayor and Deputy Mayor

INVITEES

Ulundi Municipality: Internal Audit Manager

Office of the Auditor General

2.5 The Committee Chairperson may invite such other officers of Ulundi Local Municipality as he/she requires.

3. MEETINGS

- 3.1 The Cash flow Management Committee of the Municipality shall meet frequently as circumstances dictate. To the extent practicable, each of the Cash flow Management Committee members shall attend each of the regularly scheduled meetings in person.
- 3.2 The Cash flow Management Committee may request any officer or employee of the Municipality or the Municipality's outside counsel or independent auditor to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee, subject to the norm.
- 3.3 Deliberations of the Committee shall be incremental based on original and follow up discussions on matters resolved in the previous meeting.

4. TERM

- 4.1 The Ulundi Municipality Cash flow Management Committee shall be in place for as long as the Executive and Finance Committee acting on the delegation of the Council deems its existence necessary.

5. ACCOUNTABILITY AND RESPONSIBILITY

The Ulundi Local Municipality Cash flow Management Committee shall-

- 5.1 Discuss and approve the cash flow statements including projections and ensures that:
- The Cash Flow statement with projections is done in accordance with the prescribed format;
 - The Chief Financial Officer monitors cash receipts and payments against projections on a monthly basis;
 - The Chief Financial Officer reviews and approves the cash flow statement with projections for the month;
 - The Chief Financial Officer updates projections with cash receipts and payments for the month and maintains rolling 6 months projections for the following months;

- All commitments and outstanding debtors for the month are reflected in projections.
- 5.2 Discuss the cash flow projections and ensures that these are in line with monthly expenditure patterns;
 - 5.3 Discuss and approve the assumptions used to prepare projections and ensure that these are practical, relevant and reliable for the Municipality.
 - 5.4 Discuss with management the possibility of any cash shortfalls as per the cash flow statement.
 - 5.5 Engage a process of payment that need to be prioritized;
 - 5.6 Discuss with management the value of unspent conditional grants. Where the unspent portion of the conditional grants is not covered by investments, ensure that management provides for the transfer of cash progressively until the full amount is ring fenced and invested;
 - 5.7 Discuss the debtors ageing and ensure that the debtors collection policy has been enforced;
 - 5.8 Ensure that the reporting in terms of 571 of the MFMA has been complied with;
 - 5.9 Ensure that all the Executive and Finance Committees' cash flow management strategies are implemented and monitored.

6. AUTHORITY

The Committee has-

- 6.1 The right to have access to any information and documentation to fulfil its mandate.
- 6.2 The right to seek independent advice at Ulundi Local Municipality's expense.
- 6.3 The right to investigate matters within its mandate.
- 6.4 Through the Chairperson, direct access to the Internal and External Auditors.

6.5 The right to consult with, and receive the full co-operation of, any employee where necessary to fulfil its responsibilities.

6.6 The powers of the Committee shall not be discharged in such a way that there is infringement of any legal municipal financial provision.

7. REPORTING RESPONSIBILITIES

7.1 The Committee reports to the Ulundi Municipal Executive and Finance Committee.

7.2 Minutes of the meetings of the Committee must be submitted to the Ulundi Municipal Executive and Finance Committee.

7.3 The Chairperson, alternatively a member delegated by the Chairperson, shall be present at the Ulundi Municipal Council Meeting to answer any questions relating to Cash flow Management.

8. PERFORMANCE MANAGEMENT

8.1 The Cash flow Management Committee shall annually review and reassess the adequacy of this Policy annually and recommend any proposed changes to the terms hereof or Committee structure for approval by the Executive and Finance Committee.

9. Budget Spending

9.1 With effect from 04 February 2015, the Committee took a resolution that there will be no purchases orders that will be approved and authorized for payments without Head of Department's confirming the availability of budget.

9.2 All Departments have to monitor and control their own budget, utilizing budget control register.

9.3 That 2020/2021 there will be no budget that will be overspent.

Ulundi Local Municipality

“The City of Heritage”



Credit Control and Debt Collection Policy And Procedures 2022/2023

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GLOSSARY OF TERMS

"ULM":	Ulundi Local Municipality
"AO":	Accounting Officer (i.e. Municipal Manager)
"CFO":	Chief Financial Officer
"GRAP":	Generally Recognised Accounting Practice
"HOD":	Head of Department
"IAS":	International Accounting Practice
"MFMA":	Municipal Finance Management Act (No. 56 of 2003)
"MM":	Municipal Manager (i.e. Accounting Officer)
"MSA":	Municipal Systems Act (No. 32 of 2000)

1 PREAMBLE

1.1 Whereas Section 96 of the Local Government: Municipal Systems Act (MSA), Act 32 of 2000, requires a municipality to adopt, maintain and implement a Credit Control and Debt Collection Policy,

1.2 And whereas Section 97 of the MSA prescribes what such policy must provide for,

1.3 Now therefore, the Municipal Council of the Ulundi Local Municipality adopts this policy.

2 OBJECT

2.1 The object of this policy is to:

- (a) Focus on all outstanding debt as raised on the debtor's account.
- (b) Provide for a common credit control and debt collection policy.
- (c) Promote a culture of good payment habits amongst debtors and instil a sense of responsibility towards the payment of accounts and reducing municipal debt.
- (d) subject to the principles provided for in this policy, use innovative, cost-effective, efficient and appropriate methods to collect as much of the debt in the shortest possible time without any interference in the process; and.
- (e) Effectively and efficiently deal with defaulters in accordance with the terms and conditions of this policy.

3 DEFINITIONS

TERM	DETAIL
Act	The Local Government Act: Municipal Systems Act, 2000 (Act 32 of 2000) as amended.
3rd Parties Debt Collection Agencies	Means any person or juristic person that collects debt on behalf of the Municipal.
"Administration of Estates Act"	means the Administration of Estates Act, 66 of 1965
"advanced collection"	Means any estimated amount that will be collected as a security for any debt, inclusive of any estimated tenant debt, that may accumulate against the property during the validity period of a certificate issued in terms of section 118 of the Systems Act.
"child-headed household"	Means a household where all the occupants of a residential property are younger than 18 years old. A child-headed household is a household consisting only of children
"Municipality"	means the Ulundi Local Municipality
"Dispute"	means a dispute as referred to in section 102 (2) of the Municipal Systems Act as read with paragraph 7 of this policy
"MFMA"	means the Local Government: Municipal Finance Management Act, 56 of 2003

TERM	DETAIL
“household income of a housing debtor”	means the total gross income of both the debtor and the debtor’s spouse or partner and (20) twenty percent of the gross income of any other person living in or on the premises
“income”	Means the gross household income from all sources such as salaries, wages, dividends, pensions, grants, support, rentals, board and lodging, interest received donations and any other form of financial support, received by every person residing on the property.
“indigent relief”	Means the applicable indigent relief as determined by Council from time to time.
“Insolvency Act”	means the Insolvency Act, No. 24 of 1936
“prepayment meter”	means any meter that can be programmed to allow the flow of a pre-purchased amount of energy in an electrical circuit or a pre-purchased amount of water supplied through a water meter
“prepayment electricity meter”	means a meter that can be programmed to allow the flow of a pre-purchased amount of energy in an electrical circuit
“property”	means— (a) immovable property registered in the name of a person, and includes a unit as defined in section 1 of the Sectional Titles Act, 1986 (Act No. 95 of 1986); or (b) a right registered against immovable property in the name of a person
“Property Rates Act”	means the Local Government: Municipal Property Rates Act, 6 of 2004
“Rate” or “rates”	means a municipal rate as defined in section 1 of the Property Rates Act and includes any additional rates on property as envisaged in section 19 (1) (d) and section 22 of the Property Rates Act
“sundry”	means any sundry debt raised on a municipal account
“Supply Chain Management Policy”	means the Ulundi Local Municipality: Supply Chain Management Policy
Defaulter	A person who owes money to the Municipality after due date has expired.

4 PRINCIPLES AND GUIDELINES

4.1 This policy takes into account the following principles and guidelines:

- (a) human dignity must be upheld at all times;
- (b) this policy must be implemented in accordance with equity, fairness and consistency;
- (c) every reasonable effort should be made to ensure that details related to the debt and the account of the debtor are correct at all times;
- (d) the Municipal Manager may treat any debt, and arrangements to repay arrears holistically, but different repayment periods or methods may be determined for different types of service, debtors or areas within the general rule that the

repayment period should take into consideration the financial capacity of the debtor;

- (e) the implementation of this policy is based on sound business practices and applicable legislation;
- (f) New applications for services will be subject to prescribed credit information and outstanding amounts may be transferred to the new account. All information furnished on the application form may be verified by the Municipal with any or all data information institutions, credit information bureaux and any financial institutions as may be deemed necessary by the Municipal in determining the applicant's credit worthiness. The Municipal reserves its rights to share bad payment behaviour in a responsible manner with the aforesaid institutions, should it become necessary to do so, as determined from time to time;
- (g) where alternatives are available the Municipal may provide reduced levels of service to manage the debt growth;
- (h) debtors may be referred to 3rd party debt collection agencies and may be placed on the National Credit Rating List;
- (i) If an account is not paid by the due date, at least 30 (thirty) days will be allowed to elapse before interest is charged. Interest will be equivalent to a full month from this date for each month, or part thereof, that the account is overdue; or unless specifically provided for in other agreements;
- (j) for purposes of an arrangement a debtor may be required to co-operate with any reasonable measures that might be required to reduce their level of use of consumable services to affordable levels
- (k) the terms and conditions as contained in any prescribed form or document utilised in implementing this policy, forms part of this policy and are incorporated therein as specifically stated;
- (l) The suspension of any debt management action, when interrupted for whatever reason, shall, where practical, continue from the previous action taken.
- (m) Service of documents and processes may be in accordance with Section 115 of Municipal Systems Act.
- (n) All legal costs, including attorney-and-own-client costs incurred in the recovery of arrears, shall be levied against the debtors account.
- (o) where a company, closed corporation, trust in terms of the Trust Property Control Act No. 57 of 1988, home owners association or a body corporate in terms of the Sectional Titles Act, 1986 (Act No. 95 of 1986), is indebted to this Municipality, the liability for such arrears may be extended to the Directors, Members or Trustees thereof jointly and severally; and
- (p) the directors, members or trustees thereof shall be considered to have provided this Municipal with a guarantee that such debt shall be recoverable from themselves in their personal capacity with each being jointly and severally liable for such debt, the one paying the other to be absolved;
- (q) where any subsidiary company of a holding company is indebted to this Municipal, the liability for such arrears may be extended to the holding company; and
- (r) where any holding company is indebted to this Municipal, the liability for such arrears may be extended to any subsidiary company;
- (s) notwithstanding anything contained in this policy the Municipal Manager may recover any debt incurred at a property from the owner of that property; and
- (t) Any reference to any rand value or measured quantity as reflected in this policy may be determined or amended by Council from time to time.

5. ENFORCEMENT MECHANISMS – DEBT COLLECTION

5.1. Municipality's powers to restrict or disconnect supply of services

- 5.1.1. Customers who are in arrears with their municipal accounts and who have not made arrangements with the council will have their supply of electricity, and other municipal services, suspended, disconnected or restricted.
- 5.1.2. Council reserves the right to deny or restrict the provision of electricity to customers who are in arrears with their rates or any other municipal charges.
- 5.1.3. The cost of the restriction or disconnection, as for the reconnection, will be determined by tariffs agreed by Council and will be payable by the customer.
- 5.1.4. The Municipality shall not conduct any business activity with or provide any services to any persons who are in arrears with municipal accounts except as provided for in legislation or policy and as determined by the Municipal from time to time, nor will any refunds of credits be made to any debtor or any debtor's nominee who is indebted to the municipality.
- 5.1.5. The municipality may, in addition to any other provision in this policy, restrict or disconnect the supply of electricity, or discontinue any other service to any premises if-
 - a. the account is not settled or there is no response from the debtor to make arrangements to repay the debt:
 1. if the consumer owns more than one property within the jurisdiction of Ulundi Local Municipality the services in any of his/her properties may be disconnected if one of them falls into arrears.
 2. if a consumer owns properties, for example A and B and property "A" has credit balance while "B" has a debit balance, the Municipal Manager has a right to offset the debt of property "B" with the credit of property "A" without the owner's consent.
 3. Should it transpire that a consumer is a tenant in the property that is indebted to the municipality such debt must be recovered from the property owner. This applies across the board.
 4. In the event of vacant land purchased, registered and transferred to the name of the purchaser should within a period of two (2) years erect or construct or develop, failing which the council has the right in terms of the sale agreement signed by both parties to dispose off the vacant land to Ulundi Municipality without further notice to the other party.
 5. Should the owner of a vacant property desire to surrender the property to the municipality for any reason(s) he/she can do so in writing and address such request to the Municipal Manager. Further, billing of property rates and other services to the same property shall be discontinued and the accumulated debt shall be written off on transfer of the property back into the municipality's name.
 - b. The municipality will bill registered owners of properties for refuse removal, electricity consumption and any other services provided by the municipality. There will be a phasing in period of 12 months for this change in policy with respect to electricity consumption, refuse removal and any other services provided by municipality.

5.2. Interest and charges

5.2.1. Interest will be raised as a charge on all accounts not paid by the due date in accordance with applicable legislation.

¹ Section 97 (g) of the Local Government: Municipality Systems Act, 2000 provides that a credit control and debt collection policy must provide for termination of services or the restriction of the provision of services when payments are in arrears.

² Section 97 (e) of the Local Government: Municipal Systems Act, 2000 provides that a credit control and debt collection policy must provide for interest on arrears, where appropriate.

5.2.2 The following provisions apply to rates and services:

- (a) interest of 5% per annum shall be charged on all overdue rates and other service accounts;
- (b) if the account is not paid by the due date as displayed on the account the Municipal Manager may issue any notice in terms of this policy showing the total amount owed to the Municipal;
- (c) if the account is not settled or there is no response from the debtor to make arrangements to repay the debt:
 - the supply of any service to the property may be restricted, disconnected, or discontinued in terms of section 9 and 10 of the Credit Control and Debt Collection By-law and items 8 (7) and 11 of this policy; and
 - irrespective of the exercise of the powers by the Municipal Manager in terms of Section 9 and 10 of the Credit Control and Debt Collection By-law and sections 8 (7) and 11 of this policy summons may be issued and the legal process followed.

5.3. Notification

5.3.1. Council will endeavour, within the constraints of affordability, to notify arrear debtors on the state of their arrears and to encourage them to pay. They will be informed on their rights (if any) to conclude arrangements or to apply for indigent subsidies should they comply with the conditions, and other related matters.

5.3.2. Such notification is not a right to debtors with arrears but a courtesy from the Council to improve payment levels and relations. Disconnection / restriction of services and other collection proceedings will continue in the absence of such notices and contact with debtors for whatever reason.

5.4. Legal Process / Use of attorneys / Use of credit bureaus

5.4.1. When steps to collect arrears have been taken and failed, Council will commence the legal process with that debtor, which process could involve the execution of judgements including sales of properties.

- 5.4.2. Council will exercise strict control over this process, to ensure accuracy and legality within it, and will require regular reports on progress from outside parties, be they attorneys or any other collection agents appointed by council.
- 5.4.3. Council will establish procedures and codes of conduct with these outside parties.
- 5.4.4. Garnishee orders, in the case of employed debtors, are preferred to sales in execution, but both are part of Council's system of debt collection procedures.
- 5.4.5. All steps in the credit control procedure will be recorded for Council's records and for the information of the debtor.
- 5.4.6. All costs of legal processes, including interest, penalties, service discontinuation costs and legal costs associated with credit control and debt management are for the account of the debtor and should reflect at least the cost of the particular action.
- 5.4.7. Individual debtor accounts are protected and are not the subject of public information. However Council may release debtor information to credit bureaus. This release will be in writing and this situation will be included in Council's agreement with its customers.
- 5.4.8. Council may consider the cost effectiveness of this process, and will receive reports on relevant matters, including cost effectiveness.
- 5.4.9. Council may consider the use of agents, and innovative debt collection methods and products. Cost effectiveness, the willingness of agents to work under appropriate codes of conduct and the success of such agents and products will be part of the agreement Council might conclude with such agents or product vendors; and will be closely monitored by Council.
- 5.4.10. Customers will be informed of the powers and duties of such agents and their responsibilities including their responsibility to observe agreed codes of conduct.
- 5.4.11. Any agreement concluded with an agent or product vendor shall include a clause whereby breaches of the code of conduct by the agent or vendor will see the contract terminated.

5.5. Misrepresentation

- 5.5.1. Debtors found to have misrepresented themselves in order to benefit from any of the Municipal's relief or any benefit will be deemed to have committed an offence and remedial measures will be taken in a manner as determined by the Council from time to time, and all relief or any benefits that have been received, will be reversed by the Municipal Manager; and
 - (a) any person who has received any benefit or relief in terms of this policy and who has misrepresented themselves in order to qualify for such benefit or relief will be deemed to have committed an offence and remedial measures will be taken in a manner as determined by the Council from time to time, and all benefits or relief received, will be reversed by the Municipal Manager; and
 - (b) The Municipal Manager shall report any misrepresentation in terms of this policy to the South African Police Services.

5.6. Theft and fraud

- 5.6.1. Any person (natural or juristic) found to be illegally connected or reconnected to municipal services, tampering with meters or any other supply equipment or committing any unauthorized service associated with the supply of municipal services, as well as theft and

damage to Council property, will be prosecuted and/or liable for penalties as determined from time to time ¹.

¹ Section 97 (h) of the Local Government: Municipal Systems Act, 2000 provides that a credit control and debt collection policy must provide for matters relating to unauthorized consumption of services theft and damages.

- 5.6.2. Council will immediately terminate the supply of services to a customer should such conduct as outlined above be detected.
- 5.6.3. The total bill owing, including penalties, assessment of unauthorized consumption and discontinuation and reconnection fees, and increased deposits as determined by Council if applicable, becomes due and payable before any reconnection can be sanctioned.
- 5.6.4. Council will maintain monitoring systems and teams to detect and survey customers who are undertaking such illegal actions.
- 5.6.5. Council may distinguish in its penalties between cases of vandalism and cases of theft.
- 5.6.6. Subsequent acts of tampering will lead to penalties and deposits increasing in quantum.
- 5.6.7. Council reserves the right to lay charges and to take any other legal action against both vandals and thieves.
- 5.6.8. Any person failing to provide information or providing false information to the municipality may face immediate disconnection.

6.1. Query or verify

- (a) In this sub-item to query or verify an account refers to the instance when a debtor queries any specific amount or any content contained in any account as rendered by the Municipal to that person as per the process contained herein;
- (b) any query can be raised orally in person at any walk in centre, via the Municipal's Customer Care Centre or by way of correspondence;
- (c) when a debtor queries an account such debtor must furnish full personal particulars including any acceptable means of identification, all account numbers held with the Municipal, direct contact telephone numbers, fax numbers, postal and e-mail addresses and any other relevant particulars required by the Municipal;
- (d) a debtor may be represented by a duly appointed nominee or agent; and such nominee or agent shall, upon request, produce sufficient proof of such appointment;
- (e) notwithstanding any query on any account the account must still be paid, in terms of the provisions contained in this policy, pending the outcome of the query;
- (f) any person who is querying the whereabouts of any account not received shall receive prompt and efficient assistance;
- (g) all queries shall be dealt with as promptly and efficiently as possible by the Municipal;
- (h) should a debtor not be satisfied with the outcome of the query, a debtor may lodge an appeal in terms of Section 62, as read with Section 95 (f), of the Municipal Systems Act;
- (i) the onus will be on the debtor to ensure that a written acknowledgement of receipt is received for any correspondence lodged with the Municipal; and
- (j) The onus will be on the debtor to ensure that a suitable response to any query is received.

6.2. Dispute

- (a) In this sub-item a "dispute" refers to the instance when a **debtor disputes any specific amount claimed by the Municipal from that person.**
- (b) any person who has a dispute with this Municipal has a right, in terms of Section 34 of the Constitution, to have any dispute that can be resolved by application of law decided in a fair public hearing before a court or, where appropriate, another independent or impartial tribunal or forum;
- (c) where the dispute process has been implemented in terms of, Section 102 (1) of the Municipal Systems Act will be applicable;
- (d) the Municipal Manager has a right to declare a dispute on any specific amount claimed by the Municipal from any person as may be considered necessary; and
- (e) Disputes lodged with the Municipal prior to the implementation of this policy, in terms of any previous policy, shall continue to be dealt with in terms of that policy.

6.3. General

- (a) The Municipal Manager may require that any official attend any meeting in order to assist with the investigation relating to the facts surrounding any query, verification of any account or any dispute; and
- (b) The Municipal Manager has the right to call for any document, computer data or record which in his or her sole discretion is deemed necessary to assist in attempting to deal with any issue referred to in this policy.

7. METERING EQUIPMENT AND METERING OF SERVICES

7.1. Metering equipment and measuring consumption

- 7.1.1 All meters will be read monthly, if at all possible. If the meter is not read monthly the Council will estimate the consumption in terms of council's operational procedures;
- 7.1.2 Customers are entitled to request verification of meter readings and accuracy within reason, but may be held liable for the cost thereof.
- 7.1.3 Customers will be informed of meter replacement.
- 7.1.4 If a service is metered but it cannot be read due to financial and human resource constraints or circumstances out of the control of the municipality or its authorised agent, and the customer is charged for an estimated consumption. The account following the reading of the metered consumption must articulate the difference between the actual consumption and the average consumption.
- 7.1.5 The municipality shall be entitled to monitor its service network for signs of tampering or irregularities.
- 7.1.6 No person may in any manner or for any reason whatsoever tamper or interfere with any meter or metering equipment or service connection or service protective device or any other equipment of the municipality.
- 7.1.7 Where prima facie evidence exists that a consumer or any person has contravened (7.1.8), the municipality shall be entitled to disconnect the supply immediately and without prior notice to the account holder, and the account holder is liable for all fees and charges levied by the municipality for such disconnection.

- 7.1.8 Where an account holder or any person has contravened (7.1.8) and such contravention has resulted in the meter recording less than the true consumption, the municipality shall be entitled to recover from the account holder the full cost of the estimated consumption.

7.2 Power of entry and inspection

- 7.2.1. A duly authorized representative of the municipality may for any reason related to the implementation or enforcement of this policy and/or the Council's Credit Control and Debt Collection By-law, at all reasonable times or in emergency at any time, enter premises, request information and carry out such inspection as he deems necessary, and may for purposes of installing or repairing any meter or service connection for reticulation, disconnect, stop or restrict the provision of any service.
- 7.2.2 The owner of a property will be responsible for the cost of relocating a meter if satisfactory access is not possible.
- 7.2.3 Building plans should only be approved if placement of electricity meter is allocated on the sidewalk where it is accessible to the Municipality. In cases where building plans are submitted for improvements to dwellings where meter(s) are still inside the premises, it will be a requirement for approval that meters be relocated to the sidewalk on account of the owner/applicant.
- 7.2.4. If the municipality considers it necessary for any work to be carried out to enable an officer to perform a function referred to in 7(1) above properly and effectively, it may -
- (a) by written notice require an account holder to do, at own expense, specified work within a specified period;
 - (b) if the situation is a matter of urgency, without prior notice do such work or cause it to be done at the expense of the account holder.

7.3 Resale of electricity

- 7.3.1. No account holder who is supplied with metered services in terms of this policy may sell or supply electricity, supplied to the account holder's premises under an agreement with the municipality, to any other person or persons for such use upon any premises other than those in respect of which such agreement is made, or permit or suffer such resale or supply to be made, unless provision has been made therefore in a special agreement with the municipality or unless prior authority has otherwise been obtained from the municipality to do so.
- 7.3.2. If the municipality grants permission as referred to in 7.3.1, it may stipulate the maximum price at which the electricity may be sold and impose such other conditions as it may deem fit.
- 7.3.3. Permission referred to in subsection 7.3.1 may be withdrawn at any time.
- 7.3.4. Where electricity is resold for use on the same premises, such resale must be in accordance with the tariff and subject to such conditions as the municipality may decide.

8 ACCOUNTS AND BILLINGS

- 8.1.1 Customers on the billing system will receive an understandable and accurate bill from the municipality, which bill will consolidate all service costs for that property.
- 8.1.2 Accounts will be produced in accordance with the meter reading cycle and due dates will be linked to the statement date.
- 8.1.3 Accounts will be rendered monthly in cycles of approximately 30 days at the address last recorded with the municipality.
- 8.1.4 It is the customer's responsibility to ensure that postal address and other contact details are correct.
- 8.1.5 It is the customer's responsibility to ensure timeous payment in the event of accounts not received.
- 8.1.6 Settlement or due dates will be as indicated on the statement
- 8.1.7 Where an account is not settled in full, any lesser amount tendered and accepted shall not be deemed to be in full and final settlement of such an account.
- 8.1.8 Where any payment made to the municipality or its authorised representative by negotiable instrument is later dishonoured by a bank the municipality or its authorised agent:
 - (a) May recover the average bank charges incurred relating to dishonoured negotiable instruments against the account of the customer.
 - (b) Shall regard such an event as a default on payment.
- 8.1.9 This Municipal, in terms of Section 102 (a) of the Municipal Systems Act, considers all separate accounts of a person liable for payment to this Municipal, to be consolidated, and includes all pre-paid services for which no account is rendered.
- 8.1.10 Payment of any undisputed debt, will be allocated to the debtors account as follows-
 - (a) allocation to down payments; then
 - (b) allocation to penalty fees (e.g. RD charges); then
 - (c) payments received via third party receipting will always be allocated as per sub-item (e) below; then
 - (d) if there is a partial payment the allocation shall be as follows-
 - (i) Payments are allocated from oldest debt to youngest debt until all debt is paid.
 - (e) A debtor may make a payment at a municipal cashier, which has the facility to allocate the payment. The payment will then be allocated as specified.
 - (f) Subject to section 102 of the Systems Act the Municipal Manager has the right to offset any credit, or any amount due to a debtor, against any debit pertaining to that same debtor; or
 - (i) To transfer any debt to another account of that same debtor.
 - (g) The Municipal Manager may apply any of the credit control and debt collection measures, contained in this Policy, with the relevant changes that the context may require, for any debt.

8.2 ACCOUNTS OF COUNCILLORS AND MUNICIPAL STAFF IN ARREARS

- 8.2.1 Staff arrears will be dealt with in terms of item 10 of Schedule 2 to the Municipal Systems Act and in terms of any procedures, method or actions referred to in this policy. Notwithstanding any other procedure, method or action that may be taken in terms of this policy, the Municipal Manager shall deduct any outstanding amount from such staff members' salary after the 3 (three) month period referred to in item 10 of Schedule 2 to the Systems Act, has elapsed; or

- (a) The Municipal Manager shall deduct any outstanding amount from such staff members' salary.

8.2.2 In accordance with Schedule 1, item 12A of the Systems Act, a Councillor of the Municipal may not be more than 3 (three) months in arrears for municipal service fees, surcharges on fees, rates or any other municipal taxes, levies and duties levied by the Municipal. Notwithstanding any other procedure, method or action that may be taken in terms of this policy, the Municipal Manager shall deduct any outstanding amount from such Councillor's remuneration after this 3 (three) month period has elapsed; or

- (a) The Municipal Manager shall deduct any amounts outstanding from such Councillor's remuneration after a period of not more than 3 (three) months from the due date thereof.

9 IRRECOVERABLE DEBT

9.1 Criteria for irrecoverable debt

1. Debt will only be considered as irrecoverable if it complies with one or more of the following criteria:
 - (a) all reasonable notifications and cost-effective legal avenues have been exhausted to recover a specific outstanding amount; or
 - (b) any amount equal to or less than R500.00, or as determined by Council from time to time, will be considered too small, after having followed basic checks, to warrant further endeavours to collect it; or
 - (c) To limit the costs associated with external debt recovery processes, only debts exceeding a R50, 000 threshold shall be referred to or handed over to an independent collection agency. Any amount less than this value shall be pursued using internal processes.
 - (d) the cost to recover the debt does not warrant further action; or
 - (e) the amount outstanding relating to insolvency;
 - i. is the residue after payment of a dividend in the rand from an insolvent estate; or
 - ii. there is a danger of a contribution;
 - iii. no dividend will accrue to creditors; or
 - iv. There are insufficient funds to cover any preference afforded by Section 118 (3) of the Municipal Systems Act.
 - (f) the amount outstanding relating to a deceased estate;
 - i. has no liquid assets to cover the outstanding amount following the final distribution of the estate; or
 - ii. Where the estate has not been reported to the Master and there are no assets of value to attach.
 - (g) it has been proven that the debt has prescribed;
 - (h) the debtor is untraceable or cannot be identified so as to proceed with further action;
 - i. The debtor has emigrated leaving no assets of value to cost-effectively recover Councils claim.

- (i) it is not possible to prove the debt outstanding; or
 - i. a court has ruled that the claim is not recoverable;
 - ii. the claim is subject to any order of court;
 - iii. the claim is subject to an out of court settlement agreement; or
- (j) the outstanding amount is;
 - i. due to an irreconcilable administrative error by the Municipal;
 - ii. As a result of an administration error.

9.2 Authorisation

1. In respect of other debt, schedules indicating the debtor account number, the debtor's name, the physical address in respect of which the debt was raised, address, Erf number, if applicable, amount per account category as well as a reason to write-off the amount must be compiled and presented to the Accounting Officer for recommendation to the Council to write off these debts.
2. Notwithstanding the above, the Municipal Council will be under no obligation to write-off any particular debt and will always retain sole discretion to do so.
3. Where a debt has been written off in terms of paragraph 10, and where applicable, the Municipal Manager shall have a right to offset any credit against any such debt written off, for the same debtor.

10 RATES AND SERVICES

10.1 Rates

- a. In instances where the rates debt is in respect of municipal property sold by suspensive sale agreement, the collection thereof will be dealt with in terms of the relevant deed of sale, and if applicable, this policy, or any subsequent applicable written agreement between the Municipal and the debtor;
- b. At any stage while the debt is outstanding, all reasonable steps shall be taken to ensure that the ultimate sanction of a sale-in-execution is avoided or taken only as a last resort. The Municipal, however, has total commitment to a sale-in-execution should the debtor fail to make use of the alternatives provided for by the Municipal from time to time. This is also applicable to all debt, and includes all debt which is a charge against a property, as referred to in this Chapter;
- c. As part of the recovery process the Municipal Manager may bid, to a maximum of Rx (Rx could equal R10.00 or the total of the debt plus costs and include any reasonable amount for clearance purposes.), at a sale-in-execution and, if successful, sign all relevant documentation to acquire and take transfer of the property; and
- d. the Municipal Manager shall have the right to negotiate and to cancel the deed of sale, before transfer to the Municipal, if such cancellation results in either the

bond holder or the debtor, or both the said parties, paying in full for all debt in connection with that property as well as all costs related thereto.

10.2 Services

1. The following provisions apply to the payment for services:
 - (a) accounts must be paid by the due date as shown on the account;
 - (b) the debtor must be warned on the monthly account of a possible disconnection if payment is not received by the due date;
 - (c) Monthly statement sent to customers also double serves as notice of disconnection for all overdue accounts. Although the Municipality will endeavour to advise customers, this is not a privilege the consumer enjoys.
 - (d) If payment is not received or suitable payment arrangements are not made by the due date as shown on the notice, the supply or supplies may be restricted, disconnected or discontinued for **any service** in respect of any arrear debt.
 - (e) The onus shall always be on the debtor to request reconnection and to prove that the full amount for which the service was restricted, disconnected or discontinued as shown on the disconnection notice has been paid or that an arrangement was entered into.
 - (f) Should the amount outstanding for the supply of services remain unpaid, full recovery procedures, including appropriate legal actions may be undertaken in order to collect these monies.

10.3 Dishonoured payments: Rates and General Services

- a. Where a cheque, debit order, credit card or EFT payment are dishonoured and where the customer who received value from such payment, is an existing debtor of the Municipal, the reversal and penalty fee may be debited to an account of such payer and a letter of notification must be sent to the debtor. Such fee shall be considered to be a tariff charge and shall be recovered from the debtor.
- b. The Municipal reserves the right to refuse to accept or to cancel such further payment methods from such person, to place the matter on the relevant adverse credit rating lists, or take any steps as contained in this policy, which may include criminal charges, if applicable, against the offender; and
- c. Where a payment was tendered and any debt management action, in terms of this policy, was suspended, and such payment was not honoured, such debt management action shall continue without further notice to such debtor.

10.4 Dishonoured payments Sundry Services

- a. Where a cheque, debit order, credit card or EFT payment are dishonoured and where the payment is not from an existing debtor of the Municipal, then a sundry debtor account will be opened and a debit and a penalty fee will be raised and a letter of notification must be sent to the debtor.
- b. Once the account is submitted and the debtor fails to honour the debt by due date, a final demand will be generated and dispatched to the last known address of that debtor. If there is still no response, then the matter may be handed over for

placement on the relevant adverse credit rating lists, or any steps as contained in this policy which may include criminal charges, if applicable, against the offender may be taken; and

- c. Where a payment was tendered, and any debt management action, in terms of this policy, was suspended, and such payment was not honoured, such debt management action shall continue without further notice to such debtor.
- d. The Municipal may attach the rental or any other payments due to debtors who are in arrears with their municipal accounts:
 - i. if any debt levied in respect of a property is unpaid by the owner of the property the Municipal Manager may recover the amount in whole or in part from a tenant or occupier of the property, despite any contractual obligation to the contrary on the tenant or occupier.
 - ii. the Municipal Manager may recover an amount only after a written notice has been served on the tenant or occupier; and
 - iii. the amount the Municipal Manager may recover from the tenant or occupier of a property in terms of sub-item (a) is limited to the amount of the rent or other money due and payable, but not yet paid, by the tenant or occupier to the owner of the property; and
 - iv. any amount the Municipal Manager recovers from the tenant or occupier of the property must be set off by the tenant or occupier against any money owed by the tenant or occupier to the owner; and
 - v. The tenant or occupier of a property must, on request by the Municipal Manager, furnish the Municipal Manager with a written statement specifying all payments to be made by the tenant or occupier to the owner of the property for rent or other money payable on the property during a period determined by the Municipal Manager.
 - vi. the Municipal Manager may recover the amount due for debt on a property in whole or in part from the agent of the registered owner, if this is more convenient for the Municipal Manager; and
 - vii. the Municipal Manager may recover the amount due for debt from the agent of the registered owner only after a written notice has been served on the agent; and
 - viii. the amount the Municipal Manager may recover from the agent is limited to the amount of any rent or other money received by the agent on behalf of the registered owner, less any commission due to the agent; and
 - ix. The agent must, on request by the Municipal Manager, furnish the Municipal Manager with a written statement specifying all payments for rent on the property and any other money received by the agent on behalf of the owner during a period determined by the Municipal Manager

11 ACKNOWLEDGEMENT OF DEBT - OTHER ARRANGEMENTS

11.1.1 Terms and conditions applicable for residential debtors.

- (a) Current accounts must be paid in full on or before due date.

- (b) The debtor may be required to prove levels of income and must agree to a monthly payment towards arrears based on such debtors ability to pay or based on such debtors total liquidity if the Municipal so requires.
- (c) All negotiations with the debtor should strive to result in an agreement that is in the interests of both parties and is sustainable.
- (d) Penalties and Interest will be charged on property rates arrears.
- (e) Penalties and Interest on –
 - i. Rates and services is calculated at 5% pa; whilst the debtor adheres to the conditions of the arrangement.
- (f) Debtors who default on three occasions in respect of above arrangements made may be denied the privilege of making further arrangements and the full amount becomes payable. Interest will be calculated from the original due date of the debt, taking any payments into consideration.
- (g) All arrangements may be subject to periodic review in accordance with the terms and conditions contained in this policy; and
 - i. All arrangements, in terms of the conditions contained in this policy, will be made for maximum period of up to 36 (thirty six) months, where after, such arrangement shall cease and the debtor shall be required to enter into a new arrangement for the remainder of the debt; and
 - ii. Failure to meet the pre-arrangement within period agreed upon, all other credit control and debt collection measures as contained in this policy may be enforced.
- (h) All services may be restricted, disconnected or discontinued and legal action may be taken against debtors who defaults on any arrangement and such debt may be referred to third party debt collectors, for recovery.

The following arrangements can be entered into:

NUMBERS	AMOUNT	PERIOD	PERCENTAGE (%)
1.	R2 501.00 – R5 000.00	Six (6) months	50%
2.	R5 001.00 – R10 000.00	Twelve (12) months	40%
3.	R10 001.00 – R20 000.00	Eighteen (18) months	30%
4.	R20 001.00 – R40 000.00	Twenty four (24)months	20%
5.	R40 001.00 – 50 000.00	Thirty six (36)months	10%
6.	R50 001.00 – AND ABOVE	To be handed over	

11.2 Arrangements with Business and Government Departments

- (a) No arrangements exist for this consumer category.

11.3 Steps to be taken by the Municipal Manager

- (a) Authorise an arrangement be entered into with the occupier or tenant subject to.
- (b) Should the registered owner fail to respond to the notice, the Municipal Manager may proceed to install such devices and shall activate the said arrangement.

- (c) The Municipal Manager may refuse to reconnect or restore any service to a tenant unless written permission is obtained from the registered owner:
 - i. authorising the tenant to enter into an arrangement in terms of this policy; and
 - ii. Authorising the reconnection or restoration of any service.
- (d) The Municipal Manager may restrict, disconnect or discontinue any service to a property;
 - i. if the registered owner withdraws, in writing, any permission granted where the tenant has defaulted on the arrangement made; and
 - ii. No new application for any service to the property will be authorised until all the arrears have been settled in full.
- (e) Authorise an arrangement be entered into with the occupier or tenant subject to.
- (f) Should the registered owner fail to respond to the notice, the Municipal Manager may proceed to install such devices and shall activate the said arrangement.
- (g) The Municipal Manager may refuse to reconnect or restore any service to a tenant unless written permission is obtained from the registered owner:
 - iii. authorising the tenant to enter into an arrangement in terms of this policy; and
 - iv. Authorising the reconnection or restoration of any service.
- (h) The Municipal Manager may restrict, disconnect or discontinue any service to a property;
 - iii. if the registered owner withdraws, in writing, any permission granted where the tenant has defaulted on the arrangement made; and
 - iv. No new application for any service to the property will be authorised until all the arrears have been settled in full.

11.4 Special conditions regarding arrangements

- (a) All debtors entering into arrangements shall provide their banking details, and those who have the facility to sign a **debit order** with their financial institutions shall do so.
- (b) The Municipal Manager would normally only enter into arrangements with the registered owners and account holders, but may do so, on receipt of an affidavit, by the occupier or a tenant of a residential property, which certifies that;
 - i. the registered owner of the property at which such tenant or occupier so resides in is;
 - a. untraceable; or
 - b. not contactable; or
 - c. such registered owner's whereabouts are unknown; or
 - d. where there is no co-operation by the registered owner with the occupier, and –
 - ii. that they have a right to so occupy such property and stating the time period that they have so occupied the property;
 - iii. the last known address of the registered owner;
 - iv. the rental due for such right to so occupy;
 - v. that such occupier or tenant undertakes to advise the registered owner at the first reasonable opportunity of the current situation and that the tenant

- or occupier further agrees to obtain the consent of the registered owner to condone the process as set out in this sub item failing which the arrangement may be null and void; and
- vi. where applicable provide comprehensive details of the non-co-operation of the registered owner;
 - vii. Enter into an arrangement with such a tenant or occupier in terms of this policy, to pay off arrears on an account which is a charge against the property.

12 DEBT MANAGEMENT ACTIONS – INDIGENT DEBTORS

1. No restriction, disconnection or discontinuation of any service or legal action will be instituted against any debtor, who has registered for and been accepted as an indigent for a period of twelve months, or while they still qualify as indigent, and meet all the criteria, during this twelve month period.
2. An application for registration as indigent is only valid for a period of twelve months from the date of approval.
3. It is a requirement of this policy that should the personal circumstances of a debtor improve to such an extent that such debtor no longer qualifies as an indigent, then such person must notify the Municipal Manager immediately of this change in order for such persons name to be removed from the indigent register.
4. If it is found that a debtor no longer qualifies as an indigent, and such debtor has not informed the Municipal Manager, then this debtor will be de-registered as an indigent, and all suspended steps, as referred to in sub item (1) above, will be lifted, from the time the debtor's circumstances were found to have improved, and interest will be payable on any outstanding amounts.
5. All consumers qualifying as indigent and having remaining arrear debt after any relief has been granted, will repay that debt as follows:

Over 36 months, in addition to monthly service charges, with immediate payment of the cost of the credit control action taken.

13 COLLECTION PROCESS: RENTAL SCHEMES

1. Rental is payable monthly by the due date.
2. If payment is not received, a first contact letter requesting payment and offering the debtor an opportunity to make an arrangement within 14 (fourteen) days, from the date of the letter, is sent to the defaulting debtor.
3. If no response to the first contact letter, a letter of demand is sent, allowing the defaulter 14 (fourteen) days, from the date of the letter, a further opportunity to make an arrangement.
4. If the debtor fails to respond to this letter of demand, within 14 (fourteen) days, the debtor may, within the next 14 (fourteen) days, receive a house visit.

5. Failure to respond after the house visit will result in legal proceedings.
6. The legal collection process will start with a letter demanding payment within a stipulated period.
7. If the debtor fails to respond within the allowed time, summons will be issued.
8. No response to the summons will result in the Municipal making an application to court for default judgement and, ultimately, the commencement of eviction proceedings.

14 CREDITS, REFUNDS AND TRANSFERS

14.1 Credit

- (a) The Municipal Manager shall have the right to claim any credits due to this Municipal or any of its predecessors-in-law.
- (b) No interest shall be paid in respect of any credit on any account unless permitted in terms of any other legislation or policy.

14.2 Requests for refunds or transfers

- (a) All requests for refunds or transfers must be in writing.
- (b) A "Request for Refund Form" must be completed, or dictated to an official who will record it in writing and have it read, and if necessary, corrected, and
 - i. all the applicable supporting documentation must be supplied; and
 - ii. The form must be signed by the person requesting the refund.
- (c) The form must then immediately be lodged with the relevant authorised official.
- (d) Consideration for a refund or transfer will only be given where credits appear on the account.
- (e) Refunds will only be made to an account holder.
- (f) Notwithstanding sub-items (a), (b), (c), (d) and (e) above, any payment made on an account by a third party will only be considered for a refund or transferred, by the Municipal Manager, to such third party, after the latter submits proof of the payment and such refund or transfer will be subject to any law and policy of the Municipality.

14.3 By the claimant

- (a) The claimant will be required to produce the original proof of the payment which includes but does not limit same to any of the following:
 - i. original receipt;
 - ii. proof of payment method;
 - iii. original cheque as processed by the bank, if applicable;

- iv. affidavit in support of the refund or transfer; and
- v. Proof of the account intended to be paid, if applicable.

14.4 By the Municipal Manager

- (a) Before making any refund or transfer the Municipal Manager may:
 - i. try to establish the whereabouts of the account holder and thereafter;
 - ii. write to such account holder, at the last known or established address, giving such accountholder 30 (thirty) days to show cause why such refund or transfer should not be proceeded with; and
 - iii. In case where the accountholder cannot be traced and all available avenues have been exhausted by the Municipality, no refund shall take place.
 - iv. no refund or transfer shall take place until any objection to the refund or transfer by the accountholder, as referred to in sub-item (ii), has been resolved to the satisfaction of the Municipal; and
 - v. The Municipal Manager shall notify both the claimant and the account holder, of any final decision to either:
 - (AA) Proceed with the refund or transfer; or
 - (BB) to reject the request for the refund or transfer.

14.5 By the Accountholder

- (a) Any accountholder objecting to such refund or transfer must comply with the following:
 - i. Submit such objection in writing showing cause as to why the refund or transfer should not take place; and
 - ii. May be required to submit such objection in the form of an affidavit.
- (b) Except for refunds in terms of Section 55, of the Property Rates Act, where there are two or more account holders all of the account holders must complete and sign the —Request for Refund or Transfer Form.

15 OTHER COLLECTION PROCEDURES

15.1 Failure to pay debt by due date

- (a) Should any debtor fail to pay any debt, referred to in Section 118 (3) of the Municipal Systems Act, by due date the Municipal Manager may, serve a notice in terms of Section 115 of the Municipal Systems Act, –
 - i. on the debtor, and
 - ii. on the property,Calling upon such debtor to pay such debt within 14 (fourteen) days of such notice.

15.2 Content of notice

- (a) The notice referred to in sub-item 21.1 (a) shall contain at least the following information:
 - 1. The name of the registered owner;

2. the full physical address of the property;
3. the amount outstanding;
4. that the debtor has a right to settle the debt before the expiration of the notice;
5. advising that application shall be made to the sheriff of the court for a sale date after the expiry of the notice; and
6. Any other information which the Municipal Manager deems necessary.

15.3 Address for delivery of notifications

- (a) Any debtor may notify the Municipal Manager of an address within the Republic to which any notice referred to in subparagraph 21.1 (a) may be sent; and
 - i. any address given may be amended by a debtor by notifying the Municipal Manager in writing of the change thereof; and
 - (i) Such amended address shall take effect when a written acknowledgement of such address is dispatched by the Municipal Manager to the debtor.
 - ii. The onus shall be on the debtor to ensure that such debtor receives a written acknowledgement of such amended address.
 - iii. The amended address shall be deemed for all purposes to be the address where all notices in terms of this Chapter may be served to the exclusion of any address previously notified.
 - iv. shall state either the property account number or numbers of each applicable account; and
 1. the full description of the property;
 2. the physical address of the property; and
 3. The full name of the registered owner.

15.4 Procedures to be followed for debt

- (a) Should any debt remain unpaid after the final date for the payment thereof, such debt may be recovered in the manner set forth in this Chapter.
- (b) The Municipal Manager shall cause a further notice to be served, in terms of Section 115 of the Systems Act, advising that an application shall be made to Court, after the lapsing of 14 (fourteen) days from dispatch of this notice, for an Order for the sale of the debtor's property for the outstanding debt plus any additional debt incurred in the application of this Chapter.
- (c) If after giving notification in terms of Section 115 thereof, and such debt remains outstanding, a court of competent jurisdiction, upon the application by this Municipality, showing
 1. The amount of debt not paid; and
 2. The notices provided for in terms of Section 115 has been given.
- (d) Shall be requested to summarily order any such property against which the debt is owing to be sold by way of public auction.

- (e) The order shall give the power for the proceeds of the public auction to be paid into court and direct that payment be made to the Municipal, from these proceeds; of
 - 1. all debt outstanding; and
 - 2. all costs incurred by this Municipal in respect of the application made in terms of this Chapter;

In preference to any bondholder in terms of Section 118 (3) of the Municipal Systems Act.

- (f) Upon the court order as set out in sub-items (c) and (d) hereof the Municipal shall have the right to have the property or any part thereof, as the case may be, sold in accordance with the court's order without the necessity of issuing a writ or other process of court for that purpose, provided that in all other respects any such sale shall be deemed to be a sale of immovable property in execution of the judgment of such court, save that it shall not be necessary to notify or consult the debtor, against which the amount is owing, with regards to the sale or the conditions of the sale.
- (g) Prior to applying for a date of sale of any property in terms of this Chapter, or the court order, the Municipal Manager shall:
 - 1. post a Notice on the official notice board of this Municipality for a period of a least 14 (fourteen) days;
 - 2. publish such notice in at least two (2) newspapers circulating in the area in which the property is situated; and
 - 3. Serve a notice to this effect on the debtor.
- (h) If before the sale of any such property in terms of any court order there is produced to the sheriff or any other person charged with the sale thereof a certificate from the Municipal Manager that all the amounts due have been fully paid, the said property shall be withdrawn from the sale.
- (i) Notwithstanding that all the said amounts may have been paid before the said sale this Municipal shall not be liable to any person whatsoever for any loss or damage suffered by such person by reason of the sale of any such property in respect of which no such certificates have been produced to the said sheriff or person in charge.
- (j) If any property is sold pursuant to a court order referred to in this Chapter notwithstanding the fact that all amounts due have in fact been paid; and
 - 1. if the Municipal Manager, within three months of the sale, is satisfied that the said amounts had been paid at the date of the sale,
 - 2. Municipal Manager shall, if transfer of the property to the purchaser has not yet been registered, declare the sale **null and void**;
 - 3. the declaration referred to in sub-item 11 (a) hereof shall be by way of written notice signed by the Municipal Manager and a copy thereof shall be served on the registered owner, in terms of Section 115 of the Municipal Systems Act, and on the Purchaser, at the address supplied in the conditions of purchase, and shall be transmitted forthwith to the Registrar of Deeds.
 - 4. upon signature of the said declaration the sale shall be null and void and in that event the purchase price shall be refunded to the purchaser;

5. the registered owner shall be liable for all the expenses of the sale and all expenses incurred pursuant to the sale save any expenses incurred after production, if any, of the certificate referred to in sub-item (9) hereof, to the sheriff or any other person charged with the sale; and
 6. If no such certificate has been signed by the Municipal Manager, the sale shall be of full force and effect.
- (k) Nothing contained in this Chapter prevents this Municipal from taking any other proceedings for the recovery of debt as set out in this policy, any relevant legislation, or any other competent procedure in any court of competent jurisdiction.

16 ANNUAL REVIEWS AND APPROVAL

16.1 Policy consultations & approval

- (a) *Consultation Process* - The policy shall be reviewed at least once annually, unless circumstances dictate otherwise, by the Chief Financial Officer.
- (b) *Policy Approval Process* - This policy shall be approved by the Council thereafter. All reviews and revisions to any section of the policy and procedures document must be approved by the Council.
- (c) Any amendments to the Policy must be approved at the next Council meeting.
- (d) No policy amendments may be implemented without prior Council approval.

16.2 Review and revision arrangements including version control

- (a) *Review and Revision Process* - The policy shall be reviewed at least once annually, unless circumstances dictate otherwise, by the Chief Financial Officer and the Accounting Officer.
- (b) All reviews and revisions to any section of the policy and procedures document must be approved by the Council.
- (c) *Version Control* - A version control sheet shall be maintained with the document.

16.3 Dissemination and implementation

- (a) *Dissemination* - Once approved, this policy document shall be circulated by *e-mail* to appropriate staff within the organization including management, staff and financial management staff.
- (b) The document will also be supplied to the Registry Department for archiving, and publishing.
- (c) *Implementation* - Implementation shall be carried out by the Chief Financial Officer and the Municipal Manager shall exercise oversight.

ANNEXURE "A": INCOME COLLECTION TARGETS

Payment level on current accounts:

- (1) To collect all arrears over a maximum period of 36 months, save for those specific categories where the period is extended beyond 36 months.

CUSTOMER SERVICE TARGETS

4. Response time to customer queries: - Initial response within 10 working days.
5. Date of first account delivery of new customers: date of application or occupation whichever is the latest. - By second billing cycle after
6. Reconnection time: - Within 48 hours after appropriate payment / arrangement
7. Meter reading cycle - 98% of meters being read on monthly basis with a maximum of 3 consecutive months estimated

ADMINISTRATIVE PERFORMANCE TARGETS

- 8 (1) Cost efficiency of debt collection:
- (a) Cost of collection not to exceed the capital debt amount;
 - (b) All reasonable steps to be taken to limit cost to Council or the Customer;
 - (c) Cost of collection is to be recovered from the defaulting customers;
 - (d) Total cost of collection to be recovered by means of applicable credit control tariffs.
- 9 (1) Query and Complaints periods:
- 24 hours to resolve queries and complaints.
- 10 (1) Enforcement mechanism ratios:
- 100% of total number of arrear customers being successfully disconnected.

ANNEXURE "B": ARRANGEMENTS

1. (1) If a customer cannot pay his/her account with the municipality then the municipality may enter into an extended term of payment not exceeding 36 months with the customer. The customer must:
- (a) Sign an acknowledgement of debt;
 - (b) Sign a consent to judgement;
 - (c) Provide a garnishee order/emolument order/stop order (if he or she is in employment);
 - (d) Acknowledge that interest will be charged at the prescribed rate;
 - (e) Pay the current portion of the account in cash;

- (f) Sign an acknowledgement that, if the arrangements being negotiated are later defaulted on, that no further arrangements will be possible and that disconnection of water and electricity will follow immediately, as will legal proceedings.
- (g) Acknowledge liability of all costs incurred such as disconnection fee, reconnection fee and legal costs.

2.2 Disconnections and reconnections

- (a) Customers who are in arrears with the Municipal accounts and who have not made arrangements with the Council will have their supply of electricity and other municipal services suspended or disconnected.
- (b) Council reserves a right to deny or restrict the sale of electricity to customers who are in arrears with their rates or other municipal charges.
- (c) The cost of restriction or disconnection and the reconnection will be determined by tariffs approved by Council and payable by the defaulting customer
- (d) Residential Property - Should services be disconnected a reconnection fee will be levied (fee as per the Schedule of Tariffs)
- (e) Business Property - Should services be disconnected, a reconnection fee will be levied (fee as per the Schedule of Tariffs)
- (f) Once the customer has paid the reconnection fee applicable, the services shall be reconnected **within 48 hours**.
- (g) Where the Customer has more than one (1) municipal services account for different properties, The Municipal Manager may recover amount due for a debt on a property where the owner has more than one (1) property, the Municipality has a right to disconnect services of the other property, irrespective of which property owes the Council.

2.3 Theft of/or tempering with electricity

- (a) Should there be any tempering or theft of electricity of any kinds, a penalty will be levied prior to reconnection (penalty charge as per Schedule of Tariffs)

ADMINISTRATIONS

6 (1) Where a person has been placed under administration the procedures will be as follows:

- (a) The debt as at the date of the administration court order will be placed on hold, and collected in terms of the court order by the administrator's dividend.
- (b) The administrator is to open a new account on behalf of the debtor, with a new deposit – No account is to be opened/operated in the debtor's name as the debtor is not entitled to accumulate debt (refer section 74S of the Magistrates Courts Act 32 of 1944).
- (c) Until such time as this new account is opened, the debtor is to be placed on limited services levels. The consumer will be compelled to install a prepaid electricity meter, should one not

already be in place. The Municipality will be entitled to recover the cost of the basic services by means of purchases made on the prepaid meter.

- (d) Should there be any default on the current account – the supply of services is to be limited or terminated, and the administrator handed over for the collection of this debt.

“The City of Heritage”



INFORMATION TECHNOLOGY IT Assets Policy

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1. Purpose

This document sets forth the Information Technology Asset Policy (ITAP) for the Ulundi Municipality (ULM). It establishes the business rules and guidelines for consistency and compliance in executing the ULM ITAP process and procedures for managing IT software and IT hardware throughout all lifecycle phases of an IT asset.

2. Overview

This policy provides Ulundi Municipality with the formalised method and guidelines in planning, acquiring, managing and disposing of IT assets. All municipal officials or employees must adhere to this policy when handling IT assets.

3. Definitions

The following definitions provide the correct context in which the terms are used in this document:

- **IT asset** refers to anything (tangible or intangible) that has value to an organization, including, but not limited to, a computing device, IT system, IT network, IT circuit, software (both an installed instance and a physical instance), virtual computing platform (common in cloud and virtualized computing), and related hardware (e.g., locks, cabinets, keyboards), as well as people and intellectual property (including software).

Note: Assets are the lowest level at which IT is planned, acquired, implemented, and operated. All IT hardware and software shall be associated with the comprising system/investment and tracked and monitored throughout their lifecycles in accordance with the NRC's ITAM processes.

- **Information system lifecycle** means all phases in the useful life of an information system, including planning, acquiring, operating, maintaining, and disposing or decommissioning the system.
- **Hardware asset management** is the process of tracking, monitoring, and reporting the physical components of computers and computer networks from acquisition through disposal to provide a comprehensive inventory of hardware assets on the IT infrastructure. This comprehensive inventory visibility supports vendor and lease management and assists in making budgetary forecasts based on the stock of assets and business requirements.

- **IT resources** refers to all agency budgetary resources, personnel, equipment, facilities, or services that are primarily used in the management, operation, acquisition, or other activity related to the IT lifecycle and acquisitions or interagency agreements that include IT and the services or equipment provided by such acquisitions or interagency agreements, not including grants that establish or support IT not operated directly by the Federal Government.
- **IT system** refers to a discrete set of information resources organized for the collection, processing, maintenance, transmission, and dissemination of information, in accordance with defined procedures, whether automated or manual.
- **IT service management (ITSM)** is the implementation and management of quality IT services that meet the needs of the business. IT service providers perform ITSM through an appropriate mix of people, processes, and information technology. See also “service management.”
- **Service level management** is the process responsible for negotiating achievable service-level agreements and ensuring that all ITSM processes, operational level agreements, and underpinning contracts are appropriate for the agreed service-level targets. Service level management monitors and reports on service levels, holds regular service reviews with customers, and identifies required improvements.
- **Software asset management (SAM)** is the process of tracking, monitoring, and reporting the use and ownership of software assets throughout their lifecycle, including licenses, versions, and installed endpoints. SAM is part of an overall service and configuration management process. The goals of SAM include: (1) reducing IT costs; (2) limiting business, legal, and security risks related to the ownership and use of computer software; and (3) maximizing IT responsiveness and end-user productivity.
- **Software license management (SLM)** refers to a proactive approach to SAM that enables accurate procurement and deployment of software licenses based on contract entitlements, product use rights, and actual usage.

4. IT Assets Policy

This policy establishes the business rules and guidelines below for managing IT assets throughout their lifecycles.

The Ulundi Municipality shall:

- Act in a fiscally responsible manner, including by implementing an ITAP program to support the optimization of IT costs to perform mission and business functions in the most efficient manner that adds the most value.
- Establish a comprehensive IT asset inventory by identifying and collecting information using automated discovery and inventory tools. Any tool used for SAM must specifically collect information about software license agreements and track and maintain identified software licenses to assist the organisation in implementing decisions throughout the SLM lifecycle.
- Provide training relevant to SLM to improve understanding of legal and compliance requirements, including what is expected of users with regard to the protection of intellectual property rights.
- Assess current IT asset inventories and usage and establish controls to ensure maximum use of IT equipment, installed software, and services (i.e., ensure that the ULM needs, and is using, all IT assets that the organisation is paying for). This is key to performing demand management.
- Maintain the comprehensive IT asset data by tracking all assets from purchase to retirement and disposal, including data collected at integration points with ITSM (e.g., capacity management, configuration management, incident management, service level management).
- Analyse usage and other data to make cost-effective decisions and inform IT resource planning, budgeting, and future acquisitions.
- Right-size the number of IT devices (e.g., mobile phones, smartphones, desktop and laptop computers, and tablet personal computers) issued to employees, consistent with operational requirements (including continuity of operations), and initiatives designed to create efficiency through the effective implementation of technology.
- Promote further efficiencies in IT by leveraging appropriate organisation wide IT solutions that consolidate activities such as desktop services, email, and collaboration tools.

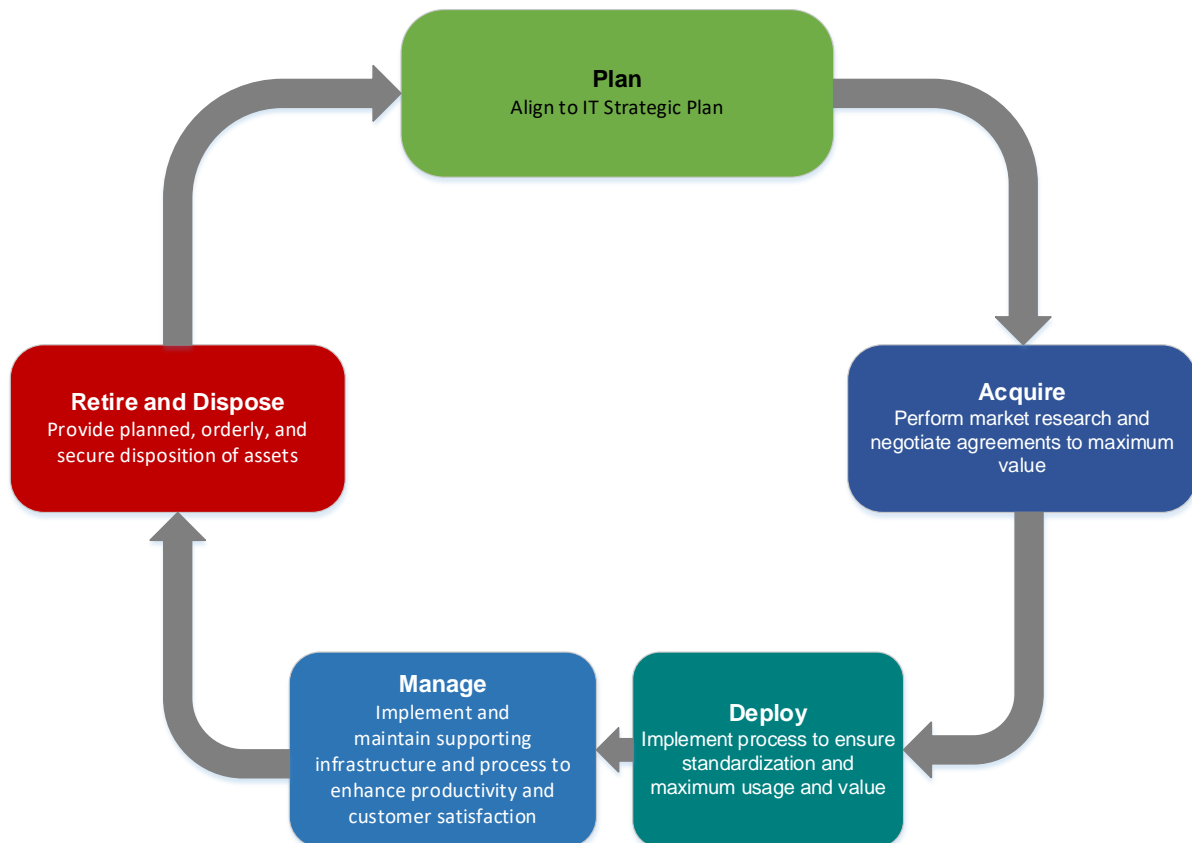
- Develop, maintain, and communicate to end users this policy and ITAP processes and procedures, and their integration with other policies and processes that support the management of IT assets and services.
- Build centralized ITAP processes and services around the five lifecycle stages:
 - Planning and budgeting;
 - Acquisition;
 - Deployment;
 - Management; and
 - Retirement or disposal.
- Processes should trigger changes to contract terms and conditions to accommodate for changing technology, vendor, and internal requirements.
- Ensure in the planning and budgeting phase that each IT asset is clearly identified and associated with the comprising system and investment in the ULM's IT portfolio (i.e., all IT systems used by the municipality).
- Ensure that the SAM lifecycle processes have integration points with the ITSM processes, primarily with configuration and change management because the processes impact each other (i.e., a change to a platform may affect licensing).
- Ensure that processes include clearly defined roles and responsibilities, proper governance and controls, and integration points with other processes.
- Acquire and implement an asset management tool to support core lifecycle processes, and, to the extent practicable, integrate the solution with recognized ancillary data sources used to maintain the asset data (e.g., IT help desk).
- Monitor the performance of the program and software assets by developing compliance reports (reporting, at a minimum, the compliance position of managed software through proper SLM) and by developing key performance indicators (KPIs) to quantify the success of the ITAP program. Some Information Technology Infrastructure Library software asset and configuration management KPIs to consider include the following:
 - Percent of software licenses used relative to the total software licenses deployed in (i.e., split by license per software application)
 - Percent of licenses purchased but not accounted for in the asset repository
 - Percent of software assets under maintenance contract

Note: This KPI monitors the number of deployed software assets that are within their warranty or are related to a valid maintenance contract relative to the total number deployed.

- Actively manage the ULM's relationships with vendors to develop, manage, and control vendor contracts, relationships, and performance for the efficient delivery of contracted products and services; minimize potential business disruption; and drive the most value from vendors. All communications with vendors shall be conducted in accordance with the ULM Vendor Communication Plan.
- Perform all hardware acquisitions in accordance with acquisition Policy. All associated hardware acquisition documentation shall be retained in a centralized contract repository accessible to only those personnel with the appropriate roles and responsibilities that would entitle them to access.
- Acquire only IT assets on the standardized list of technologies and versions approved for use in the ULM production environment, if an approved technology meets the business need instead of purchasing duplicative technologies. The process for alternatives and exceptions must be followed for the approval of any nonstandard assets.
- Ensure that assets are receiving timely patches and are securely configured and maintain version control in compliance with underlying contracts.
- Ensure that all ULM employees are informed of and comply with the organisation wide rules of behaviour for authorized computer use.
- According to the aforementioned policy, users shall not place any unauthorized software on any ULM computing device. Since trial or promotional software will be solely restricted to test environments for the purpose of evaluation before its potential acquisition, the ULM deems such software unauthorized until it is placed on the approved software list. Unauthorized use of a user account or a computing resource is a violation of IT policy, constitutes theft, and is punishable by law. Users will be held accountable for their access and use of ULM computing resources.
- Comply with the ULM property management policy throughout the lifecycle of all assets. When an asset has reached end of "life" or usability, the aforementioned policy shall be followed. In addition, ULM IT Asset Disposal Procedure applies for assets associated with the retirement and decommissioning of an IT system.

5. IT Asset Life Cycle Management Overview

IT asset lifecycle management is a core process of ITAM that involves managing and optimizing the purchase, deployment, maintenance, use, and retirement or disposal of assets within an organization. Implementation of this process can benefit organizations by improving the ability to forecast needs. IT asset lifecycle management strives for informed purchasing decisions, proactive resource replenishment, improvement of the quality of IT services, and knowledge of the total cost of ownership of an asset. Activities include the development and maintenance of policies, standards, processes, systems, and measurements that enable organizations to manage the IT asset portfolio with respect to risk, cost, control, IT governance, compliance, and established business performance objectives. Figure 1 provides an overview of the ITAP lifecycle management process.



5.1. Plan

The planning phase involves the activities performed before procurement of the software, which include evaluating the technical and organizational requirements for the IT asset. Asset requirements are defined based on an assessment of both service delivery needs and the capability of the existing asset base to meet these needs. Planning activities include, but are

not limited to, defining the asset management strategy, planning for uncertainties, documenting business cases, and performing a cost-benefit analysis.

5.2. Acquire

For ITAP purposes, the acquisition phase is the process by which an organization plans and then manages the procurement process. This includes receiving a legitimate request and approval for goods and services (including standards, definitions, and supplier identification) and discounting targets and policies under negotiated discounts and contracts. Ultimately, the goal of the procurement process is to enable the best price for the best product and service available to meet the organization's needs while providing full visibility to surplus.

5.3. Deploy

The deployment phase involves deploying new software and hardware requests through the defined approval method. If the asset request has been approved, the IT configuration manager will install software and hardware on the user's machine. He or she will ensure that the equipment is fully configured and ready for use. The asset repository must be correct before allocating any equipment. The asset entry should also include all software and hardware installed. Because the information about the asset will never be more accurate than it is at this stage, a best practice is for the IT asset manager to determine the accuracy of the asset as it enters the configuration management database to enable a clean start.

5.4. Manage

The management phase involves the monitoring of an asset's maintenance needs and performance, management of refresh cycles, information management, asset valuation, and continuous assessment of the asset's use and functionality. Responsible parties should evaluate the existing asset's base condition, capability, and usage. Accurate recording, identification, valuation, and reporting procedures must be established so that informed decisions to maintain, modify, rehabilitate, find an alternative use for, or dispose of an asset can be made.

5.5. Retire and Dispose

The retirement and disposal phase involves the planning and execution of the removal and disposal of assets, closing or cessation of contracts and licenses, and proper uninstallation. The treatment of an asset that has either reached the end of its useful life, is considered surplus, or is underperforming. Retiring an asset can include disposal, replacement, renewal,

or redeployment. Responsible parties should comply with relevant approval processes and, where possible, select a method, including retirement, replacement, renewal, or redeployment, that maximizes the financial benefits associated with the method.

6. Approvals

The table below provides necessary approvals of this policy.

Approver	Signature	Date
Chairman of the Council		
Chairman of the Audit and Risk Committee		
Ulundi Municipal Manager		

“The City of Heritage”



INFORMATION TECHNOLOGY Backup and Restore Policy

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1. Overview

This policy defines the backup policy for computers within the municipality which are expected to have their data backed up. These systems are typically servers but are not necessarily limited to servers. Servers expected to be backed up include the file server, Pastel.

2. Purpose

All electronic information considered of municipal value should be copied onto secure storage media on a regular basis (i.e., backed up), for disaster recovery and business resumption. This policy outlines the minimum requirements for the creation and retention of backups. Special backup needs, identified through technical risk analysis that exceeds these requirements, should be accommodated on an individual basis.

3. Scope

Data custodians are responsible for providing adequate backups to ensure the recovery of data and systems in the event of failure. Backup provisions allow business processes to be resumed in a reasonable amount of time with minimal loss of data. Since hardware and software failures can take many forms, and may occur over time, multiple generations of municipal data backups need to be maintained.

4. Definitions

Backup - The saving of files onto magnetic tape or other offline mass storage media for the purpose of preventing loss of data in the event of equipment failure or destruction.

Archive - The saving of old or unused files onto magnetic tape or other offline mass storage media for the purpose of releasing on-line storage room.

Restore - The process of bringing off line storage data back from the offline media and putting it on an online storage system such as a file server.

Municipality Critical Data - Data that if it were deemed unavailable to the Municipality will have an immediate (within 24 hours) critical impact on the Municipality.

Data Owners - Department managers, members of the top management team, or their delegates who bear responsibility for the acquisition, development, and maintenance of production applications that process Municipality information

Data Custodians - Are in physical or logical possession of either Municipality information or information that has been entrusted to them. Ulundi Municipality Custodians are responsible for safeguarding the information and making backups so that critical information is not lost.

FTP – (File Transfer Protocol) - Data is transferred from one department/computer to another over the internet.

5. System Backups

5.1 Payday Backups

- Manual Backup
 - PAYDAY operator runs backups once a week.
 - Data is stored daily in PAYDAY folder on the File Server.
- Off-site Storage
 - PAYDAY consultant takes an off-site backup monthly.

5.2 Pastel

- Manual Backup
 - Pastel Evolution (files and folders) daily backups are stored on the Pastel Server;
- Off-site Storage
 - PAYDAY consultant takes an off-site backup once a week.
- On-Line Backup
 - Pastel monthly online backups stored onto our Backup System.

5.3. File Server

- Automatic Backup
 - Backup runs automatically at 22h00 on weekdays.
 - The file server backup system is set to backup all critical data that has been stored on the server:
 - PAYDAY,
 - Metval,
 - Finance Folder;
 - Data Files
- Pastel Evolution and any other critical data.
 - The data is copied to disk or external device for external storage, weekly.
 - The data from the File Server is also backed up to our Backup system, monthly.

6. Data Backed Up

- i) Data to be backed up has to include the following information:
 - a. User data stored on the local hard drive and File Server;
 - b. System Databases; and

- c. System Configurations.
- ii) Systems to be backed up has to include but are not limited to:
 - a. File server;
 - b. Production database server; and
 - c. Domain controllers (Active Directory).

7. Testing

The ability to restore data from backups shall be tested at least once every six months. Business Vendors will also be required to perform backup testing as per the agreed upon SLAs

7.1. Restoration of Back-ups

On a monthly basis a restoration of one back-up from each system must be performed to ensure that back-ups can be restored in an effective and timely manner. The restoration must be performed on a test environment to ensure that it does not impact on the production environment. Documented evidence of the back-up restorations must be retained. The restore process should be recorded accordingly on the “Backup Recovery Testing Log” (see Appendix C).

Users that need files restored must submit a request to the help desk. Include information about the file creation date, the name of the file, the last time it was changed, and the date and time it was deleted or destroyed.

8. Retention Period

The following retention periods are applicable for all types of back-up:

- Daily – Backup will be retained for a week on the File server;
- Weekly – Backup will be retained for 4 weeks;
- Monthly – Backup will be retained for 12 months; and

Retention periods for backup information should be determined, with ideally at least 5 complete backup cycles in place prior to disposal or deletion.

9. Operator Logs

- The IT Department will maintain an activity log and system reports for each system they are responsible for. This will include:

- System start/finish times, for planned downtime, unplanned downtime and system maintenance routines;
- System error reports and corrective action taken; and
- Operator identification for each log entry.

10. Responsibility

The IT Manager shall delegate a member of the IT department to perform regular backups. The delegated person shall develop a procedure for testing backups and test the ability to restore data from backups on a quarterly basis. Backup reports must be generated and a Backup Register must also be kept with reference to backup status.

11. Archives

User account data associated with the file are archived one month after they have left the municipality. Pastel and PAYDAY Systems are not archived as it is not deemed necessary.

12. Backup Media Storage Locations

Offline Backup server used for daily backups shall be stored on-site office. Offsite storage is at Protection Department (Licensing) about 2km away.

13. Approvals

The table below provides necessary approvals of this policy.

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Chairman of the Audit and Risk Committee		
Ulundi Municipal Manager		

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INFORMATION TECHNOLOGY Change Management Policy

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1. Introduction

Change Management is the practice of ensuring the delivery of IT and Business Services is not impacted by infrastructure or software changes and all changes are recorded and carried out in a planned and authorised manner. This includes ensuring there is a business reason behind each change, identifying the specific configuration items and IT services affected by the change, identifying those staff responsible for implementing the change, planning the change, testing the change, and having a back-out plan should the change result in an unexpected failure.

2. Objectives

The goal of the Change Management Policy is to define the requirements necessary to meet the following business objectives:

- Reduce the risk of business disruption from information systems and infrastructure changes.
- Improve communication among stakeholders that may initiate and / or be impacted by changes.
- Comply with internal control and regulatory requirements.

3. Background

Change Management is the practice of ensuring the delivery of IT and Business services is not impacted by infrastructure or software changes and all changes are recorded and carried out in a planned and authorised manner.

This includes ensuring there is a business reason behind each change, identifying the specific Configuration Items and IT services affected by the change, identifying those staff responsible for implementing the change, planning the change, testing the change, and having a back out plan should the change result in an unexpected failure.

The goal of Change Management is to manage the process of change to these systems through standardised methods and procedures, thereby limiting incidents related to change and improving day-to-day operations.

Without formal change management policies and governance there is scope for operational inefficiency in the Municipality systems.

4. Scope

This policy applies to all Ulundi Municipality employees, contractors, and any other individuals involved in making changes to Ulundi Municipality's production, technical and information assets for which IT has accountability.

5. Definitions

Change: A change is any activity that occurs to any information resource where the status is different from a previously defined condition. This is applicable to all ICT hardware, communications equipment and software, business systems software, 'live' applications software and all documentation and procedures that are relevant to the running, support and maintenance of live systems. A change can also be initiated to resolve a critical problem.

User (s): For the purposes of this document any reference to 'user' or 'users' is referring to the business users who initiate the change request.

Emergency Change: An emergency change is an unexpected or unplanned change that will either minimise service disruption or restore service.

Change management: is the process of developing a planned and documented approach to change in an organization.

In the ITIL framework, Change Management is responsible for controlling change to all configuration items within the live environment, test and training environments, and all environments under the control of 'ICT Operations'.

Business owner: Manager of an organisational unit within Ulundi Municipality who bears responsibility for the acquisition, development and maintenance of production applications that process Municipality information.

Configuration Items: A component within a system configuration that needs to be controlled e.g. PC, server, switch, and printer.

ITIL: United Kingdom's Office of Government Commerce Information Technology Infrastructure Library.

6. Policy

- a. Every change to Ulundi Municipality production information resources is subject to the Change Management Policy and must follow the approved Ulundi Municipality Change Management Procedure.
- b. Procedures must exist to govern emergency changes to information systems and related technology. Criteria that define an emergency change must be clearly documented and communicated. Emergency changes must be documented. Emergency changes must be approved by a member of IT management authorized to approve emergency changes.
- c. Testing of changes must be performed prior to the change being implemented; proof of testing must be retained as evidence.
- d. A system must be in place to support the recording and tracking of changes made to information systems. If customer notification is required, it must be completed for each change following the steps contained in Ulundi Municipality's Change Management Procedures document.
- e. Technical and user documentation must be updated to reflect changes made to information systems and related technology. A process must be defined for reviewing changes to ensure successful implementation.
- f. A central repository must exist to contain all relevant information on configuration items. This repository includes hardware, application software, middleware, parameters, documentation, procedures and tools for operating, accessing and using the systems and services.

7. Segregation of Duties

Segregation of duties (SoD) must be practiced to ensure that no single individual has the authority to execute multiple conflicting tasks with potential to impact other systems or information; and that no single individual can execute conflicting end-to-end transactions.

As such, segregation of duties at Ulundi Municipality with regards to program changes must follow the best practice guidelines as stipulated below:

The role of ...	Must be independent of ...
Requester	Implementer
Builder	Operators of the production environment
Builder	Tester
Builder	Implementer

Builder	At least one approver
Requester	At least one approver
Implementer	At least one approver
Implementer	Reviewer
Auditor	All participants of a specific change
Approver	All other roles listed above

8. Controls

This policy document addresses the following control objectives:

Control Objective Name	Control Objective Detail
Change Standards and Procedures	Set up formal change management procedures to handle in a standardized manner all requests (including maintenance and patches) for changes to applications, procedures, processes, system and service parameters, and the underlying platforms.
Impact Assessment, Prioritization and Authorization	Ensure that all requests for changes are assessed in a structured way for impacts on the operational system and its functionality. This assessment should include categorization and prioritization of changes. Prior to migration to production, changes are authorized by the appropriate stakeholder.
Emergency Changes	Establish a process for defining, raising, assessing and authorizing emergency changes that do not follow the established change process. Documentation and testing should be performed, possibly after implementation of the emergency change.
Change Status Tracking and Reporting	Establish a tracking and reporting system for keeping change requestors and relevant stakeholders up to date about the status of the change to applications, procedures, processes, system and service parameters, and the underlying platforms.
Change Closure and Documentation	Whenever system changes are implemented, update the associated system and user documentation and procedures accordingly. Establish a review process to ensure complete implementation of changes.
Configuration Repository and Baseline	Establish a central repository to contain all relevant information on configuration items. This repository includes hardware, application software, middleware,

	parameters, documentation, procedures and tools for operating, accessing and using the systems and services. Relevant information to consider is naming, version numbers and licensing details. A baseline of configuration items should be kept for every system and service as a checkpoint to which to return after changes.
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9. Cross-Reference to Other Policies and Procedures

Change Management Procedure.

10. Reference Material Used In Developing This Policy/Procedure

- ITIL v4 Framework

11. Accountabilities

11.1. Responsibility

All Business Owners and IT staff are required to adhere to this policy. Non-compliance to this policy by a staff member may lead to appropriate disciplinary action by IT management.

11.2. Training Plan

All business owners and managers are responsible for promoting individual employee awareness of, and compliance with, Municipality Change Management policies and procedures.

11.3. Compliance

All Business owners of Municipality systems must comply with this policy.

12. Approvals

The table below provides necessary approvals of this policy.

Approver	Signature	Date
Chairman of the Council		
Chairman of the Audit and Risk Committee		
Ulundi Municipal Manager		

“The City of Heritage”



INFORMATION TECHNOLOGY Disaster Recovery Plan

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1. Introduction

The Municipality's IT system and networks provide services to what each department is dependent upon.

Without telephones or networks or any of several critical servers, some aspects of the municipality's services would come to a standstill should a failure occur.

In recognition of these dependencies, it is of utmost importance that Ulundi Municipality be prepared to respond to a disaster in an orderly, timely and efficient manner.

This document describes the Recovery Plan which will be used in the event of a disaster affect in its operation and services. It includes a summary of the current services, identifies the services critical to municipal operations and dictates how these services will be reconstituted following a disaster.

A current version of this plan, the plan's appendices and any other referenced policies and procedures must be kept in a secure offsite location to ensure that the plan is available in the event of a disaster.

2. Scope of this Plan

This plan provides Ulundi Municipality with the ability to address two areas:

- It enables the systems administrator to restore Ulundi Municipality's core information systems in the event of a disaster.
- It identifies areas of substantial risk and exposure to disaster and assist in reducing these risks.

3. Disaster Scenarios

This plan focuses on recovering from a disaster at Ulundi Municipality head office, BA131, Corner of Princess Magogo and Zwelithini Street, Ulundi. This building is deemed most critical. This is where core IT systems are housed. The Civic Centre, BA81, Prince Magogo Street will be used as a Disaster Recovery Centre.

4. Current Practices and Procedures

- An understanding of fundamental Municipal practices is the key to recovering departments operations, the key activities include:

4.1. Data Backup and Restoration

Backs are performed in accordance with the Municipalities Data Backup and Restoration policy and procedures. These require that all business critical systems are adequately backed up and tested to ensure that key system and information can be recovered.

4.2. Application Restorations

The different systems restoration procedures will define how each system/application will be restored. Where necessary, the expertise of the system Vendor or Service Provider will be utilized.

4.3. System Shutdown and Startup

Instructions for shutdown and startup of servers are located at the server room.

4.4. Critical Systems

The following systems are designated as critical systems. These systems are listed here because without awareness, it is possible that an oversight during a restoration could result in problems:

Category	Hostname/description	Functionality provided	Database/folder	IP Address
Windows Application (server 2012 R2)	PayDay	Payroll and HR	PayDay Data Files	192.0.1.1
Windows Application(server 2016)	mSOA Pastel Evolution (v.7.20.5)	Financial System	MS SQLSERVER	192.0.1.5
Windows Application(server 2016)	mSOA Pastel Evolution (v.7.20.5)	File Server - Shares	BIC\$, EFT	192.0.1.5
Windows Application (server 2012 R2)	Metval	Property Management Systems	MS SQLSERVER	192.0.1.1
Web Application (Apache24 server)	Issue Tracking App	IT incidents management	MySQL	192.0.1.25

4.5. DRP Management

The DRP Manager is the primary person responsible for ensuring a DRP plans are regularly reviewed, tested and maintained. This person is required to liaise with all DRP teams on a regular basis to ensure all changes within the municipality and their impact on Disaster Recovery have been considered. This person is also responsible for ensuring that all staff, both team members within the municipality are provided with the necessary awareness and training.

The municipality will assign a person who will be responsible for ensuring that the Disaster Recovery Plan is kept in a safe and secure place. This person will further have to ensure that they do have the latest version of the plan.

5. Notification and Activation

Upon discovery of a disaster, the Municipal Manager, HOD Corporate Services, Chief Financial Officer or IT Administrator must be notified immediately. The person who has authority to declare a disaster is the Information Technology Manager in consultation with the Municipal Manager and Manager Corporate Services. The Municipal Manager and IT Administrator will then perform an assessment of the Municipalities IT Systems, based upon which the Municipal Manager will determine whether it is appropriate for the Disaster Recovery Plan to be activated and invoked. Should the Municipal Manager not be available the responsibility will then sit with the Chief Financial Officer.

The contact details of key staff members are:

Designation	Contact Number
The Municipal Manager	082 457 7373
HOD Corporate Services	083 561 6868
IT Manager	083 733 7902
Chief Financial Officer	073 472 1934

Once the plan has been formally invoked, the following procedures must be followed.

6. Recovery Process

The recovery process consists of two phases:

- An initial phase where notifications are made, the staff assembled, information gathered and an action plan developed.
- The recovery phase where resources are required, data recalled, and services are restored as much as possible.

- If there is a disaster of any kind, it must only take a maximum of three days to recover and have all users online.

6.1.Phase 1 – Assessment and Planning

6.1.1.Notify and Assembly the Recovery Staff

All recovery staff should be notified as soon as the decision to invoke the Disaster Recovery Plan has been made. The recovery team should then assemble at an agreed upon location. Refer Recovery Staff Details for names and contact details of the Recovery Team. Once the recovery team has been assembled, they should go through the Disaster Recovery Plan to assign roles and responsibilities and ensure that everyone knows and understands their specific roles and tasks.

6.1.2.Perform Primary Site Procedure

It is the Recovery Team's responsibility to conduct a site survey of affected area to assess the nature and extent of any damage. They must take stock of any salvageable or usable equipment and note what equipment will need to be replaced. They must also secure the primary site so as to ensure that there is no unauthorized access to what may remain of the Municipalities IT systems and to prevent any further damage.

6.1.3.Inform Vendors and Services Providers

Once the nature and extent of the disaster has been determined, the Municipality's vendors and service providers should be notified and informed that the Municipality has invoked its Disaster Recovery Plan what assistance or equipment they should provide.

6.1.4.Establish Communication Plan

A communication plan will need to be implemented. The communication plan will ensure that:

- All Municipal staff and contractors impacted by the Disaster are informed and instructed on what they should do, i.e. stay at home, report to DR site etc;
- MANCO is kept up-to-date on a regular basis with status updates and estimated timelines;
- All relevant Municipal Suppliers, Vendors, Service Providers or Customers should be informed and kept updated where appropriate;
- Communication with the relevant authorities, Police, Fire Department etc, is centralized and the responsibility of a specific individual/s who can then relay any messages with the Disaster Recovery team.

- Any and all communication with the Media, if required or requested, should be direct to a specific, authorized individual who can speak on the Municipality's behalf.

6.2. Phase 2 – Recovery

6.2.1. System Recovery Priority List

The priority of the Municipality's Systems and the order in which they should be recovered are:

Priority	Service
1	PayDay
2	Pastel Evolution
3	File Server
4	Metval

The recovery/restoration procedures for each of the above systems is documented within the Municipalities Backup Policy and Procedure or detailed by the Vendor/Service Provider. Vendor and/or Service Provider expertise will be utilized during the recovery procedure if required to ensure that the systems are effectively restored in as short a time as possible.

6.2.2. Equipment List

The following equipment is required to re-establish the priority service to a basic nominal level of service. It is not intended to duplicate the original performance, but rather to provide a minimally acceptable level. This equipment will be obtained from service providers and from the open market. This equipment will be set up at the Civic Centre building which will be used as a Disaster Recovery Centre as a precautionary measure in case a disaster strikes.

- Desktop Computer
- Backup media
- Windows Server
- Network Disaster Recovery Server
- Printers

6.2.3. Re-establishment of Normal Operations

As part of the recovery process consideration must also be given to restoring the Municipalities systems to a normal state of operations. Whilst priority will be given to restoring the minimal operating requirements of the municipality, once this is achieved

focus must shift to re-establishing the normal state of operations. Steps required to be taken will depend on the nature and extent of the disaster but, at a minimum, may include the following:

- Acquisition of equipment to permanently replace destroyed or damaged equipment. This equipment should be of a suitable specification to enable pre-disaster performance to be achieved;
- Identification of a suitable server room if the original one is no longer suitable;
- Implementation of a cutover plan to transfer all data from DR systems back onto Production systems.

6.2.4. Procedure for Retrieval of Backup Tapes

The type of backup media used for PAYDAY, Pastel and Network is CD/DVD. Email backup is done by Service provider. Data is also stored on external hard drives.

- If on-site backups are available, restore using the most recent backup tape.
- If on-site backups are destroyed, retrieve latest weekly backup from off-site location and restore.

6.2.5. Post Recovery Review

Within a month of normal operations having been restored a post recovery review should be performed by the Recovery Team. This review should identify and document any and all weaknesses or issues identified during the recovery process. The remediating actions taken must be documented and the Disaster Recovery Plan updated accordingly. The review should also identify areas where efficiencies could be made and these should be included in the next test of the Disaster Recovery Plan

7. Plan Maintenance and Testing

This Disaster recovery plan must be tested, at a minimum, on an Annual basis. The testing should simulate a Disaster and all necessary recovery steps must be performed as per the documented plan. The testing must be documented and all documentation must be retained. Any weaknesses or issues identified during testing should be remediated and the Disaster Recovery Plan updated accordingly.

8. Appendices

8.1.Recovery Staff Details

Name	Designation	Contact Number
Mr. M.T. Nkosi	IT Manager	083 733 7902
Mr. N. Dlamini	IT Security Officer	078 868 5121
Mr. L Mpungose	IT Controller	078 676 7233
Mr. Z. Mpontshane	IT Controller	072 129 2734
Mr. Z.G. Dhlamini	HoD – Corporate	083 463 3907
Mr. De Wet	HoD - Technical	083 561 7719
Mr. N.G. Zulu	Municipal Manager	083 407 0870
Mr. R.C. Mazibuko	HoD - Planning	064 651 8980

8.2.Vendors and Services Providers

The following are the municipality's key vendors and service providers:

Service Provider	System/Service	Contact Person	Contact Number
PayDay Solutions	PayDay	AJ Deena	012) 803 7730 083 262 5121
Metgovis	Metval	Ayanda	083 825 9577
Camelsa Consulting Group	mSOA Pastel Evolution	Titus Dube	(011) 805 1027 078 042 1150
Telkom	Telephone	Errol Xolo	081 475 1941
Liquid Telecom	Internet	May Jeremiah	082 677 9056

8.3.Emergency Services

The following are emergency services details:

Emergency Services	Contact Number
Police	10111
Fire Department	(035) 874 500
Ambulance	10177

8.4. Approvals

The table below provides necessary approvals of this plan.

Approver	Signature	Date
Chairman of the Council		
Chairman of the Audit and Risk Committee		
Ulundi Municipal Manager		

“The City of Heritage”



INFORMATION TECHNOLOGY IT Governance Charter

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1. Purpose

Ulundi Municipality has a dependency on IT to enable its business processes. Due to the critical nature of IT, and the intellectual and other information resources that are exposed through technology channels, IT governance now represents an essential component in ensuring the efficient and secure operation of the business.

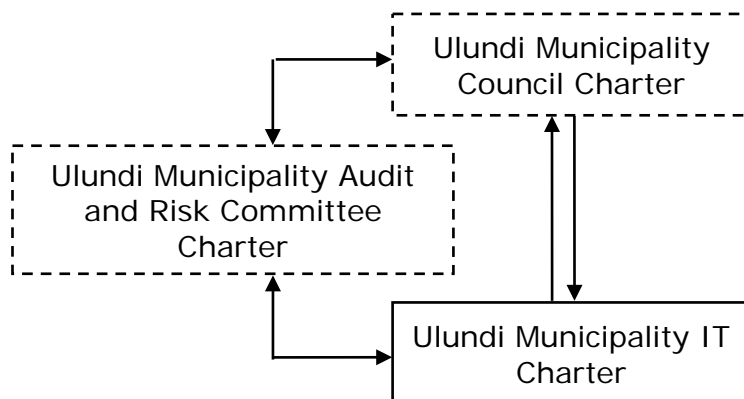
Chapter 5 of King III provides that directors, in exercising their duty of care, should ensure that prudent and reasonable steps have been taken with respect to IT Governance. Chapter 5 sets out the following 7 principles:

- The Council should be responsible for information technology (IT) governance;
- IT should be aligned with the performance and sustainability objectives of the company;
- The Council should delegate to management the responsibility for the implementation of an IT governance framework;
- The Council should monitor and evaluate significant IT investments and expenditure;
- IT should form an integral part of the municipality's risk management;
- The Council should ensure that information assets are managed effectively; and
- A risk committee and audit committee should assist the Council in carrying out its IT responsibilities.

Within Principle 5.7.2, King III recommends that Ulundi Municipality's Council ("the Council") establish an IT Charter. This IT Charter should outline the *decision-making rights and accountability framework for IT governance* that will enable the *desirable culture in the use of IT* within the company. This document will serve as the IT Charter for Ulundi Municipality.

In addition, King III allows the Council to delegate to management or to other Council committees the responsibility for the implementation and monitoring of IT governance. This IT Charter document clarifies delegated responsibilities.

The relationship between the IT Charter and other Council Charters are shown below:



2. Desirable Culture in the Use of IT

The Council defines the desirable culture in the use of IT hereunder. The decision making rights and accountability framework defined in the remainder of the document is designed to achieve these 10 objectives.

- i) The activities and functions of the IT strategy are aligned to the business strategy. Opportunities to improve the use of IT within Ulundi Municipality are identified and exploited.
- ii) The optimal investment is made in IT, costs are managed, and the return on investment is measured.
- iii) Synergies between IT initiatives are enabled and IT choices are in the best interest of the organisation as a whole, and not only, those of individual business units.
- iv) IT services are sourced optimally and legitimately.
- v) IT risks are identified and adequately addressed. Assurance is obtained to ensure that an IT control framework is in place to address IT risks.
- vi) Information, IT assets and intellectual property contained in IT systems are protected and effectively managed and used.
- vii) IT has adequate business resilience arrangements in place for disaster recovery.
- viii) Information Management is a joint IT and business responsibility.
- ix) IT use conforms to IT related laws and related rules, codes and standards are considered.
- x) IT use is sustainable with respect to the environment.

3. Decision Making Rights and Accountability – Centralised IT

Note: Currently Ulundi Municipality has an IT manager that reports into Chief Finance Services, who is a member of Exco. IT currently has no direct representation on Exco.

The Chief Financial Officer has responsibility to establish an IT department for Ulundi Municipality. Some of the duties that should be included in the role of the CFO are as follows:

- Computing and information technology strategic plans;
- Policies & procedures;
- Prioritising projects;
- Ensuring adequate financial planning is done for information technology related procurement;
- Network communications; and
- Management information services to accomplish corporate goals and objectives.

Reporting of IT into EXCO

As IT is expected to play a strategic role in the organisation, IT will be a standing item on EXCO's agenda. The IT manager will report to EXCO on strategic IT initiatives, the extent to which projects from the IT strategy are being implemented and in general how technology opportunities are being exploited within the organisation.

The Council identifies with the following 10 decision making domains for IT which needs to be considered:

- Strategy
- Governance (framework and implementation)
- Investment and prioritisation
- User Management
- Infrastructure
- Applications
- IT Internal Administration
- Information
- Security
- IT budget

The Council grants decision making rights within the centralised IT department by using the following RACI Chart.

IT Decision Category	Formal decision making bodies - other than the IT Management Committee, which is transversal across all decisions	Responsibility			
		Audit & Risk	EXCO	Business Managers	IT Manager
Strategy		I	C	C	R
Governance	Audit and Risk Committee	I	A/R	I	R
Investment and prioritisation		I	C	A/R	R
User management			C	C	R
Infrastructure		I		C	R
Applications		I	I	A	R
IT internal admin			I		R
Information			I		R
Security	Audit and Risk Committee	I	I	C	R
IT Budget			I	C	R

A RACI Model is a tool used for identifying roles and responsibilities depicted in the above chart

R	Responsible	Owens the problem/project
A	Accountable	Who sign off work before it is effective
C	Consulted	Has information and/or capability necessary to complete the work
I	Informed	Must be notified of results, but need not be consulted

4. IT Steering Committee

An IT Steering Committee will be established to take decisions around *IT Strategy and IT Governance Risk and Compliance*, whilst carrying out the following responsibilities:

- Ensure the implementation of the IT Charter, including the defined IT governance structures.
- Maintain the IT Charter.
- Receive and act upon direction from the Risk Committee relating to IT governance.

- Ensure that an IT internal control framework is implemented.
- Ensure that IT principles, policies, procedures and standards are defined and implemented.
- Approval of IT principles, policies, procedures and standards.
- Ensure the promotion of an ethical IT governance culture and awareness of a common IT language.
- Ensure that the company has adequate business resilience arrangements in place for IT disaster recovery.
- Ensure that appropriate processes are followed for the identification, assessment and management of IT risks as part of the enterprise wide risk management framework.
- Ensure compliance with relevant IT laws and related rules, codes and standards.
- Ensure that a process is established for legal review of IT contracts.
- Ensure that IT financial governance (e.g. sign-off levels, budget principles such as depreciation rules) is adhered to within IT.
- Ensure the corporate sustainability strategy is supported by IT strategies.
- Obtain assurance on the IT governance and controls supporting significant outsourced IT services.
- Receive and act upon independent IT audit reports.
- Provide risk reporting to the Group Risk Forum meetings.
- Provide a Council report on IT to the Risk Committee to assure the Council that their responsibilities relating to King III have been implemented in terms of the following:
 - Value derived from IT, measured against IT performance criteria;
 - IT risks;
 - IT security and continuity, including data privacy;
 - IT projects;
 - IT cost and major investments;
 - IT strategy and progress on IT strategy plan; and
 - IT governance and control.

- Ensure that a process is in place to identify and position strategic IT initiatives and services which will best contribute to the achievement of the business objectives and are agile and adaptive enough to support changes in the business strategy.
- Resolve conflicting business priorities.
- Ensure that an IT strategy is prepared.
- Ensure that business units understand the importance of common IT standards and implications of non-compliance.
- Ensure implementation of the IT strategy and monitoring of outcomes.
- Monitoring IT performance and dealing with performance issues.
- Overseeing the IT implementation of the IT Governance framework, knowledge and information management and strategic sourcing.
- In addition to the above, review and approve major decisions relating to *General IT Management*. These include IT human resources, IT financial management and marketing of IT services to the business (business relationship management).
- Submit the minutes of meetings, or summaries thereof, to the Corporate Risk Committee immediately following the meeting.
- Prioritise and approve IT investment requests (IT projects) within the delegated approval framework, ensuring the right balance between initiatives that run the current business, grow the existing business, and have the potential to transform the business. The committee will be aided in this regard by the IT Projects Committee.

Membership:

- Municipal Manager;
- Chief Financial Officer;
- Manager ICT;
- Information Security Officer;
- Directors (invitation basis)
- Business Unit managers (invitation basis)
- Divisional Managers (invitation basis)

Meetings:

- The Committee will meet at least four times a year, with more frequent meetings, as circumstances require.
- The quorum for decisions is at least 50% of the permanent members.

5. Council and EXCO Responsibilities

The Council/EXCO retains the following responsibilities for IT governance.

5.1. Ulundi Municipality Executive Committee

The Committee will carry out the following responsibilities:

- Direct and control IT through the establishment of an IT governance framework, embedded in this IT Charter.
- Receive and act upon the Council report on IT developed by the IT Steering Committee to assure the Council that their responsibilities relating to King III have sufficiently been implemented.
- Submit the Council report on IT, or summaries thereof, to the Council.
- Obtain appropriate assurance that controls are in place and effective in addressing IT risk.
- Ensure that IT risks are identified, assessed and mitigated through an IT control framework.
- Consider IT as it relates to financial reporting and the going concern of the company.
- Consider the use of technology to improve audit coverage and efficiency.

5.2. Ulundi Municipality Council

Council will retain accountability for IT governance. The Council will carry out the following responsibilities:

- Understand the strategic importance of IT, assume responsibility for the governance of IT and place it on the Council agenda.
- Receive and act upon Council level IT reporting received from the Executive Committee
- Satisfy itself that its responsibilities relating to King III have sufficiently been implemented.

6. IT Standards

6.1. CobiT

Principle 5.1.3 of the King III Report on Governance recommends that an IT internal control framework be adopted and implemented.

CobiT is an internationally recognised IT control framework which is published by the Information Systems Audit and Control Association (ISACA). ISACA asserts that it is a non-profit professional association with more than 47,000 members in more than 140 countries.

The Council endorses CobiT as its principle IT internal control framework. Its endorsement of CobiT will be evidenced by performing maturity assessments of CobiT processes that are most relevant to the business and maturing the processes over time.

6.2. ISO 27000

Principle 5.6.3 of the King III Report on Governance recommends that an Information Security Management System (ISMS) be developed and implemented. The ISO 27000 series is currently the most recognised Information Security standard. The series include an ISMS specification (ISO 27001) as well as relevant security best practices (ISO 27002).

The Council endorses ISO 27000 as the ISMS standard to achieve King III Report on Governance compliance. Its endorsement of ISO 27000 will be evidenced by selecting relevant practices from the ISO 27000 series through a risk-based approach, and embedding them into its IT policy framework for approval and implementation over time.

7. Approvals

The table below provides necessary approvals of this strategy.

Approver	Signature	Date
Chairman of the Council		
Chairman of the Audit and Risk Committee		
Ulundi Municipal Manager		

“The City of Heritage”



INFORMATION TECHNOLOGY

ICT System Access Policy

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1. Purpose

The purpose of this policy is to maintain an adequate level of security to protect Ulundi Municipality data and information systems from unauthorised access. This policy defines the rules necessary to achieve this protection and to ensure a secure and reliable operation of Ulundi Municipality information systems.

2. Scope

This policy applies to all computer and communication systems owned or operated by Ulundi Municipality and its subsidiaries. Similarly, this policy applies to all platforms (operating systems) and all application systems.

3. Authority & Responsibility

This policy affects all employees of Ulundi Municipality and its subsidiaries, and all contractors, consultants, temporary employees and business partners. Employees who deliberately violate this policy will be subject disciplinary action up to and including termination.

4. Definitions and Acronyms

IEEE – The Institute of Electrical and Electronics Engineers is a non-profit professional association headquartered in New York City that is dedicated to advancing technological innovation and excellence. It is one of the leading standards-making organisations in the world. IEEE performs its standards making and maintaining functions through the IEEE Standards Association (IEEE-SA). IEEE standards affect a wide range of industries. One of the more notable IEEE standards is the IEEE 802 LAN/MAN group of standards which includes the IEEE 802.3 Ethernet standard and the IEEE 802.11 Wireless Networking standard.

Firewall – A firewall is a device or set of devices designed to permit or deny network transmissions based upon a set of rules and is frequently used to protect networks from unauthorised access while permitting legitimate communications to pass.

Remote Access is access to the Local Area Network (LAN) from any location outside the firewall by any method, including but not limited to Virtual Private Network (VPN), dial-in modem, frame-relay, SSH, cable-modem and any other method of accessing the LAN from outside the firewall. Remote access can refer to remote desktop, remote terminal (like Telnet) or any type of remote application / device (including remote browser).

Operating System – An operating system (OS) is a set of programs that manage computer hardware resources and provide common services for application software. The operating system is a vital component of the system software in a computer system.

LAN – A local area network (LAN) is a computer network that interconnects computers in a limited area such as a home, school, computer laboratory, or office building.

VPN – A virtual private network (VPN) is a secure network that uses primarily public telecommunication infrastructures, such as the Internet, to provide remote offices or traveling user's access to a central organisational network. VPNs typically require remote users of the network to be authenticated, and often secure data with firewall and encryption technologies to prevent disclosure of private information to unauthorised parties.

PDA – A personal digital assistant, also known as a personal data assistant, is a mobile device that functions as a personal information manager. Current PDAs often have the ability to connect to the Internet. A PDA has an electronic visual display, enabling it to include a web browser, but some newer models also have audio capabilities, enabling them to be used as mobile phones or portable media players. Many PDAs can access the Internet, Intranets or Extranets via Wi-Fi or Wireless Wide Area Networks. Many PDAs employ touch-screen.

Wi-Fi is a popular technology that allows an electronic device to exchange data wirelessly (using radio waves) over a computer network, including high-speed Internet connections. The Wi-Fi Alliance defines Wi-Fi as any "wireless local area network (WLAN) products that are based on the Institute of Electrical and Electronics Engineers' (IEEE) 802.11 standards". However, since most modern WLANs are based on these standards, the term "Wi-Fi" is used in general English as "WLAN".

SSH – Secure Shell is a network protocol for secure data communication, remote shell services or command execution and other secure network services between two networked computers that it connects via a secure channel over an insecure network: a server and a client (running SSH server and SSH client programs). The protocol specification distinguishes two major versions referred to as SSH-1 and SSH-2.

SCP – Secure Copy is a means of securely transferring files between computers. It is based on the Secure Shell (SSH) protocol. The term SCP can refer to the SCP protocol or the SCP program.

SFTP – The SFTP command is a command-line interface client program implementing the client-side of the SSH File Transfer Protocol as implemented by the SFTP-server command by the OpenSSH project, which runs inside the encrypted SSH connection. It provides an interactive interface similar to traditional FTP clients.

Telnet – a network protocol used on the Internet or local area networks to provide a bidirectional interactive text-oriented communications facility using a virtual terminal connection.

5. Policy

5.1. Authorised Users

Only authorised users are granted access to information systems, and users are limited to specific defined, documented and approved applications and levels of access rights. Computer and communication system access control is to be achieved via user IDs that are unique to each individual user to provide individual accountability.

5.2. Authentication

Any User (remote or internal), accessing Ulundi Municipality networks and systems, must be authenticated. The level of authentication must be appropriate to the data classification and transport medium. Entity authentication includes but is not limited to:

- Automatic logoff
- A unique user identifier
- And at least one of the following:
 - Biometric identification
 - Password
 - Personal identification number
 - A telephone call-back procedure
 - Token

5.3. Workstation Access Control

- All workstations used for Ulundi Municipality business activity, no matter where they are located, must use an access control system approved by Ulundi Municipality. In most cases this will involve password-enabled screen-savers with a time-out-after-no-activity feature, and a logon password for the CPU and BIOS.
- Active workstations are not to be left unattended for prolonged periods of time, where appropriate. When a user leaves a workstation, that user is expected to properly log out of all applications and networks.
- Users will be held responsible for all actions taken under their sign-on. Where appropriate, inactive workstations will be reset after a period of inactivity (typically 20 minutes). Users will then be required to re-log on to continue usage. This minimises the opportunity for

unauthorised users to assume the privileges of the intended user during the authorised user's absence

5.4. Disclosure Notice

- A notice warning that those should only access the system with proper authority will be displayed initially before signing on to the system.
- The warning message will make clear that the system is a private network or application and those unauthorised users should disconnect or log off immediately.

5.5. System Access Controls

Access controls will be applied to all computer-resident information based on its' Data Classification to ensure that it is not improperly disclosed, modified, deleted, or rendered unavailable.

5.6. Access Approval

- System access or modification to access will not be granted to any user without appropriate approval first.
- Management is to immediately notify the ICT Security Officer and report all significant changes in end-user duties or employment status.
- User access is to be immediately revoked or disabled if the individual has been terminated. In addition, user privileges are to be appropriately changed if the user is transferred to a different job.

5.7. Limiting User Access

Ulundi Municipality approved access controls, such as user logon scripts, menus, session managers and other access controls will be used to limit user access to only those network applications and functions for which they have been authorised.

5.8. Privileged / Super User Access

- For security reasons Ulundi Municipality should try to minimise the number of super users in the organisation.
- A super user is an administrator across all the configured environments; it's not just individual environments. Hence, care should be taken when assigning someone as a super user, and this process must follow a thorough approval process in order to obtain the correct authorisation based on the user's job roles and responsibilities. Thereafter, super user access can only be granted accordingly.

- When any system gets installed, it installs a default profile, which will be used for any unknown user who accesses the system. The default profile is very restricted, and allows access to only certain parts of the system. A super user can modify the default profile at any time, but it should be executed with caution for obvious security reasons.

5.9. Do's and Don'ts of Privileged / Super User Access

- Don't change the root password on your machine.
 - Don't change the password of any users, especially root. The only password you are responsible for, and the only password you are allowed to change is your own. Changing the root or any other password will result in loss of privileged access and possible termination of your account.
- Don't add user accounts to the system.
 - Access to computer systems at Ulundi Municipality must be controlled and monitored exclusively by the IT Department.
- Don't grant super user access to any user.
 - Being granted privileged access to a machine does not entitle you to grant the same access to others. Anyone who needs such access must request it from the IT Manager. Granting privileged access to others will result in loss of privileged access and possible termination of your account.
- Choose an extraordinary password for your personal account.
 - This is especially important because your password can be used to exercise certain root privileges. For similar reasons, we expect anyone who accepts these privileges to take extraordinary care in protecting their password. Never send your password in the clear over the network (and change your password immediately should you do this), never email your password, and never share your password with anybody.
- Don't run network daemons, i.e. no ircd, no ftpd, etc.
 - If you think you need to run a network service, please talk with a system administrator first.
- Don't use another user's account.
 - It is a violation of Ulundi Municipality policy to use the account of another user. Doing so will result in the loss of your privileged access and possible termination of your account.
- If you make changes to your system, write down what you did.
 - It is the policy of Ulundi Municipality that all machines should be able to be rebuilt at any point in time, and so the IT Department should be made aware of any specific customisations made on your machine in order to ensure your change needs survive Operating System reinstalls.

- If you want to make a change to your system configuration, please talk to the systems administrators first, who may have already provided a solution to the problem you are trying to solve. Also, what you want may be something we should be doing organisation-wide.
- Extraordinary user customisation is not a valid excuse to defer or forgo an Operating System upgrade when it becomes available.
- If a system is compromised by your action, you will be held accountable for the results.
- When in doubt, ask the IT Manager.
- If you're not absolutely sure of what you're doing, consult the administrators first, as doing so is encouraged and saves time.

5.10. Need-to-Know

Users will be granted access to information on a “need-to-know” basis. That is, users will only receive access to the minimum applications and privileges required performing their jobs.

5.11. Compliance

- Users who access Ulundi Municipality’s information systems must sign a compliance statement prior to issuance of a user ID. Refer to the Ulundi Municipality ICT Security Policy and Procedures for further details.
- A signature on this compliance statement indicates the user understands and agrees to abide by Ulundi Municipality policies and procedures related to computers and information systems.
- Annual confirmations will be required of all system users.

5.12. Audit Trails and Logging

Logging and auditing trails are based on the Data Classification of the systems.

5.13. Confidential Systems

Access to confidential systems will be logged and audited in a manner that allows the following information to be deduced:

- Access time
- User account
- Method of access
- All privileged commands must be traceable to specific user accounts

- In addition, logs of all inbound access into Ulundi Municipality's internal network by systems outside of its defined network perimeter must be maintained.
- Audit trails for confidential systems should be backed up and stored in accordance with Ulundi Municipality back-up and disaster recovery plans.
- All system and application logs must be maintained in a form that cannot readily be viewed by unauthorised persons.
- All logs must be audited on a periodic basis, and audit results must be included in periodic management reports.

5.14. Access for Non-employees

- Individuals who are not employees, contractors, consultants, or business partners must not be granted a User ID or otherwise be given privileges to use Ulundi Municipality computers or information systems unless the written approval of the Department Head has first been obtained and then sent to the ICT Security Officer accordingly.
- Before any third party or business partner is given access to Ulundi Municipality computers or information systems, a chain of trust agreement defining the terms and conditions of such access must have been signed by a responsible manager at the third party organisation.

5.15. Unauthorized Access

- Employees are prohibited from gaining unauthorised access to any other information systems or in any way damaging, altering, or disrupting the operations of these systems.
- System privileges allowing the modification of 'production data' must be restricted to 'production' applications only.

5.16. Remote Access

- Any employee using any computing device remotely must ensure that such a device is updated with the most recent security patches for their Operating System. Please refer to the Ulundi Municipality ICT Security Policy for details regarding patch management.
- All machines on the Ulundi Municipality LAN as well as any remote computing device must run the most up-to-date versions of anti-virus software with regularly updated virus definitions, i.e. at a minimum, once a week. However, whenever deemed necessary by the ICT Department, these updates may be required to run more frequently due to business requirements. Please refer to the Ulundi Municipality ICT Security Policy for details regarding anti-viruses.

- All remote computing devices must be running an appropriately configured firewall program. Users at a public Wi-Fi “Hotspot” must be aware that, if such remote computing devices are not running an appropriately configured firewall, a malicious user could gain access to the device. Please refer to the Ulundi Municipality ICT Security Policy for details regarding firewall configurations and settings.
- Any authorised user using a remote computing device outside the firewall must use the VPN to send and receive Ulundi Municipality email or to access the Internet and Intranet accordingly. No Ulundi Municipality email may be sent using third-party email services (including, but not limited to, Gmail, Hotmail, Webmail, etc.). Please refer to the Ulundi Municipality ICT Security Policy for details regarding remote access and VPN.
- Any authorised user accessing any computer or device on the LAN for remote management or administration must use SSH or VPN. For remote file transfer, employees must use SCP, SFTP or VPN. Under no circumstances shall Telnet, FTP or any other unencrypted access methods be used.
- All employees using any computing device to remotely access and connect to Ulundi Municipality’s LAN shall not do so while still connected to any other network, except for a personal network over which such employee has complete control over.
- All employees requiring remote access to Ulundi Municipality’s LAN needs to complete and submit a Change Request Form to the ICT Security Officer for relevant approval first. Please refer to the Ulundi Municipality ICT Security Procedure for details regarding the provision of remote access to the Ulundi Municipality network.

5.17. Network Access Points

- Administrative Access
 - ICT Security must decide over which interfaces and ports an administration connection is allowed and from which network or host the administration is to be performed, and then restrict access to those specific locations accordingly.
 - Do not leave an Internet-facing administration interface available without encryption and countermeasures to prevent hijacking. In addition:
 - Disable unused interfaces.
 - Apply strong password policies.
 - Use static routing.
 - Audit Web-facing administration interfaces.
- Disable Unused Interfaces

- Only required interfaces and ports should be enabled on the router. An unused interface is not monitored or controlled, and it is probably not updated, hence this might expose Ulundi Municipality to unknown attacks on those interfaces.
- Open ports are high-risk areas. A firewall allows administrators to disable unnecessary TCP and UDP ports. The known ports are the critical ones required for Operating System function. The registered ports are those able to be used by only that service or application.
- By obtaining a list of ports and their associated services and applications, administrators/service provider must determine which ones are required for critical functions to Ulundi Municipality. For instance, to prevent any traffic, the known ports associated with these applications can be blocked. Similarly, known software and malware have known associated ports, all that can and should be blocked by Ulundi Municipality to create a more secure server posture. Hence, best practice is to close all ports not in use.
- Apply Strong Password Policies
 - Brute force password software can launch more than just dictionary attacks. It can discover common passwords where a letter is replaced by a number. Always use uppercase and lowercase, number, and symbol combinations when creating passwords.
 - Refer to the ICT Security Policy for further information on the appropriate password policies that should be applied to all network and computing devices at Ulundi Municipality.
- Use Static Routing
 - Static routing prevents specially formed packets from changing routing tables on the router. An attacker might try to change routes to cause denial of service attacks, or to forward requests to a rogue server. By using static routes, an administrative interface must first be compromised to make routing changes.
- Services
 - On a deployed router, every open port is associated with a listening service. To reduce the attack surface area, default services that are not required should be shut down. ICT should also scan Ulundi Municipality routers to detect which ports are open accordingly.
- Auditing and Logging

- By default, a router logs all deny actions; this default behaviour must not be changed.
- Log files should be stored in a central location. Modern routers have an array of logging features that include the ability to set severities based on the data logged.
- An auditing schedule should be established to routinely inspect logs for signs of intrusion and probing.
- Intrusion Detection
 - With restrictions in place at the router to prevent TCP/IP attacks, the router should be able to identify when an attack is taking place and notify a system administrator of the attack.
 - Attackers learn what your security priorities are and attempt to work around them. Intrusion Detection Systems (IDSs) can show where the perpetrator is attempting attacks, and should be implemented by Ulundi Municipality accordingly.

5.18. Enforcement

- Non-compliance, violation and disregard of this policy shall result in disciplinary action and sanctions against the employee concerned and such sanctions may lead to termination of the employee's employment contract, depending on the circumstance and the gravity of the transgression.
- In the event of Ulundi Municipality incurring financial loss as a result of non-compliance, violation and / or disregard of this policy, Ulundi Municipality shall be entitled to institute legal proceedings to recoup the loss it has incurred from the employee / user, and this shall be in addition to the disciplinary action that Ulundi Municipality would have taken against the employee.

6. Cross-Reference to other Policies/Procedures

- ICT System Access Procedure; and
- Activity Monitoring Policy

7. Approvals

The table below provides necessary approvals of this policy.

Approver	Signature	Date
Chairman of the Council		
Chairman of the Audit and Risk Committee		
Ulundi Municipal Manager		

“The City of Heritage”



INFORMATION TECHNOLOGY Physical and Environmental Security Policy

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1. Introduction

The term physical and environmental security refers to measures taken to protect systems, buildings, and related supporting infrastructure against threats associated with their physical environment. Physical and environmental safeguards are often overlooked but are very important in protecting information. Buildings and rooms that house information and information technology systems must be afforded appropriate protection to avoid damage or unauthorised access to information and systems. In addition, the equipment housing this information (e.g. filing cabinets, data wiring, laptop computers, portable disk drives, etc.) must be physically protected. Equipment theft is of primary concern, but other issues should be considered, such as damage or loss caused by fire, flood, and sensitivity to temperature extremes.

2. Objectives

The goal of the Physical and Environmental Security Policy is to ensure the prevention of unauthorized physical access, loss, damage or interference to Ulundi Municipality's premises and infrastructure, or interruptions to its critical operations, using physical and environmental controls appropriate to the identified risks and the value of the assets protected. As such, the main objectives of this policy are to:

- i) To prevent unauthorised access, damage and interference to business premises and information.
- ii) To prevent loss, damage, or compromising of assets and interruption to business activities.
- iii) To prevent compromising or theft of information and information processing facilities.

3. Scope

This policy applies to aall individuals within the Ulundi Municipality that are responsible for the installation and support of information resources, individuals charged with information resources security, and data owners.

3.1. Policy and Procedures

3.1.1. Physical Security Controls

- Security policy applies to full and part time employees, contractors, vendors, consultants and externally employed people who require Server Room access

- It is essential that critical information is housed in secure areas, protected by a clearly defined security perimeter, with appropriate security barriers and entry controls. They should be physically protected from unauthorised access, damage and interference, commensurate with the identified risks.
- The following guidelines and controls will be considered and implemented where appropriate:
 - Security perimeters are to be clearly defined.
 - A manned reception area or other means to control physical access to the site or building should be in place.
- The server room shall be kept locked by the IT Manager and the Systems Administrator, and the keys shall be kept as follows:
 - One set in the strong room in the Off-site storage location, Civic Centre;
 - One set with the IT Manager;
 - One set with the Financial Manager and Chief Financial Officer
- Access to sites and buildings should be restricted to authorised personnel only.
- Visitor's time of entry and exit to secure areas recorded.
- Access rights to secure sites will be reviewed and updated regularly.

3.1.2. Securing Offices, Rooms and Facilities

- a. A secure area may be a locked office or several rooms inside a physical security perimeter, which may be locked and may contain lockable cabinets or safes. The selection and design of secure areas must take into account the possibility of damage from fire, flood, explosion, civil unrest, and other forms of natural or man-made disaster. Consideration must also be given to any security threats posed by neighbouring premises, i.e. leakage of water from other areas.
- b. Fallback equipment and backup media must be sited at a safe distance to avoid damage from a disaster at the main site.

3.1.3. Equipment Siting and Protection

- a. Equipment must be sited or protected to reduce risks from environmental threats and hazards, as well as opportunities for unauthorised access.

- b. Protection of equipment (including that used off-site such as notebook computers for example) is necessary to reduce the risk of unauthorised access to data and to protect against loss or damage.
- c. As such, the following controls must be considered:
- Equipment must be sited to minimise unnecessary access into work areas.
 - Controls must be adopted to minimise the risk of potential threats including:
 - Theft
 - Fire
 - Explosives
 - Smoke
 - Water (or supply failure)
 - Dust
 - Vibration
 - Electrical supply interference (or supply failure)
 - Smoking is generally covered by applicable legislation- where this may be interpreted as not being applicable; smoking in the proximity of information processing facilities is expressly prohibited.
 - Over and above provisions that may be contained in the conditions of service, the use of alcohol (or other forms of substance abuse in secure areas or in the proximity of information processing facilities is expressly prohibited.
 - Consumption of food or beverages in secure areas or in the proximity of information processing facilities should be discouraged where possible.
 - Other items prohibited from the Server Room:
 - Combustible materials such as paper and cardboard (except reference manuals as needed)
 - Explosives and weapons
 - Hazardous materials
 - Alcohol, illegal drugs and other intoxicants
 - Electro-magnetic devices that could cause interference with computer and telecom equipment
 - Radioactive materials
 - Photographic or recording equipment (other than backup media)

3.1.4. Power Supplies

- a. Key equipment must be protected from power failures and other anomalies. A suitable electrical supply conforming to the equipment manufacturer's specifications must be assured. To do so may require one or more of the following:
 - Multiple feeds to avoid a single point of failure in the power supply,
 - Uninterruptible Power Supply (UPS), and/or
 - Backup generation facilities.
- b. A UPS to support orderly shutdown or continuous running is necessary for equipment supporting business-critical operations. Contingency plans must cover the action to be taken in the event of failure of the UPS. UPS equipment must be regularly checked to ensure adequate capacity and tested in accordance with the manufacturer's recommendations.
- c. Emergency power switches must be located near emergency exits in equipment rooms to facilitate rapid power down in case of an emergency. Emergency lighting should be provided in case of main power failure. Lightning protection may be necessary in certain buildings and lightning protection filters should be fitted to all external communications lines.

3.1.5. Generator

A backup generator should be considered if processing must continue in case of prolonged power outage. If installed, procedures must be implemented to regularly test generators in accordance with the manufacturer's recommendations. An adequate supply of fuel should be available to ensure that the generator can function for prolonged periods. Due consideration must be taken when siting such facilities, particularly with regard to fuel supply and replenishment thereof, to minimise possible risks to information processing facilities.

3.1.6. Cabling Security

- a. Power and telecommunications cabling carrying data or supporting information services must be protected from interception or damage.
- b. As such, the following controls should be considered:
 - Power and telecommunications lines into the Server Room should be underground, where possible, or subject to adequate alternative protection.

- Network cabling should be protected from unauthorised interception, or damage, through (for example) the use of conduit or by avoiding routes through public areas.
- Power cables should be segregated from communications cables to prevent electromagnetic interference.
- Cables should be clearly marked and neatly arranged in cable racks.

3.1.7. Air Conditioning

- Air conditioning is provided throughout the room. The temperature in the Server Room should not go below 10°C (50°F) or above 28°C (82°F) in accordance with best practice. Use good quality racks to protect equipment, maximize efficient use of space, and support the efficient distribution of chilled air.
- Humidity in server rooms should be between 40% and 60% rH. Too dry will result in the build-up of static electricity on the systems. Too humid and corrosion will start slowly damaging your equipment resulting in permanent equipment failures.

3.1.8. Dust Prevention

- The Server Room should remain dust free at all times, therefore packing or unpacking of equipment should take place outside the room. Items can be unpacked in another room prior to introduction into the computer room with the help of staff.
- Cardboard and other items that can generate dust and are easily combustible should remain outside the Server Room. Waste bins are available throughout the Server Room for all other items of waste.
- The Server Room should be cleaned on a weekly basis every.

3.1.9. Fire Detection and Fire Extinguishers

- The Server Room should be fitted with a fire detection system linked to audible and visual alarms (colored red) placed throughout the Server Room. If an alarm is activated leave the room immediately at the designated exit points and exit the building. Users should then go the designated meeting point. For small incidents fire extinguishers are placed throughout the Server Room alongside instruction signs.
- FM200® gas can be used in fire extinguishers. It is a colorless gas which is liquefied under pressure for storage, it has a low toxicity level and is super-pressurised with Nitrogen to 24.8bar (360psi) which makes it safe for use in the fully automatic mode in occupied areas. It rapidly extinguishes most commonly found fires through a combination of chemical and physical mechanisms. FM200® is immediately available

to protect most hazards. It is effective in the protection of data processing, telecommunications and electronic equipment as well as most flammable liquids and gases.

3.1.10. Equipment Maintenance

- a. Equipment must at all times be correctly maintained to ensure continued availability and integrity, compliance with warranty provisions and protection of the municipality's investment.
- b. As such, the following controls must be considered:
 - Equipment must be maintained in accordance with the manufacturer's recommendations according to the manufacturer's recommended service intervals and specifications.
 - Only authorised maintenance personnel may carry out repairs and service equipment.
 - Records should be kept of all suspected or actual faults and all preventive and corrective maintenance.
 - Appropriate procedures and controls must be applied when equipment leaves municipal premises for maintenance (in particular, the confidentiality and security of data that may be stored in the equipment must be considered). Also, stringent recording procedures must be applied in order to track the whereabouts of the equipment.

3.1.11. Environment Monitoring

A number of monitoring equipment should be put in place to report on issues affecting the Server Room environment. These include:

- **Ambient room monitoring**
 - Ambient room monitoring is the environmental monitoring of the room for its humidity and temperature levels. Temperature and humidity sensors are typically deployed in: potential "hot zones" inside the server room and near air conditioning units to detect failure of such systems.
 - Smoke and Fire environmental monitoring in the server room is also essential.
- **Water & Flooding Monitoring**

- Water leakage is a less known threat for server rooms. The fact that most server rooms have raised floors makes the risk even bigger as water seeks the lowest point.
- o **Rack Level Monitoring**
 - American Society of Heating, Refrigerating and Air-Conditioning Engineers (ASHRAE) recommends no less than 6 temperature sensors per rack in order to safeguard the equipment (top, middle, bottom at front & back of rack).
- o **Network and Application Monitoring**
 - Whilst intrusion detection from network traffic from an outside source is very important, there is also a need for network monitoring. Network monitoring software can send alerts when the network goes down or becomes unavailable from hardware failure.

3.1.12. Secure Disposal or Re-Use of Equipment

- a. Information security can be compromised through careless disposal or re-use of equipment. Storage devices containing sensitive information should be physically destroyed or securely overwritten, rather than simply using the standard 'delete' function which effectively resets the file size to zero without destroying the data.
- b. In cases of extreme sensitivity, it may be necessary to overwrite the disk up to seven times to ensure that the data is irrecoverable.
- c. Final disposal of information processing equipment, in common with all municipal movable assets, is subject to the provisions of any other applicable policies and/or procedures.

3.1.13. General Controls

Information and information processing facilities must be protected from disclosure to or modification by unauthorised persons, or theft. Effective controls must be implemented to minimise the risk of loss or damage.

3.1.14. Clear Desk and Clear Screen Practices

- a. It is recommended that "clear desk" and "clear screen" practices become the norm at all municipal premises, so that removable media and information contained in paper reports are not visible or accessible to unauthorised persons. Information storage

media left on desks is also more likely to be damaged in the event of a disaster and to reduce the risk of unauthorised opportunist access to facilities.

- b. The following controls should be considered and implemented where appropriate:
- Paper documents and computer media should be stored in suitable locked cabinets and/or other forms of security furniture when not in use, especially outside of working hours.
 - Sensitive or critical business information should be locked away (ideally in a fire-resistant safe or cabinet) when not required, especially when the office is vacated.
 - Personal computers and computer terminals must not be left logged on when unattended and should be protected by key locks, screensavers with passwords or other controls when unattended.
 - Personal computers and computer terminals must not be left switched on overnight. The normal switch on and “boot up” process also carries out certain housekeeping functions that are necessary for optimum functioning.
 - Sensitive or classified information, when printed, should be cleared from printers immediately. Persons who regularly need to print such documents should consider a personal printer rather than using shared facilities, where appropriate.

3.1.15. Removal of Property

- a. Equipment, information or software must not be taken off-site without proper authorisation.
- b. Where necessary and appropriate, equipment should be logged out and logged back in when returned.

4. Enforcement

Non-compliance, violation and disregard of this policy by any Ulundi Municipality employees, consultants and temporary staff shall result in disciplinary action and sanctions against the individual concerned and such sanctions may lead to termination of the individual’s employment contract, depending on the circumstance and the gravity of the transgression. In the event of Ulundi Municipality incurring financial loss as a result of non-compliance, violation and/or disregard of this policy, Ulundi Municipality shall be entitled to institute legal proceedings to recoup the loss it has incurred from the individual and this shall be in addition to the disciplinary action that Ulundi Municipality would have taken against the individual.

5. Approvals

The table below provides necessary approvals of this policy.

Approver	Signature	Date
Chairman of the Council		
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“The City of Heritage”



INFORMATION TECHNOLOGY IT Project Management Methodology

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1. Introduction

From time to time, depending on the need, the Ulundi Municipality may initiate an Information Technology (IT) project to serve a specific purpose in the municipal business processes. A successful IT project always follow a certain methodology if it is to meet the business need. For this reason, Ulundi Municipality must adopt an IT project methodology to be used when embarking on a new IT project. The municipality will use the PProjects IN Controlled Environment (formally known as PRINCE2) IT methodology. And the extent to which the methodology is applied will depend on the nature of the project and factors affecting it.

2. Scope

The content of the document only highlights the key component of the chosen methods and how the method should be applied in the management of IT projects of the municipality. Further details of the method are obtainable from the literature and stakeholder will be workshopped about the methodology as and when the need arise.

3. PRINCE2 Overview

PRINCE2 is a matured and international recognised IT project methodology that has been used to manage thousands of IT project over the years since 1996. Every organisation that correctly apply the method is most likely to be successful in properly managing IT projects.

There are five major components of PRINCE2 method which make it to be a most preferred method in most organisations. These components are:

- Project Performance Aspects
- Principles of PRINCE2
- Structure of PRINCE2
- Themes and
- Processes.

3.1. Project Performance Aspects

There are six aspects of project performance that always need to be managed. The processes and themes of PRINCE2 keep these aspects of project management under control. Table 1 below details these aspects.

Table 1 Project Performance Aspects

ASPECT	DESCRIPTION
Costs	Estimating how much a project will cost is always a problem, followed by controlling efficiency and effectiveness to ensure that this cost is not exceeded.
Time	How long will the project take? How effective will resources be? Have you made allowances for meetings, training, holidays, learning cycles?
Quality	More important than getting cost and time right is getting the quality right. Do you know what quality the customer wants? Is that level of quality realistic in view of other constraints, such as time and cost? Have you allowed enough time and resources to achieve that quality?
Scope	How precisely are the requirements known? Have you got an agreed cut-off point for finalizing requirements? Have you got a change control procedure in place to avoid 'scope creep'? Does the customer understand that, after you have agreed a price and time frame, any changes to the specification must be paid for? If the customer's detailed knowledge of the requirements is going to evolve slowly, is the cost and time needed to provide the changing requirements also allowed to 'evolve'?
Risk	Have you reviewed the project for risks at the outset? Are you regularly reviewing risks? Do you have a risk management procedure in place? Do you know what level of risk the customer is willing to accept?
Benefits	Are there valid reasons for doing the project? Does the outcome fit with company strategy? Are the claimed benefits realistic? Do you have measurements of the situation now, before the outcome is delivered, in order to measure the achievement of benefits?

3.2. Principles of PRINCE2

PRINCE2 is founded on seven (7) principles, and these principles are unique to PRINCE2 method. The principles are characterised as:

- Universal: They apply to every project, any type and any size.
- Self-validating: They have been proven by use over many years.
- Empowering: They give the user of the method the ability to shape the management of the project.

The PRINCE2 principles a framework of good practice for people involved in a project and were developed from lessons taken from both successful and failed projects.

The seven principles are defined in table 2 below:

Table 2 Principles of PRINCE2

PRINCIPLE	DEFINITION
Continued business justification	<p>PRINCE2 emphasizes that a project should be driven by a viable Business Case</p> <ul style="list-style-type: none"> ○ Project shouldn't start unless there is a sound Business Case. ○ Ensure that potential benefits are realistic and measurements of the current situation have been documented. ○ The viability of the project must be checked at regular intervals. ○ Project must stop if justification has disappeared. <p>Most importantly, the Business Case</p> <ul style="list-style-type: none"> ○ Should be documented and approved. ○ Drives the decision making process. ○ Ensure that project remains aligned to the business objectives and benefits being sought.
Learn from experience	<p>Lessons should be sought at the beginning of a project, learned as the project progresses and passed on to other projects at the close. A Lessons Report should be issued at the end of a stage, without waiting until the end of the project, if a useful lesson is learned that could help other projects.</p>
Defined roles and responsibilities	<p>Projects require a temporary organization for a finite timescale for a specific business purpose. An explicit project management team structure is required. Good communication depends on people knowing not only what their own responsibilities are but also the responsibilities of others.</p> <p>The roles and responsibilities are divided into three groups, the interests of which must be represented in any project.</p> <p>These are:</p> <ul style="list-style-type: none"> ○ Business;

- User;
- Supplier.

Manged by stages

This comes from two different thoughts:

- If the Project Board is, in PRINCE2 terms, ultimately accountable for the project, and as PRINCE2 doesn't like the idea of regular progress meetings, there must be some key points in a project when the Project Board needs to review progress and decide if it wants to continue with the project – i.e. that the project is still viable;
- Very often a project will last longer and contain more detail than can be planned for with any accuracy at the outset.

The number of stages depends on the size, complexity and risk content of the project. At the end of each stage, a plan is presented, together with an updated view of the Business Case, the Project Plan, the risks and suggested tolerances for the next stage. Thus senior management can review progress so far and decide from the information presented to them whether or not to authorize the next stage.

Manage by exception

PRINCE2 recognizes four levels of authority in a project. Authority is delegated from one management level to the next. Each management level is allocated tolerances within which they can continue without the need to refer to the next higher level of management. This is what is meant by management by exception.

There are six tolerance limits:

- Time: an amount of time on the target completion dates.
- Cost: amounts of planned budget.
- Quality: degrees off a quality target
- Scope: permissible variation of the plan's products; for example, mandatory requirements and desirable requirements.

	<ul style="list-style-type: none"> ○ Risk: limits on the plan's exposure to threats; for example, the risk of not meeting the target date against the risk of overspending. ○ Benefit: degrees off an improvement goal.
Focus on products	A PRINCE2 project focuses on the definition and delivery of products, and in particular their quality requirements. Planning, controls and quality needs are all product based.
Tailor to suite project	<p>PRINCE2 is tailored to suit the project's environment, size, risk, complexity, importance and the capability of the people involved.</p> <p>Tailoring is considered before the project begins: roles may be split or combined; processes and documents may be combined; it may be agreed that some reports can be oral; and some decisions made by phone or email, rather than at meetings.</p>

3.3. Structure of the PRINCE2 Method

There are three parts to the structure of the method itself:

- Themes;
- Processes;
- Techniques.

The method has a number of *themes* to explain its philosophy about various project aspects, why they are needed and how they can be used. This philosophy is implemented through the processes.

The method offers a set of *processes* that provide a controlled start, controlled progress and a controlled close to any project. The processes explain what should happen and when it should be done.

The method offers only a few techniques and the use of most of them is optional. You may already have a technique that is satisfactorily covering a need. The exception to this is the Product-based Planning technique. This technique is a very important part of PRINCE2. Its understanding and use bring major benefits and every effort should be made to use it.

3.4. Themes

The themes of PRINCE2 are depicted in Table 3 below:

THEME	DESCRIPTION
Business Case	PRINCE2 emphasizes that a viable Business Case should drive a project. Its existence should be proved before the project is given the go-ahead and it should be confirmed at all major decision points during the project. Claimed benefits should be defined in measurable terms, so that they can be checked after delivery of the product.
Organization	The project management team structure, with definitions of the roles, responsibilities and relationships of all staff involved in the project. PRINCE2 describes the roles, which can be combined or shared depending on the size and complexity of the project.
Plans	PRINCE2 offers a series of plan levels that can be tailored to the size and needs of a project, and an approach to planning based on products rather than activities.

<p>Progress</p>	<p>A set of controls that facilitate the provision of key decision-making information, allowing the organization to pre-empt problems and make decisions for problem resolution. For senior management, PRINCE2 controls are based on the concept of management by exception; i.e. if a plan is agreed, let the manager get on with it unless something is forecast to go wrong.</p> <p>A project is split into stages as an approach to defining the review and commitment points of a project to promote sound management control of risk and investment.</p>
<p>Risk</p>	<p>Risk is a major factor to be considered during the life of a project. PRINCE2 defines the key moments when risks should be identified and reviewed, outlines an approach for the analysis and management of risk, and tracks these risks through all the processes.</p>
<p>Quality</p>	<p>PRINCE2 recognizes the importance of quality and incorporates a quality-based approach to all the management and technical processes. It begins by establishing the customer's quality expectations and follows these up by laying down standards and quality inspection methods to be used, and checking that these are being used.</p>
<p>Change</p>	<p>This contains two complementary activities: managing changes and managing the products.</p> <p>PRINCE2 emphasizes the need for change control and this is enforced with a change control technique plus identification of the themes that apply the change control. Tracking the components of a final product and their versions for release is called configuration management. There are many methods of configuration management available, and PRINCE2 does not attempt to invent a new one – it defines the essential facilities and information requirements for a configuration management method and how it should link with other PRINCE2 themes and techniques.</p>

3.5. Processes

The steps of project management are described in seven processes: Directing a Project, Starting a Project, Initiating a Project, Controlling a Project, Managing Product Delivery, Managing Stage Boundaries and Closing a Project. Figure 1 below depicts these processes.

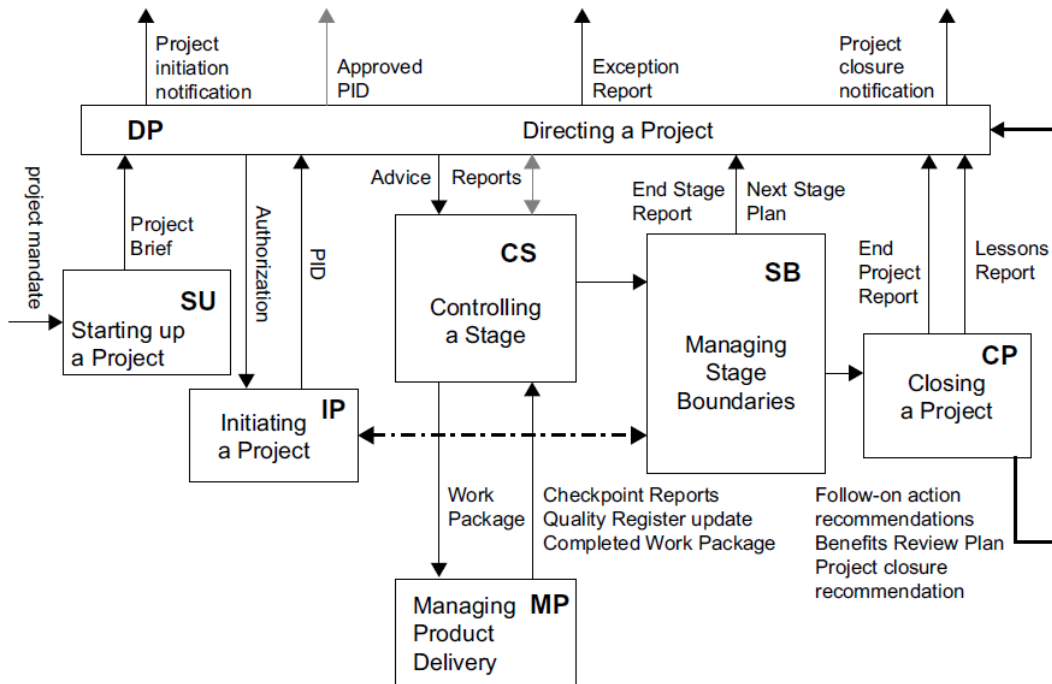


Figure 1 PRINCE2 Processes

Any project using the PRINCE2 method will need to address each of these processes in some form. However, the key to successful use of the process model is to tailor it to the needs of the individual project. Each process should be approached with the question “How extensively should this process be applied on this project?”

4. Alignment of the PRINCE2 Methodology to Municipal Structure

Base on the overview given in section 3 above, the management Ulundi Municipality should organise project management team for each project by following the organisational structure recommended by PRINCE2 method.

Establishing an effective organizational structure for the project is crucial to its success. Every project needs direction, management, control and communication. Before the municipality starts any project, management should establish what the project organization is to be. *Questions must be asked even if it is a very small project.* Answers to these questions will separate the real decision makers from those who have opinions, will identify

responsibilities and accountability and will establish a structure for communication. Accountable stakeholders should ask questions such as:

- What is the Project Manager's authority and who sets those limits?
- Who is providing the funds?
- Who has the authority to say what is needed?
- Who is providing the development resources?
- Who will manage the project on a day-to-day basis?
- How many different sets of specialist skills are needed?
- Who will establish and maintain the required standards?
- Who will safeguard the developed products?
- Who will know where all the documents are?
- What are the limits to each individual's authority?

Answering these questions will help the municipality to accomplish the goal for each IT project done by the organisation.

In order to ensure success of the project, a proper management of the project must be setup. The management structure of the project should have four layers as described in PRINCE2 methodology. Figure 2 below shows the four layers of management in respect to the municipal structure.

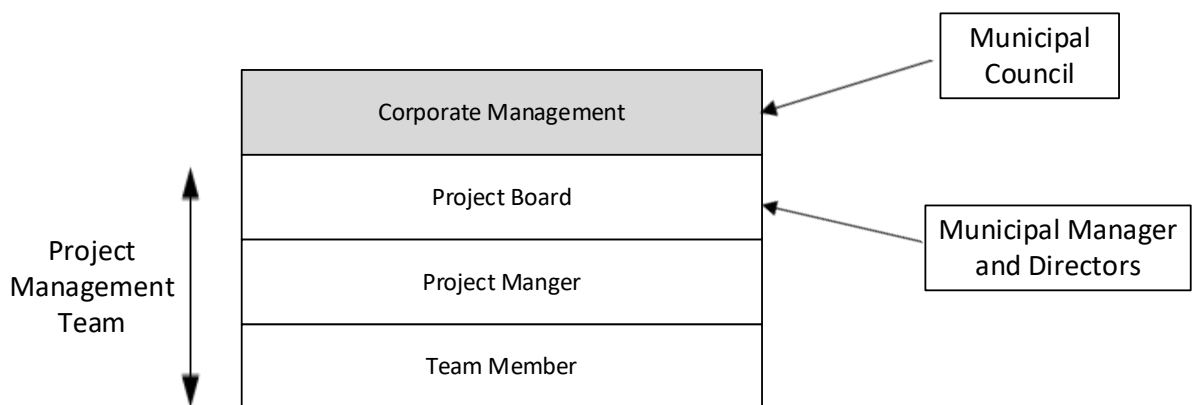


Figure 2 Four Layers of Management

5. Conclusion

The application of PRINCE2 methodology to the IT projects of the Ulundi Municipality will ensure success of projects when correctly use. This method has proven to be efficient over the years of its application to projects of different sizes in multiple sectors around the world. The municipality will surely benefit when using the method.

6. Approvals

The table below provides necessary approvals of this strategy.

Approver	Signature	Date
Chairman of the Council		
Chairman of the Audit and Risk Committee		
Ulundi Municipal Manager		

“The City of Heritage”



INFORMATION TECHNOLOGY IT Security Policy

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1. Introduction

Computers enable employees of Ulundi Municipality to conduct the organisation's day-to-day business activities more effectively and efficiently. In addition, computers also allow employees greater access to organisational resources and information. In order to promote a working environment that is conducive to teamwork and productivity, it is essential that all users understand their roles and responsibilities with regards to Information Technology (IT) security and adhere to the security requirements of Ulundi Municipality. IT security is therefore characterised as the preservation of:

- a) **Confidentiality** – Ensuring that information is only accessible to those individuals who are duly authorised to have access to it.
- b) **Integrity** – Safeguarding the accuracy and completeness of information and processing methods.
- c) **Availability** – Ensuring that authorised users have access to information and associated assets as and when required.

As such, municipalities have different uses for their respective IT systems. The installation of Ulundi Municipality's IT network represents a significant IT investment and so IT equipment must be utilized in the best interest of, and be of benefit to, Ulundi Municipality.

2. Objectives

The objectives of the IT Security Policy are to:

- a) Clarify to all users their responsibilities regarding the security of Ulundi Municipality's information and computing resources.
- b) Define the potential risks and dangers for Ulundi Municipality in the event of misappropriation and abuse of computing equipment by users.
- c) Maintain an appropriate level of physical and logical security to safeguard IT systems and resources against unauthorised use, modification, disclosure or loss to preserve the integrity of the Ulundi Municipality IT environment.
- d) Regulate the professional and effective use of computing equipment within Ulundi Municipality, as well as between Ulundi Municipality and its external entities.
- e) Establish a standard for creation of User ID's and strong passwords, the protection of those passwords, and the frequency of change thereof.
- f) Identify the persons responsible for maintaining the security requirements.

- g) Establish management direction, basis of procedures and requirements to ensure the appropriate protection of Ulundi Municipality's information and equipment resources by any means.
- h) Ensure that this investment in information and equipment resources is properly managed.
- i) Ensure that the system is optimally utilized in its full capacity to the best advantage of Ulundi Municipality.

3. Appointment of IT Committee

Ulundi Municipality shall appoint an IT Committee that must meet at least quarterly to discuss IT-related improvements or changes in the IT environment and infrastructure.

4. Responsibility for IT Security

The nominated and appointed Information Security Officer (ISO) will be responsible for implementing and maintaining Ulundi Municipality's IT security throughout the organization. Furthermore, the IT Security Policy must be reviewed at least once a year, or as deemed appropriate based on changes in technology or regulatory requirements.

5. Scope

This policy applies to all employees, consultants and temporary staff who access Ulundi Municipality's computer networks with an organization-owned or personal workstation and are responsible for an account (or any form of access that supports or requires a User ID and a password) on any system that resides at any Ulundi Municipality facility, has access to the network, or stores any non-public organisational information. All employees need to be aware of security risks and vulnerabilities in order to create organisation-wide security consciousness. Therefore, security awareness and training programmes shall be initiated and each employee shall be required to receive the necessary Information Security awareness and training provided by Ulundi Municipality.

6. Administrative Controls

6.1. General Controls

The IT Manager (or his nominee) will, on recommendation of the IT Committee, issue guidelines on the use and application of Ulundi Municipality's network and shall monitor compliance with these guidelines, which must be strictly adhered to by all users of any IT

systems. The required administrative controls applicable to the system will be included in these guidelines and will comprise the following:

- a) Physical controls over computer hardware, backups and software;
- b) Access controls;
- c) Data security controls; and
- d) Internet and email usage controls.

6.2. Programming and Documentation Standards

Only the IT Manager, on recommendation of the IT Committee, may liaise with IT software suppliers to provide programmers for Ulundi Municipality's use and to have such programmers developed further or amended. The IT Manager shall keep a register of all such requests for amendment and/or enhancement of Ulundi Municipality's software and hardware, and shall inform the relevant users of any changes.

6.3. Insurance

The Finance Department shall ensure that appropriate and adequate insurance cover is obtained in respect of all components of Ulundi Municipality's IT operations.

6.4. Reporting

The IT Manager shall report to the IT Committee on the general use and application of the IT network, indicating in such report whether existing administrative controls need to be reviewed or amended, specifying operational problems of material importance which have arisen during the quarter to which the report relates, and indicating how such problems have been or are being addressed.

6.5. Random Audits

- a) The IT Manager, in consultation with the Municipal Manager, shall arrange random audits of the IT systems on a periodic basis. These audits may be conducted by either the internal or external auditors (or both), provided that sufficient budgetary provisions have been provided for.
- b) The findings of such random audits may be included in the audit report to the IT Committee, or if findings are significant then they must be reported to a special audit committee. Also, the findings should be forwarded to the audit committee of Ulundi Municipality for consideration.

7. Physical Controls

Physical controls with regards to the Ulundi Municipality IT network relate to measures which must be put into place to ensure the physical security and protection of all relevant computer hardware, software, manuals and the server room. The physical controls are required to provide protection against natural hazards, as well as the risks of theft and/or negligence on the part of Ulundi Municipality's officials.

7.1. Hardware

- a) Where personal computers have been allocated to officials, such officials shall accept that these computers must be used to fulfill operational functions within the organization, and that their use is restricted to such official functions only.
- b) No hardware may be installed or removed by any municipal official without prior consent and authorization or direction from the IT Manager.
- c) No hardware may be removed by any official from municipal premises without the prior written authority of the Municipal Manager or IT Manager. The IT Manager shall keep such written authority on file, and the official who wishes to remove the relevant hardware must have a copy of such authority for inspection when required.
- d) Any malfunctioning computers must be immediately reported in writing on the prescribed form to the IT Manager by the official to whom such equipment has been allocated, and the IT Manager shall immediately attend to the required repairs or replacement of the equipment, but subject to the necessary provision having been made in the budget.
- e) Given the significant cost of laser and ink jet printing, officials to whom the use of printers has been allocated must ensure that all printing is kept at a minimum or rather in fast draft print quality. Where multiple copies of a particular document are required, the original shall be printed and photocopied. Wherever possible, screen previews should be used rather than physical printing. Original toners and inkjet cartridges must be used when printing is necessary, as not only may the compatible or refilled products void Ulundi Municipality's warranty in respect of the equipment, but they can also (in given circumstances) damage the printers.

7.2. Software

- a) The IT Manager shall maintain a list of approved software to be used on the IT network, as well as the number of licenses owned and the number of copies of such software loaded onto the system. Only authorized and licensed software listed on the approved software listing from Council (HOD or CFO) may be loaded onto Ulundi

Municipality computers, and this may only be implemented with the consent and supervision of the IT Manager. The IT Manager shall further ensure that this authorized list, referred to as the “Council Approved Software List”, is reviewed and updated periodically in order to address any new software which is released into the market that may be relevant to Ulundi Municipality and as the demand for new or additional software arises.

- b) **Caution:** No software may be downloaded through the Internet or via email without the approval of the IT Manager or the relevant Head of Department. Also, pirated software by any official will not be permitted whatsoever. As such, here are examples of Council’s list of approved software:

Standard Applications - A new user is entitled to the following standard applications upon receiving a new computer or the user is new to the institution:

- Microsoft Office Suite
- Antivirus Software
- Acrobat Reader
- WinZip

Specialised Applications - A user is entitled to the following specialized applications once duly authorized:

- PAYDAY
- Pastel Evolution
- Metval

7.3. Computer Manuals

The originals of software, hardware, systems manuals and guides shall be kept by the IT Manager with relevant licenses and discs in a locked cabinet within a fireproof strong room. The IT Manager shall further ensure that the manuals and release notes are updated with each new release installed on the systems.

7.4. Server Room

- a) Only the IT Manager and shall ordinarily have access to the server room.
- b) The server cabinet and server room shall be kept locked by the IT Manager and the Systems Administrator, and the keys shall be kept as follows:
- One set in the strong room in the Off-site storage location, Civic Centre;

- One set with the IT Manager;
- One set with the Financial Manager and Chief Financial Officer
- The IT Manager shall ensure that adequate fire prevention, detection and extinguisher systems are installed in the server room, and that this equipment is regularly checked and maintained. No official may tamper with such equipment, and no official may remove any such equipment from the server room other than for the purpose of having it tested or serviced.
- The IT Manager shall ensure that a properly designed, maintained and operated air conditioning system is installed in the server room.
- The IT Manager shall ensure that the servers are placed above the ground or on raised flooring in the event of flooding.
- The IT Manager shall regularly test or have tested the Uninterrupted Power Supply (UPS) in order to ensure that it is maintained in an operational condition. The IT Manager shall keep a register of all such tests, and this shall be signed off on a monthly basis by the CFO or his delegated authority exist.

8. Access Control

8.1. General

Access control is necessary to restrict unauthorized user access to any portion of the IT network or to any particular component of the system. It is therefore necessary that the bona fide user, in order to gain access, must first be authorized, i.e. the access of such user to the system must be properly authenticated. Access to the IT network comprises three steps:

- Physical access to a terminal;
- Access to the system; and
- Access to specific commands, transactions, programmers and data within the system.

8.2. Physical Access to Terminals and Systems

After the bona fide user has switched on his or her computer, the user must enter that particular computer password to gain further access to terminals and systems accordingly.

8.3. Access to specific Commands, Transactions, Programs and Data within the System

The IT Manager or relevant Head of Department (HOD) shall set access level priorities in accordance with the job descriptions of the officials concerned and to comply with the specific further requirements of the officials of the Finance Department. Access level and amendment priorities shall be set out in writing by the IT Manager or relevant HOD.

8.4. User Codes and Passwords

- a) Passwords are an important aspect of computer security. They are the front line of protection for user accounts. A poorly chosen password may result in the compromise of Ulundi Municipality's entire corporate network.
- b) As such, all Ulundi Municipality employees, consultants and temporary staff with access to the organization's systems are responsible for taking the appropriate steps (as outlined below) to select, maintain and secure their passwords at all times and never use an account assigned to another user, as they will be held responsible for total use or misuse of their account. All officials, to whom user codes and passwords have been allocated, must ensure that these codes and passwords are properly safeguarded. Under no circumstances may the employee share any use code or password with colleagues.
- c) Passwords are used for various purposes at Ulundi Municipality. Some of the more common uses include: user level accounts, web accounts, email accounts, screensaver protection, application logins and local router logins. All users should be aware of how to select strong passwords. Hence, the following password guidelines must be adhered to by all users on all servers and computers within Ulundi Municipality:
 - o User accounts that have system-level privileges granted through group memberships or programs must have a unique password from all other accounts held by that user.
 - o Passwords must not be inserted into email messages or other forms of electronic communication.
 - o Passwords should not be a word in any language, slang, dialect or jargon.
 - o Do not use the same password for Ulundi Municipality accounts as for other non-organisational access (e.g. personal account, option trading, benefits, etc.).
 - o Users must not use the "Remember Password" feature for applications (e.g. PAYDAY, Internet Explorer, etc.), and must not write passwords down and store them anywhere that is easily accessible within their offices.
 - o Users must not store passwords in a file on any computer system (including laptops or similar devices) without encryption.
 - o Users must avoid using the same password for multiple applications.

- If an account or password is suspected to have been compromised, the user must report the incident to the IT Manager and change all their passwords accordingly.
 - If a user is requested to provide their password details to any IT staff member, they must ensure that they monitor the actions performed by the staff member. Thereafter, the user should change their password immediately once the IT staff member has left.
 - If an account or password is suspected to have been compromised, immediately report the incident to the IT Manager and change all passwords accordingly.
- d) Where possible, systems have been configured to follow Ulundi Municipality standards. The organisation's requirements for password settings should be as follows:
- A minimum of eight (8) characters in length;
 - Must be changed every 90 days;
 - A password history of 24 previous passwords should be maintained.
 - User accounts are set to lockout after 3 unsuccessful login attempts;
 - Comprised of both letters and numbers (i.e. alphanumeric);
 - Must contain at least one (1) capital letter and one (1) special character (e.g. #, @, %, \$, etc.);
 - Users should not use their usernames as passwords;
- e) Additional Configuration settings for Active Directory Server
- A minimum password age of 1 days;
 - Accounts should be set to lockout indefinitely (until IT Manager unlocks);
 - Accounts are set to lockout after 3 invalid log-on attempts.
- f) Users must take note that for all activity performed using their user name and password, they will be held accountable and may face disciplinary action in the event of misuse. It is therefore of utmost importance that users follow the guidelines below on password construction and safeguarding their password in order to minimise the threat of others obtaining their passwords.
- A password should be created from a pass-phrase. For example, the phrase "security is vital to this company and me" might result in the password of "siv2Tcam!" by using the first letter of each word in the phrase, substituting the word "to" for the number "2", and adding the exclamation mark at the end to increase complexity.

- Personal details, such as spouse's name, licence plate, ID number or birthday, must not be used.
 - Words in a dictionary, derivatives of user ID's and common character sequences such as "123456" must not be used as well.
 - Passwords should not be based upon month / year combinations such as "jan09" or "april2009". Hackers use these types of words in attempts to guess passwords.
 - Users must not use cyclical passwords. For example, users should not add a numeric at the end of the password in sequence.
 - Passwords must not consist of all identical numeric or alphabetic characters, such as: "1111111" or "aaaaaaa".
 - Employees must never share their passwords with anyone, including IT staff, administrative assistants or secretaries.
 - All passwords are to be treated as sensitive organisational information.
- g) Users must take note of and adhere to the following "Don'ts":
- Do not reveal a password over the phone to anyone.
 - Do not reveal a password in an email message.
 - Do not talk about a password in front of others.
 - Do not hint at the format of a password (e.g. "my family name").
 - Do not reveal a password on questionnaires or security forms.
 - Do not share a password with family members or colleagues.
 - Do not reveal a password to co-workers while on vacation.

9. Data Security Control

9.1. Privileges and Exposure

As stated above, access by users to Ulundi Municipality's IT systems shall be restricted in accordance with the job descriptions of officials concerned. Users are responsible for the protection of sensitive information by ensuring that only officials whose duties require such information are allowed to obtain knowledge of such information while it is being processed, stored or in transit.

9.2. Backups

As only a small percentage of Ulundi Municipality's critical business information resides on its servers, backup procedures are required in respect of information saved on personal computers. Backup procedures will be determined by the IT Manager, and communicated

in writing to all relevant users accordingly. These procedures shall be adhered to by all users on the system.

10. Internet and Email

10.1. Use of Internet

- a) Internet access and related IT resources are provided to Ulundi Municipality at significant cost and are made available primarily for business use. Users who have access to the Internet shall use this access solely in connection with official responsibilities, including communicating with clients, working related partners, local and provincial government agencies, providers of goods and services to Ulundi Municipality, and to also research relevant topics and obtain business related information which is of use to Ulundi Municipality. Limited personal use on approved sites may be authorized when such access will be to the best advantage of Ulundi Municipality only.
- b) All users who have access to the Internet shall conduct themselves honestly and appropriately, and respect copyrights, software licensing rules, property rights, privacy and the prerogatives of others. Specifically, officials who use the Internet shall ensure that intellectual property of others is protected and that Ulundi Municipality's resources are not misused, that information and data security (including confidentiality where applicable) are at times respected, and that the Internet is not used for any form of abuse.
- c) Every official using the Internet facilities of Ulundi Municipality shall identify himself or herself honestly, accurately and completely. Officials using the Internet shall do so only when this is required to fulfill their official responsibilities and/or when they are authorized to do so.
- d) Whenever an official downloads any file from the Internet, such a file must be scanned for viruses before it is run or accessed. If the official is uncertain as to the procedure to be followed, such official shall immediately seek assistance of the IT Manager.

10.2. Authority to Speak on the Behalf of Ulundi Municipality

Only those officials who are duly authorized by the Municipal Manager to speak to the media, to analysts, in public gatherings or send external emails on behalf of Ulundi Municipality may do so.

10.3. Integrity of Ulundi Municipality's Image

- a) Officials who are authorized to speak on behalf of Ulundi Municipality, as set out in 10.2 above, shall ensure that they honor the image and integrity of Ulundi Municipality at all times, do not engage in any unauthorized political advocacy, and refrain from the unauthorized endorsement by Ulundi Municipality of any commercial product or service not sold or provided by Ulundi Municipality itself.
- b) Moreover, such officials must ensure that, where inputs are provided on behalf of Ulundi Municipality to any news group or chat room, such inputs have been grammar and spell-checked, and that the inputs reflect the corporate view of Ulundi Municipality (where applicable) rather than the personal opinions of the writer.

10.4. Security

- a) Prompt disciplinary action shall be instituted against any official who attempts to disable, defeat or circumvent any firewall, proxy, Internet address screening programmed or any other security systems installed by the IT Manager or any IT suppliers to assure the safety and security of Ulundi Municipality's IT network.
- b) Any officials who obtain a password or user code (ID), which allows access to the Internet and/or the organization's IT network, shall keep such a password and user code confidential, except if any occasion arises where any authorized technical support official requires knowledge of such password or user code in order to solve a computer related problem. As set out in 8.4. (b) above, the present policy strictly prohibits the sharing of user codes and passwords between employees. Furthermore, logging onto the IT network or Internet with one's personal user code and password, and then allowing another user to use or work on the Internet or the IT network, shall be viewed as an attempt to bypass official security procedure, and is strictly prohibited and will be dealt with accordingly.
- c) Every authorized user shall sign all security and confidentiality agreements provided to them by the IT Manager before attempting to gain access to the Internet and/or the network.
- d) Software and systems have been installed to monitor and record all Internet usage. The IT Manager shall be authorized to record (for each user) every website visited, every chat room or newsgroup visited, every email message sent or received, and every file transfer in to and out of Ulundi Municipality's internal networks. No official shall have the right to privacy in respect of his or her Internet or network usage.

- e) The IT Manager will review all Internet activities and analyze the relevant usage patterns. Thereafter, appropriate action will be taken on the user wherever any abuse of the system is evident.
- f) Any software or files downloaded by any user from the Internet onto Ulundi Municipality's IT network shall become the property of Ulundi Municipality, and may be used only in a manner consistent with the applicable licenses and/or copy rights.

10.5. Electronic Mail (Email)

- a) Only authorized officials shall use the available email facility.
- b) The IT Manager shall scan all emails for any inappropriate content or offending words or phrases.
- c) All copies of emails shall be kept as records.
- d) Only authorized officials shall be permitted to receive attachments through the email system, and such attachments shall be scanned by the IT Manager to ensure that they are related to responsibilities of the official concerned.
- e) The IT Manager shall maintain a list of prohibited and blocked email, and shall update and amend such list as circumstances require.

10.6. Internet Browser

As indicated in 10.4 and 10.5 above, Ulundi Municipality reserves the right to track all visited sites.

10.7. Unacceptable Practices

- a) No official may display any kind of sexually explicit material on any organizational system. Furthermore, no sexually explicit material may be archived, stored, distributed, edited or recorded using any of Ulundi Municipality's resources.
- b) The IT Manager shall have the right to block access from within Ulundi Municipality's networks to all Internet sites identified as inappropriate. If any user is connected to a site which contains sexually explicit or otherwise offensive material, such user must immediately disconnect from the site concerned, regardless of whether such site has previously been deemed acceptable by any screening or rating programmers.
- c) Ulundi Municipality's IT related facilities, and especially its Internet facilities, may not be used knowingly by any official to violate the laws and regulation of the Republic of South Africa or any other nation, or the laws and regulations of any province or municipality. The use of any municipal resources or illegal activities shall be ground for the immediate dismissal of the official concerned, and the Council and it's official

undertake further to cooperate with any legitimate law enforcement agency in this regard.

- d) No employee may knowingly use Ulundi Municipality's IT facilities and resources to download or distribute pirated software or data.
- e) No official may knowingly use the Internet facilities to propagate any viruses, worms, Trojan horses or trap doors (i.e. malicious code).
- f) No official may knowingly use Ulundi Municipality's Internet facilities to disable or overload any computer or network or to circumvent any system intended to protect the privacy or security of another user.
- g) No employee with authorized Internet access may upload any software licensed to Ulundi Municipality or date owned or licensed to Ulundi Municipality without prior authorization of the IT Manager.
- h) No official may create a communication link requiring dial-out access from any computer which is also connected to the IT network.
- i) No official may use any software which is not provided or approved by the IT Manager or relevant HOD.
- j) Only the IT Manager or relevant HOD shall authorize the provision of email addresses to authorized users.

10.8. Ownership and Classification of Data

Any Ulundi Municipality data that is created, sent, printed, received or stored on systems owned, leased, administered or authorized by Ulundi Municipality is the property of Ulundi Municipality and its protection is the responsibility of Ulundi Municipality's owners, designated custodians and users. As such, data shall be classified as either: Confidential, Sensitive or Public.

Confidential: Sensitive data that must be protected from unauthorized disclosure or public release based on local or governmental law (e.g. the Promotion of Access to Information Act, No. 2 of 2000) and other constitutional, statutory, judicial and legal agreements. Examples of "Confidential" data may include but are not limited to:

- o Personally Identifiable Information, such as a name in combination with Identification Number (ID) and/or financial account numbers
- o Employee records
- o Intellectual Property, such as copyrights, patents and trade secrets

Sensitive: Sensitive data that may be subject to disclosure or release under the Promotion of Access to Information Act, No. 2 of 2000, but requires additional levels of protection. Examples of “Sensitive” data may include but are not limited to:

- Operational information
- Personnel records
- Information security procedures
- Research
- Internal communications

Public. Information intended or required for public release as described in the Promotion of Access to Information Act, No. 2 of 2000. However, any data owned or under the control of the South African Government must comply with the national classification authority and national protection requirements.

Furthermore, authorized officials who don't participate in Internet chats and news groups shall refrain from revealing confidential municipal information, client data and any other material covered by existing council policies and municipal procedures with regards to confidential information. Officials, who release protected information through the Internet whether or not it is advertent, shall be subject to all the applicable penalties in terms of Ulundi Municipality's existing data security policies and procedures.

11. Supplier Relationship

The Ulundi municipality is committed to working with our suppliers to realise the full value of our relationships and to positively contribute to our communities, people and the environment.

- Proactively engage with our suppliers with a focus on building trusting, co-operative and long-term relationships;
- Apply good governance to provide oversight and means through which the objectives of the process are monitored, audited and integrity is maintained;
- Define and apply appropriate sourcing methods in our procurement of goods and services, ensuring all capable suppliers have an equal access to opportunities to work with us;
- Deal with suppliers in good faith, ethically and responsibly, and make payments in accordance with agreed terms;
- When all other vetting requirements remain equal, give preference to suppliers that demonstrate a commitment to sustainably manage their business performance, with values complementary to our own;
- Set clear expectations for our suppliers regarding their sustainability performance and embed its minimum requirements within supplier contracts;
- Employ appropriate methods for assessing the performance of our key strategic suppliers and those engaged in higher risk activities and monitoring their progress over time;
- Encourage our key suppliers to make available high value, environmentally and socially responsible products and services as well as to improve the sustainability performance of their businesses; and
- Actively engage with key suppliers and provide data and other relevant information to enable innovation and the development of products that meet our aspirations.

12. Official Website

The IT Manager shall be responsible for the design and maintenance of Ulundi Municipality's website. Each Head of Department shall ensure that all information required by the Municipal Finance Management Act, as well as any other relevant legislations and Council Policies, is promptly and appropriately submitted to the IT Manager for display on the official website. The IT Manager shall (in consultation with the relevant Heads of Department) further decide on any other information to be made available on the website. Only the IT Manager and Heads of Department shall be authorized to amend, add and delete information on the official Ulundi Municipality website.

13. Protocols

13.1. Reporting Security Incidents

- a) If an IT security incident or breach is suspected or noticed by any employee, then it is the obligation of that employee to immediately notify the Information Security Officer.
- b) Users are required to note and report any suspected security threats and/or weaknesses in and around IT systems and services. Critically, users must not attempt to prove a suspected weakness within a system, as testing weaknesses might be interpreted as a potential misuse of the system, which could lead to disciplinary action thereafter.
- c) The Information Security Officer tasked with the security responsibility of Ulundi Municipality must report all instances of a breach of security, or failure to comply with security measures, or conduct constituting a security risk, as soon as possible to the Chief Directorate Security of the National Intelligence Agency (NIA), and where appropriate to the South African Police Services (SAPS - Crime Prevention Unit) or the South African National Defence Force (SANDF - MI). Where official encryption is concerned, a security breach must also be reported to the South African Communication Security Agency (SACSA).
- d) When a breach of security occurs, the existing channels must be used to report it. It is the responsibility of the Information Security Officer to ensure that all breaches of security are reported.
- e) Breaches of security must at all times be dealt with using the highest degree of confidentiality in order to protect the ISO concerned and prevent him or her from being unnecessarily done an injustice to.

13.2. Adding New Users

- a) When a new employee starts working at Ulundi Municipality, the Human Resources department will issue him or her with an **“New User Access Form”**.
- b) The employee will then fill in the form and sign it accordingly to state that he or she agrees with the conditions of use as stated in the form.
- c) The HOD will also have to sign the form before it goes to the IT division.
- d) The HOD should also ensure that the employee receives training from business division for the required applications and from the IT division.
- e) The new employee will then forward the form to the IT Manager, who will then assign a unique user ID and email account to the applicant.

- f) The IT Manager will then assign access to the relevant facilities that the applicant requires.

13.3. Application for Additional Facilities

- a) Applicants must fill in the “**New User Access Form**” and indicate on the form that additional facilities are needed.
- b) The application is then treated as per the aforementioned process in 12.2.

13.4. Employee Transferred, Resignation or Termination

- a) The Human Resources department forwards a list of employees who have been transferred or terminated to the IT division.
- b) The IT division, after receiving this list, will then confirm that access will be removed for the resigned employee’s user ID at the stated last day of service.
- c) The user ID will then be disabled on the system for a month and kept for future reference if required.
- d) The IT Manager will then remove the user ID at the stated date accordingly.
- e) The IT Manager will then verify and ensure that access privileges of any dismissed, resigned, retired or transferred official are appropriately revoked.

13.5. User Names

- a) All users must have proper usernames and passwords that will grant them access to the network and network services available for Ulundi Municipality. The username and password must be in accordance with standards used in all other government levels and departments to ensure a standardized network that can be easily managed and supported. As such, this standard incorporates the user’s full name and first letter of user surname for the Network (e.g. Thokozani Ndwandwe’s ID would be: TNdwandwe), for PASTEL incorporates the user’s First initial and full surname (e.g. John Smith’s ID would be: SmithJ) and PAYDAY incorporates number as user names.
- b) In the case of duplicate user names, a digit shall be added as a suffix of the username to make a user ID unique. No user is allowed to use the Administrator profile to gain access to the network unless that user is authorized to do so by the IT Manager.

14. PC Support

All support must be performed against a logged call with the details of the call that was logged. All network and PC support calls should be given priority and should be attended to as soon as is possible.

15. Disaster Recovery Plan

The IT Manager, in consultation with the Municipal Manager and with the approval of Council, shall enter into such agreements with Ulundi Municipality's IT suppliers and/or with one or more other municipalities as necessary to ensure that the Ulundi Municipality Disaster Recovery Plan is in place, is operational, and is reviewed and tested at least once a year. The IT Manager shall prepare, review and update (as circumstances require) a list of persons who must be contacted by users in the event of any disastrous occurrence as set out in the Ulundi Municipality Disaster Recovery Plan. Such list shall be made available to all authorized users on Ulundi Municipality's IT network.

16. Training

The IT Manager shall liaise with various Heads of Departments and the Human Resources department with regards to the selection, training and monitoring of officials who have IT based and/or IT related responsibilities. The IT Manager shall coordinate, and where possible, shall provide the appropriate training to such officials as deemed necessary.

17. Acceptance and Compliance with the IT Security Policy

Every employee who is allocated the use of any Ulundi Municipality IT equipment and/or authorized to access the Internet and/or Ulundi Municipality's computer network shall be provided with an email copy of the IT Security Policy by the IT Manager. All employees are required to read through the entire IT Security Policy and then sign the IT Security Compliance Agreement form (see Appendix A) attached to the policy in order to indicate that they have read, understood and accept to comply with this policy accordingly.

18. Enforcement

Non-compliance, violation and disregard of this policy by any Ulundi Municipality employees, consultants and temporary staff shall result in disciplinary action and sanctions against the individual concerned and such sanctions may lead to termination of the individual's employment contract, depending on the circumstance and the gravity of the transgression. In the event of Ulundi Municipality incurring financial loss as a result of non-

compliance, violation and/or disregard of this policy, Ulundi Municipality shall be entitled to institute legal proceedings to recoup the loss it has incurred from the individual and this shall be in addition to the disciplinary action that Ulundi Municipality would have taken against the individual.

19. Approvals

The table below provides necessary approvals of this strategy.

Approver	Signature	Date
Chairman of the Council		
Chairman of the Audit and Risk Committee		
Ulundi Municipal Manager		

Appendix A

IT Security Policy Compliance Agreement

Employee Name (PRINTED):

Department:

I agree to take all reasonable precautions to assure that municipal internal information, or information that has been entrusted to the Ulundi Municipality by third parties such as customers, will not be disclosed to unauthorised persons. At the end of my employment or contract with Ulundi Municipality, I agree to return all information to which I have had access as a result of my position. I understand that I am not authorised to use sensitive information for my own purposes, nor am I at liberty to provide this information to third parties without the express written consent of the Municipal Manager, who is the designated Information Owner.

I have access to an emailed copy of the Ulundi Municipality IT Security Policy, I have read and understood this policy, and I understand how it impacts on my job. As a condition of continued employment, I agree to abide by the policy and other municipal requirements, including non-disclosure of company information. I understand that non-compliance will be cause for disciplinary action up to and including dismissal, and perhaps criminal and/or civil penalties. I also agree to promptly report all violations or suspected violations of IT policies and procedures to the designated Information Security Officer (ISO) in charge.

Employee Signature:

Date:

Information Security Officer Signature:

Date:

“The City of Heritage”



INFORMATION TECHNOLOGY

Server Room Standard

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1. Introduction

This document details an expected server room standard which Ulundi Municipality should adhere to. The chosen server room must comply with the following standard. Any room containing one or more computers used to provide services to a group of users via the network is considered a server room. This ranges from small server closets to larger data centers.

2. Location

Site should ensure both proper environmental and physical controls:

- Site location should be safe from exposure to fire, flood, explosions and other similar hazards.
- Server room should be located in area where noise will not disturb occupants of offices.

3. Perimeter Security

Server room should have solid walls extending from the floor to ceiling. In areas where raised floors or a drop ceiling are in place, walls should extend below the raised floor and above the drop ceiling to prevent an individual from entering the room by climbing under the raised floor or over the wall by accessing the maintenance space. Locked racks or a cage may also be used to provide a secure perimeter layer.

4. Physical Access

Physical access to the server room must be limited to only those individuals who have legitimate responsibilities justifying such access. Use of biometric locks to permit access is recommended over traditional keys. Procedures must be in place to ensure access is removed when an individual no longer has such need and access lists of authorized individuals must be reviewed at least quarterly by data management of the department.

- When warranted by business needs, a log may be kept, recording the time of entry, time of exit, and purpose of physical access by visitors and/or authorized personnel.
- Visitors must wear an identification badge.
- Visitors should be escorted by authorized personnel at all times.

5. Structural Considerations

The structure where server room is located is very important and it should be as follows:

- The server room must be located in an area that can bear the weight of all systems, including foreseeable planned growth.
- When feasible, door frame size should be sufficient to allow for easy introduction and removal of equipment.
- The ceiling of the room should be at least 2.8 meter high.
- The server room should not have exterior windows.
- The arrangement of equipment should provide for adequate clearance around computing racks; **1.5 meters at the front and 1 meter at the rear is recommended.**

6. Power

The power supply to the server room forms a major component for an acceptable server room standard. Below are the considerations:

- The server room should have sufficient dedicated circuits for all equipment, plus one or more additional circuits, as needed for flexibility in the event a circuit fails.
- All systems must be properly grounded.
- Critical systems should be connected to uninterruptable power supplies (UPS) and/or generator power, depending on the business requirements for server uptime.
- Uninterruptable power supplies (UPS) and/or generator power should be tested at least annually and maintained according to manufacturer specifications.
- Based on UPS monitoring thresholds, automatic shutdown features should be configured when feasible to gracefully shutdown and protect systems prior to power loss.
- Large rooms should have a clearly-labelled emergency power-off switch.
- Procedures should be posted in the room explaining how to respond in the event of a power failure.
- Server rooms should have emergency lighting to provide for life safety in the event of a power outage.

7. Temperature Control

- The server room must have sufficient temperature control to maintain temperatures within the operational limits defined for the hardware located in the room.
- The server room should have dedicated, redundant air conditioning sufficient to maintain temperatures between 18 and 21 degrees Celsius. Fully enclosed racks with built-in cooling may also be used.
- Environmental monitoring should be configured to alert administrators in the event of a cooling failure (i.e., a NetBotz monitoring system that sends text messages; a thermostat with only a local alarm is not sufficient).
- For large rooms, cooling systems and equipment should be installed in a hot aisle / cold aisle configuration to maximize efficiency.
- Procedures should be posted in the room explaining how to respond in the event of a cooling failure.

8. Fire/Flood

- The server room must have some form of fire detection and suppression, adequately maintained and routinely tested.
- Server room must be reasonably free of fire hazards such as boxes, papers, etc.
- Each server room may have an easily visible and accessible clean-agent fire extinguisher. A standard "ABC" fire extinguisher is not recommended for use around electronic equipment.

9. Other

- Cabling must be maintained in an orderly fashion to reduce the possibility of an accidental outage.
- The manager of the server room must maintain an accurate inventory of all systems in the server room.
- Server rooms should not have conspicuous signage that could attract unnecessary attention or attack.

10. Approvals

The table below provides necessary approvals of this strategy.

Approver	Signature	Date
Chairman of the Council		
Chairman of the Audit and Risk Committee		
Ulundi Municipal Manager		

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INFORMATION TECHNOLOGY

Asset Disposal Procedure

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1. Introduction

From time to time the Ulundi Municipality have the need to dispose of computer equipment for different reasons. The primary reasons would be because:

- They are no longer in working order and repair is not a feasible or available option
- The computer is inadequate to serve the purpose required, usually because it is old and has become under-equipped to function with the upgraded software and increased processing demands.
- The municipality has found itself with a surplus of computers, possibly due to its replacement policy or strategy.

2. Disposal Methods

The disposal of IT asset cannot just be done anyhow, there are proper methods that must be followed in order to carry out the task. The disposal methods are as follows:

- (i). Where the computer is in working order but inadequate for the designated purpose, it is expected that as far as is practicable the first consideration will be for internal re-assignment. Thus it will be assigned to other departmental functions for which the capacity is appropriate.
- (ii). Secondly, reasonable effort must be made to see if there is any other department that may wish to make use of the equipment. MITS may be called upon to assist in this investigation.
- (iii). Equipment with residual value but which are inadequate for the business of the University may be sold to members of the department or outside bodies, subject to the University's financial guidelines.
- (iv). Where equipment has little resale value, consideration should be given to donating it to a charitable endeavor.
- (v). If the equipment cannot be used, it should be scrapped for parts or disposed of in accordance with the University's policy and procedures for disposal.

All movement of equipment must be recorded in the Asset Register Record. The attached form indicates the information to be recorded over the disposal process.

3. Disposal Options

The municipality has a number of options for disposal of IT assets. Each of these option is described below:

3.1. Dumping

Dumping of IT equipment or equipment parts is the responsibility of the Asset division. The Asset division will follow its disposal procedures as stipulated in their policies. The asset division will use the services of certified electronic waste management company to dispose IT assets.

3.2. Re-Assign or Re-Issue

It is in the discretion of IT division to determine which computer or laptop is can be re-assigned to another employee. The computer must first be checked-in (returned) to IT and be registered as asset belonging to IT division. The IT division will then re-issue or re-assign the asset to another user after completing the relevant form.

3.3. Sell or Donate

The redeployment option must be explored and rejected for not being worthwhile, before there ought to be a consideration for sale or donation. Before computer equipment can be sold or donated its value must be obtained.

To determine value, the Assets division will follow its procedure as indicated in their policy.

Notification of sale may be placed on the Ulundi Municipality website and be advertised through other advertising channels for public consumption. The sale transaction is a financial undertaking of the municipality.

Where equipment is to be donated the municipal management (esp. the mayor's office) must take full responsibility for identification of the receiver and the delivery arrangements.

4. Disposal Procedures

4.1. Disposal Process

It is responsibility of IT division to see to the disposal process by following the process depicted in figure 1 below. In the case of determination that the asset will be disposed, Asset division will take over the process from IT.

4.2. Purging the Data

An overriding consideration prior to disposal or moving of equipment from one owner to the next, must be to ensure that any university data on the machine and any software licensed to the University is removed. MITS must be informed of the impending move of equipment to allow time for the appropriate data and software cleaning exercise to be carried out. This responsibility must never be delegated to any person outside the University. Merely deleting the visible files or reformatting the disk is not sufficient to clean the storage device as other software tools may simply undelete them. The data to be deleted must be replaced with meaningless data – such as a string of binary zeroes, or random data. Alternatively, one may use software to properly scratch the files.

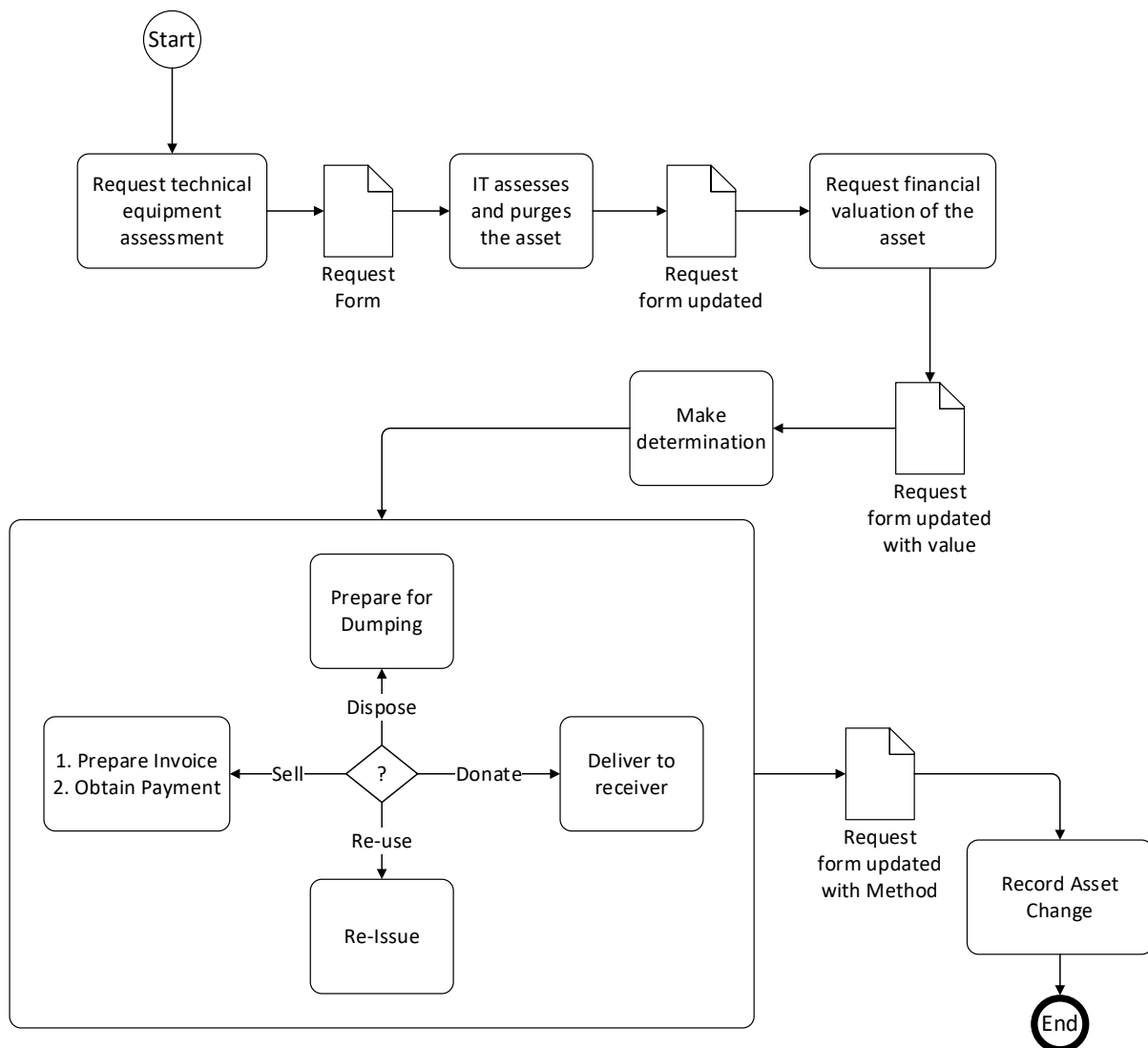


Figure 1 IT Asset Disposal Process

5. Approvals

The table below provides necessary approvals of this procedure.

Approver	Signature	Date
Chairman of the Council		
Chairman of the Audit and Risk Committee		
Ulundi Municipal Manager		

Ulundi Local Municipality

“The City of Heritage”



Rates By-Laws

Version 03

Ulundi Local Municipality

Rates By-Laws

PREAMBLE

WHEREAS section 229(1) of the Constitution requires a municipality to impose rates on property and surcharges on fees for the services provided by or on behalf of the municipality.

AND WHEREAS section 13 of the Municipal Systems Act read with section 162 of the Constitution require a municipality to promulgate municipal by-laws by publishing them in the gazette of the relevant province.

AND WHEREAS section 6 of the Local Government: Municipal Property Rates Act, 2004 requires a municipality to adopt by-laws to give effect to the implementation of its property rates policy; the by-laws may differentiate between the different categories of properties and different categories of owners of properties liable for the payment of rates;

NOW THEREFORE BE IT ENACTED by the Council of the Ulundi Municipality, as follows:

1. DEFINITIONS

In this by-law, any word or expression to which a meaning has been assigned in the Local Government: Municipal Property Rates Act, 2004 (Act No. 6 of 2004), shall bear the same meaning unless the context indicates otherwise.

'Municipality' means Ulundi Municipality;

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

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'Rates Policy' means the policy on the levying of rates on rateable properties of the Ulundi Municipality), contemplated in chapter 2 of the Municipal Property Rates Act.

2. OBJECTS

The object of this by-law is to give effect to the implementation of the Rates Policy as contemplated in section 6 of the Municipal Property Rates Act.

3. ADOPTION AND IMPLEMENTATION OF RATES POLICY

- 3.1. The Municipality shall adopt and implement its Rates Policy consistent with the Municipal Property Rates Act on the levying of rates on rateable property within the jurisdiction of the municipality; and
- 3.2. The Municipality shall not be entitled to levy rates other than in terms of its Rates Policy.

4. CONTENTS OF A RATES POLICY

The Rates Policy shall, *inter alia*:

- 4.1. Apply to all rates levied by the Municipality pursuant to the adoption of its Annual Budget;
- 4.2. Comply with the requirements for:
 - 4.2.1. the adoption and contents of a rates policy specified in section 3 of the Act;
 - 4.2.2. the process of community participation specified in section 4 of the Act; and
 - 4.2.3. the annual review of a Rates Policy specified in section 5 of the Act.

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- 4.3. Provide for principles, criteria and implementation measures that are consistent with the Municipal Property Rates Act for the levying of rates which the Council may adopt; and
- 4.4. Provide for enforcement mechanisms that are consistent with the Municipal Property Rates Act and the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000).

5. ENFORCEMENT OF THE RATES POLICY

The Municipality's Rates Policy shall be enforced through the Credit Control and Debt Collection Policy and any further enforcement mechanisms stipulated in the Act and the Municipality's Rates Policy.

6. SHORT TITLE AND COMMENCEMENT

This By-law is called the Municipal Property Rates By-law, and takes effect on 1 July 2020

" The City of Heritage



**MUNICIPAL FINANCE
MANAGEMENT INTERNSHIP
POLICY**

1. List of Abbreviations

- a) CFO: Chief Financial Officer
- b) CHE: Council on Higher Education
- c) ETP: Education and Training Provider
- d) HEQC: Higher Education Quality Assurance Committee
- e) IDP: Integrated Development Plan
- f) IIT: Internship Implementation Team
- g) IP: Implementation Plan
- h) IPFA: Institute of Public Finance and Auditors
- i) LGWSETA: Local Government and Water Sector Education and
- j) MFMA: Municipal Finance Management Act
- k) MFMIP: Municipal Finance Management Internship Programme
- l) MFMRP: Municipal Finance Management Reform Programme
- m) MM: Municipal Manager
- n) PDP: Personal Development Plan
- o) PPE: Professional Portfolio of Evidence
- p) NT: National Treasury
- q) SAQA: South Africa Qualifications Authority
- r) SETA: Sector Education and Training Authority
- s) TC: Training Coordinator

2. PURPOSE OF THIS POLICY

- 2.1. To provide opportunities for new graduates in the field of finance, economics, accounting, internal audit, and risk management to the labour market to gain work experience.
- 2.2. To improve the employment prospects of persons previously disadvantaged by unfair discrimination and to redress those disadvantages through training and education.
- 2.3. To address the challenges of skills development and capacity building, and of learners who are interested to learn and gain experience in the activities of Local Government.
- 2.4. A priority in general is for the learners to be trained in financial field, to gain work experience.

3. BACKGROUND

- 3.1. With effect from 01 July 2004, the National Treasury has introduced an internship programme that seeks to help build enough strategic management capacity at the local government level.
- 3.2. While the Municipal Finance Management Internship Programme (MFMIP) is aimed at assisting municipalities to increase their capacity to implement both the municipal finance management reforms and the MFMA, it is also envisaged that it helps address the acute shortage of strategic management in the local government sphere.
- 3.3. Capacity building is a long-term process that must be an attempt to build individual, organizational, institutional and environmental processes to strengthen the service delivery mandate of organizations including municipalities.
- 3.4. There are several opportunities presented by the macroeconomic challenges of unemployment of graduates not able to find employment opportunities for all municipalities' consideration. Such opportunities cover the in-house development of the talent pipeline for utilization on future municipalities capacity needs. If the MFMIP is implemented appropriately, this programme may serve as the long-lasting solution to the talent pipeline needed by the Local Government Sector in these specialized financial management areas
- 3.5. The MFMIP specifically, encourages municipalities to employ unemployed graduates in Accounting, Economics, Finance, Risk management and Internal Auditing, among others, over a multiyear period in line with the issued conditions.
- 3.6. The MFMIP is meant to complement various support mechanisms such as programme material (draft policies, legislation, uniform norms and standards) financial assistance (FMG) and technical assistance (international advisors) that National Treasury is providing pilot municipalities with for purposes of implementing the reforms and the MFMA.
- 3.7. The MFMIP is designed to provide interns (finance, accounting, internal auditing, risk management or economics graduates preferably recruited from previously disadvantaged backgrounds) with a logical training sequence founded on the knowledge competencies they acquired at the universities or universities of technology they graduated from.
- 3.8. It is envisaged that through workplace interaction with and mentoring by chief finance officers, municipal managers and/or international advisors, the interns will benefit from the expertise and experience of these officials.

4. THE MFMIP

4.1. The MFMIP provides interns, preferably recruited from previously disadvantaged backgrounds, with a logical training sequence founded on the knowledge they acquired from tertiary institutions. Through workplace interaction with and mentoring by Chief Financial Officers, municipal managers, other officials within the Budget and Treasury Office and/or advisors where present, the interns will benefit from the expertise and experience of these officials. The two to three-year programme is expected to end, where appropriate, with the awarding to each intern with a professional qualification in Municipal Finance Management Programme to strengthen the chances of permanent retention within the same or neighboring municipalities at the onset.

5. SELECTION OF INTERNS

5.1. Appointment of interns must be consistent with the FMG framework conditions and MFMIP Guidelines as follows: -

- a) Appointed interns must be holders of a three-year bachelor's degree or National Diploma **(from a recognized university or university of technology)**
- b) According to Municipal Finance Management Internship Programme Guidelines, the municipality must not appoint graduates from TVET colleges or other educational institutions other than from recognized universities or universities of technology
- c) Should the municipality opt to appoint someone from TVET college, the municipality must obtain pre-approval from Provincial and National Treasuries.
- d) The qualification's major concentrations must be in Economics, Accounting or Finance, Internal Auditing or Risk Management.
- e) The Appointment must be in line with employment equity requirements;
- f) Appointed intern will be required to sign an internship agreement; and
- g) In addition to an employment contract, committing themselves to full participation in the educational and workplace assignments in accordance with laid-down policies and procedures.

5.2. In line with the above-mentioned conditions, Ulundi Municipality should select at least 5 interns, who should be holders of a three-year bachelor's degree or national diploma with major concentrations in economics, accounting or finance, internal audit, or risk management. Intern selection will normally be in line with employment equity requirements and must be done through the internship implementation team.

5.3. Interns will be required to sign an internship agreement, in addition to an employment contract, committing themselves to full participation in the educational and workplace assignments in accordance with laid-down policies and procedures. Selected interns should, by interest, aptitude, and previous achievements, demonstrate their readiness for the programme's strategic goals and objectives. In addition, they are expected to reflect, through their intellectual and professional development, an intended career path in line with the programme's strategic goals, objectives and philosophy.

6. DURATION OF INTERNSHIP

- 6.1. The length or duration of the internship contract must be minimum 24 months and maximum 36 months. During the period of the internship contract, the interns must have covered all areas listed in their contracts.
- 6.2. The Municipality may extend the interns contract only under the following circumstances:
- i. The interns are still in the process of completing their training on the regulated programme, MFMIP.
 - ii. The municipality is of the view that interns still have gaps in their learning; and
 - iii. There are no immediate vacant positions against which to appoint interns who have completed their training, but some would be emerging in within a short while.
 - iv. The Municipality must, three (3) months before the expiry of the contract, inform both the National and Provincial Treasury of their intension to extend or terminate the interns' contract including any appointments to date
- 6.3. On extension of contract, the municipality must make sure that the total contract duration, in months, does not exceed the stipulated maximum of 36 months (Original contract plus extension).

7. STIPENDS

- 7.1. It must be borne in mind that interns are paid a stipend and NOT a salary.
- 7.2. The MFMIP guidelines stipulates that a municipality shall pay the interns a stipend of a maximum of R100 000 per annum per intern as total cost to the municipality, and If the municipality wishes to pay more than the recommended R100 000, then the excess of R100 000 must be sourced from its own MTREF budget.
- 7.3. In line with the above, Ulundi municipality may pay the interns R120 000 per annum if funds are available. The R20 000 in excess must be funded from the municipality's MTREF budget and not from FMG.
- 7.4. Stipend beneficiaries do not get bonuses. But each intern may structure his/her own package (R120 000) to make up 13th stipend per annum. NB: The municipality will not apply a blanket approach on this matter.
- 7.5. Like all other contract employees, the bargaining council agreements regarding annual salary increment do not apply to financial interns.
- 7.6. The Municipality must do everything possible to retain trained interns at appropriate levels for sustainable capacity building efforts.

8. RESPONSIBILITIES OF MUNICIPALITY AND INTERNS

- 8.1. Depending on the municipality's human resource capabilities, it should consider appointing a suitable and dedicated person within its existing staff complement to act as the programme's training coordinator. This is aimed at ensuring that these interns do get proper and relevant/necessary trainings.
- 8.2. The on-the-job training to which the interns will be exposed needs to be properly coordinated if the objectives of the programme are to be achieved within the duration of the internship. In addition, it is recommended that Ulundi Municipality:
- i. Carefully identify the skills gaps of each of its interns;
 - ii. Plan its training activities to address those skills gaps;
 - iii. Identify and appoint a mentor from within its ranks;
 - iv. Selected accredited education and training providers;
 - v. Provide, on an on-going basis, on-the-job and formal but practical training; and
 - vi. Constantly monitor the progress of the interns

9. TRAINING

- 9.1. Interns' service delivery tasks and duties are twofold oriented towards, firstly, learning and, secondly, adding value through a tangible contribution to the operations of municipalities.
- 9.2. In the process of learning new skills, the interns are required to demonstrate that they can apply what they learn in a tangible "value-added" way.
- 9.3. Interns must not perform routine process-oriented functions that are normally covered by full-time employees. If the situation is beyond the control of the Municipality due to unbudgeted positions, this must be managed closely and not last until the end of the interns' contract. Interns must be given an opportunity to learn different responsibilities under the BTO.
- 9.4. In planning their training, the internship implementation team should bear in mind that interns will be making careers in which information technology is the norm. It follows that computer literacy must be acquired as part of the main training areas of municipal finance management.
- 9.5. The internship programme requires that training be spread evenly over the term of the contract. The training coordinator of the programme may have to discourage any attempts by interns to obtain experience in the various

10. MANAGEMENT OF THE INTERNSHIP PROGRAMME

- 10.1. Ulundi Municipality will be required to have a well-documented structure for managing the programme, which should be coordinated by the chief financial officer.
- 10.2. Duties of Management:
- a) Facilitate the planning, preparation, and implementation of the internship
 - b) Compile a budget for the internship
 - c) Develop a communication strategy with all stakeholders
 - d) Establish an administration system to support the internship
 - e) Liaise with coordinators of other municipalities involved in the programme
 - f) Establish criteria for mentor selection
 - g) Establish criteria for intern selection
 - h) Coordinate the identification and selection of interns, mentors and assessors

- i) Coordinate the selection of assessors accredited by the relevant sector education and training authority to assess interns
- j) Coordinate on-the-job and off-the-job structured learning
- k) Liaise with education and training provider(s).
- l) Monitor progress on an ongoing basis

10.3. A well-documented structure for managing the programme is imperative, which should be coordinated by the Human Resources Manager or nominated official within this unit.

10.4. An internship implementation team, comprising of the CFO, the training coordinator, the mentor, and the intern's immediate supervisors, must be established to carry out the following functions:

- a. Facilitate the planning, preparation, and implementation of the internship programme.
- b. Compile a budget for the internship programme.
- c. Develop a communication strategy with all stakeholders on internship programme;
- d. Establish an administration system to support the internship programme;
- e. Liaise with coordinators of other municipalities involved in the programme to share best practices;
- f. Establish criteria for mentor selection;
- g. Implement criteria for intern selection in line with these guidelines;
- h. Coordinate the identification and selection of interns;
- i. Coordinate on-the-job and off-the-job structured learning;
- j. Liaise with the appointed education and training provider(s) to deliver the regulated programme;
- k. Take collective responsibility to monitor progress on an on-going basis.

11. DUTIES OF TRAINING COORDINATOR(S)

11.1. The municipal official required to assume the responsibilities of a Training Coordinator is expected to: –

- a) act as a point of liaison between the Municipality and the National and relevant Provincial Treasury in matters pertaining to the respective interns;
- b) familiarize himself/herself with internship guidelines (this document) and advise the Municipality in this regard, as required;
- c) act on behalf of municipalities in all contractual documents relating to these guidelines;
- d) keep the management of the Municipality and interns informed of all changes affecting the internship programme;
- e) ensure that the interns employed by the Municipality have access to all the relevant instruments, documents and space to train;
- f) establish that prospective interns possess the necessary minimum qualifications to enter into internship contracts;
- g) keep and maintain appropriate records or portfolio of evidence of the training experience of all interns under their control;
- h) plan the training programme of interns;
- i) inform both National Treasury and Provincial Treasury of any breaches of conditions of the internship;

- j) notify both National Treasury and Provincial Treasury when interns contracts are about to expire and request the necessary extension or notification of absorption to enable these stakeholders to update their records accordingly;
- k) provide such information as the National and Provincial Treasury may require in the arbitration of a dispute between the employing municipality and an intern; and
- l) provide both National and Provincial Treasury with quarterly updates pertaining to the number of interns in the Municipality

12. PERSONAL DEVELOPMENT PLAN

- 12.1. Personal development plans (PDP) should be prepared for interns, with inputs from the municipal manager (MM) and chief financial officer (CFO) and assistance from the internal auditor, soon after the initial orientation session.
- 12.2. Personal development plans serve as road maps for developing interns so that they acquire the knowledge, skills and abilities to perform at the rank of a municipal financial officer.
- 12.3. The PDP is prepared by each intern with the assistance of the training coordinator and approved by the internship implementation team.
- 12.4. The PDP should be used to identify the knowledge, skills and abilities needed by the intern to perform at managerial level in a particular department. It should also identify assignments to be given to the intern during his or her internship in a given department.
- 12.5. Other matters that should be included in the PDP are formal training courses required and on-the-job training and the person (s) who will provide this training.
- 12.6. The PDP serves as the basis of the intern's performance plan and will therefore serve as a key results document if one is needed to manage the relationship between the municipality and the intern.
- 12.7. Supervisors may incorporate the PDP into the performance plan and add performance criteria to complete this plan. Elements not covered by the PDP, if appropriate to the job, may be added to the performance plan.

13. MENTOR

- 13.1. The chief financial officer, in consultation with the municipal manager, is expected to identify the mentor for interns. It is recommended that a mentor be an expert in the field of accounting, economics, planning or finance.
- 13.2. The mentor-intern relationship requires special attention and care to ensure that all the parties involved meet expectations and undergo a fulfilling and rewarding professional experience.
- 13.3. Although he or she may wear many hats, the mentor's distinguishing characteristic is a commitment to the intern's professional and personal development.
- 13.4. As a motivator, the appointed individual can encourage the interns to accept challenges they might otherwise shy away from. Consciously or unconsciously, good mentors know that it is far more important to empower than to teach.
- 13.5. The mentor can serve as a networking resource, guiding the intern toward opportunities. While not an expert on everything, the mentor can help identify the correct source for information.
- 13.6. Sound implementation of the internship programme requires that mentors be identified to support interns' on-the-job learning. A mentor is deemed to be a counsellor, expert in the BTO unit, tutor or coach.
- 13.7. This role be shared equally among supervisors as and when interns rotate within the BTO structure in line with their work rotation plans.

14. SUPERVISORS' RESPONSIBILITIES

- 14.1. The municipality must identify someone to be responsible for the day-to-day management of the intern, including recommending disciplinary action. This supervisor should ideally be in the budget and treasury office.
- 14.2. Supervisors may perform some of the following duties: Familiarize themselves with the governing requirements related to the internship programme.
- 14.3. Meet regularly with the intern to review and discuss the intern's training progress and career goals.
- 14.4. If the intern is having difficulty in obtaining experience in certain areas, suggest additional training and supplementary educational activities that may be helpful.
- 14.5. Recognize the ethical responsibilities inherent in the mentor-intern relationship.
- 14.6. Be available as needed to help, advice and support.
- 14.7. Listen attentively and respond empathetically to questions and concerns raised by the intern.
- 14.8. Be receptive to feedback and new ideas.

15. SUPERVISOR MONITORING

- 15.1. Apart from weekly divisional meetings, the supervisors shall meet with the intern on weekly basis to review, assess and evaluate the intern's experience, the supervisor will review the following:
 - a) The work done by the intern since the last review.
 - b) The role of the intern.
 - c) Steps that can be taken by the intern to address deficiencies in the practical training process.
 - d) Examples of work executed by the intern.
 - e) Internship-related problems experienced, and possible solutions.
 - f) The extent to which the goals and objectives established in earlier meetings have been fulfilled.
 - g) Career-related issues.

16. PROFESSIONAL PORTFOLIO OF EVIDENCE

- 16.1. Interns are required to develop a portfolio of internship experience. The professional portfolio of evidence is to document internship experience for later use by interns to complete a final self- evaluation, a form of exit interview, of skills acquired through their involvement with the MFMIP. A copy of this evaluation will be presented to the National Treasury.
- 16.2. Interns will be required to have their own portfolio of evidence, which can be shown to the assessors by the interns to prove their competence in certain areas of the internship.
- 16.3. Guidelines regarding the preparation of the professional portfolio of evidence are shown in Annexures C and D. (NT guidelines MFMIP website)

17. PRIORITY TRAINING AREAS

- 16.1. The following are recommended priority training areas that the municipality must consider in its endeavor to formulate a training action plan for an intern serving on the MFMIP:
- a. Strategic leadership and management
 - b. Strategic and operational financial management
 - c. Financial and performance reporting
 - d. Governance, professional ethics, and values
 - e. Budgeting, Auditing, and accountability
 - f. Partnership and stakeholder relations
 - g. Change, risk, and project management
 - h. Procurement and contract management
- 16.2. The exact internship activities carried out by an intern are bound to reflect skills identified in the personal development plan and unit standards registered by SAQA.
- 16.3. In order to achieve the outcomes attributable to the priority training areas identified above, an intern will have to spend a certain period on each specific item, which must be related to the intern's personal development plan and to registered unit standards. In the context of an intern's PDP, the internship implementation team must determine the approximate duration of training for each area.
- 16.4. The outcomes for the priority training areas listed above are interdependent. Obviously, an intern gaining experience in any one area will have valuable interaction with others. It is envisaged that this work-based career-oriented training will be obtained through in-house training and formal education. It is imperative that existing interns complete the MFMIP and obtain a recognized qualification.

18. TRAINING RECORDS

- 18.1 The training coordinator should keep a record of an intern's practical training experience from the date of the intern's first appointment. The record of practical training experience should be kept in a suitable form to enable evaluation of recorded work-based skills. An intern who fails to participate in the completion of relevant training records contravenes an important requirement of the internship contract.

19. EVALUATION OF INTERNS

- 19.1 Ulundi Municipality is responsible for evaluating the interns every quarter. Interns should also be given written feedback on their assessment.
- 19.2 Such feedback should include –
- a) Written notification of progress and related problems (if any) that have been noted and the opportunity to discuss them;
 - b) Guidance regarding steps to remedy all problems (if remediable); and

- c) Substantive written feedback on the extent to which corrective actions are or are not successful in addressing the issues of concern.
- d) For purposes of evaluation, interns are expected to be competent in all the priority training areas. Interns are considered competent if they can execute tasks with minimal supervision or without supervision altogether.

20. CANCELLATION OF INTERNSHIP AGREEMENT

20.1 In view of the legal nature of the municipal finance management internship contract and to avoid the possibility of an action for damages suffered as a result of breach of contract, the parties should formally record their agreement to cancel the contract.

20.2 It is the duty of the Chief Financial Officer and the HR department to notify the National Treasury of the cancellation of an internship agreement and the reason for the cancellation. A completed training record (obtained from the Training Coordinator) and a copy of the internship contract must accompany the notification of cancellation made to the National Treasury.

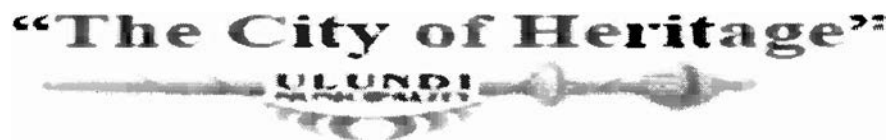
20.3 Cancellation of an intern contract automatically results in cancellation of the employment contract. An employment contract cannot be cancelled on the grounds of retrenchment, as the internship programme is funded by National Treasury. The intern will, however, be entitled to due process and the protection of existing skills development, labour and industrial relations laws.

21. AUTOMATIC CANCELLATION OF INTERNSHIP CONTRACT

This will occur in the following circumstances:

- a) If the intern fails to return to the relevant internship station after a period of legally approved suspension from the internship contract
- b) If the intern is in breach of the internship contract
- c) If the intern fails to report for work even though he or she is not entitled to leave or sick leave in terms of the employment contract
- d) If the intern commits a criminal offence.

Ulundi Local Municipality



Petty Cash Management Policy

Ulundi Local Municipality
Petty Cash Management Policy
and Procedures

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Ulundi Local Municipality Petty Cash Management Policy and Procedures

1 POLICY OBJECTIVE

- (1) The purpose of this policy is to ensure effective administration and appropriate internal controls over petty cash management in a consistent and acceptable manner throughout the Municipality.
- (2) This policy covers the accountability of all parties involved in the financial management of Ulundi petty cash floats.

2 TERMINOLOGY

TERM	DETAIL
<i>"Petty Cash"</i>	: Refers to money held by the delegated component to fund sundry expenses not incurred through normal SCM processes.
<i>"CFO"</i>	: Refers to a person designated as Chief Financial Officer in terms of Section 80(2) (a) of Act 56 of 2003 (MFMA), and includes any person acting in that position or to whom authority is delegated.
<i>"HOD"</i>	: Head of Department
<i>"GL"</i>	: General Ledger
<i>"SCM"</i>	: Supply Chain Management
<i>"PCC"</i>	: Petty Cash Controllers
<i>"Imprest System"</i>	: The <i>Imprest system</i> refers to an accounting system for paying out and subsequently replenishing petty cash. Petty cash is a small reserve of cash kept on-site at the Municipality for incidental cash needs that are not procured through normal SCM processes. The Imprest system is designed to provide a rudimentary system of tracking petty cash balances and how cash is being used.

3 SCOPE

- (1) This policy applies to all Ulundi Local Municipality employees (both full time and part time), especially those with financial responsibility, such as Heads of Departments that uses petty cash floats.
- (2) It also applies to all requests or claims for all Ulundi petty cash floats.

4 LEGISLATIVE PRESCRIPTS

- (1) The following is a list of applicable legislative prescripts which Ulundi needs to comply with:
 - a) Local Government: Municipal Finance Management Act (Act No. 56 of 2003).
 - b) Financial Management Delegations of Authority Framework.
 - c) Ulundi Local Municipality Supply Chain Management Policy.

5 GUIDING PRINCIPLES

5.1 Overall control

- (1) It is the duty of the Municipal Manager and the Chief Financial Officer to ensure proper segregation of duties with respect to the management of petty cash, reporting all exceptions to the Accounting Officer.
- (2) Petty cash funds must be properly safeguarded.
- (3) The only monies to be paid into a petty cash float are reimbursements of expenditures made from petty cash float.
- (4) No other monies, particularly those in respect of trading activities, must be mixed or held with the cash float.

5.2 Use of petty cash facility

The petty cash facility may only be used for:

- (1) Disbursements or purchases not exceeding limits stipulated in the Ulundi Local Municipality *Supply Chain Management Policy* and other applicable thresholds;
- (2) Any other payments where a registration of a supplier on the database would *not* be cost effective. This should be authorized and pre-approved by the CFO; and
- (3) Non-recurring and incidental expenses within petty cash limits.

5.3 Unauthorized use of petty cash

It is an offence to use petty cash for the following type of expenditures:

- (1) Payment for items that should be purchased through the normal SCM processes.
- (2) Personal expenses.
- (3) Payment for parking tickets and other traffic fines.
- (4) Purchase of any items for re-sale purposes.
- (5) Personal borrowings (IOU's) and other personal loans.
- (6) Cashing of cheques.
- (7) Any items that should be recorded or paid via payroll function in terms of SARS, such as the travel and subsistence claims.

Ulundi Local Municipality Petty Cash Management Policy and Procedures

5.4 Permitted value (threshold) of petty cash float

- (1) Ulundi Local Municipality has adopted an Imprest System for managing its petty cash float.
- (2) Maximum petty cash to be maintained by the Petty Cash Controller shall be limited to a maximum of R1, 000.00 or any other amount as approved by the Accounting Officer of the Municipality.
- (3) This limit shall be reviewed by the Chief Financial Officer from time to time.
- (4) The maximum limits shall comply with the limit prescribed in the applicable Municipality's SCM Policy.

5.5 Security for petty cash floats

- (1) Petty cash shall at all times be kept in a suitable petty cash box under the control of the Petty Cash Controller.
- (2) The petty cash box shall at all times be kept locked, and the keys thereof shall be safely kept by the Petty Cash Controller.
- (3) The petty cash box shall at all times be kept either:
 - At the work station or office of the Petty Cash Controller, under the constant scrutiny of the PCC, when he/she is at the station;
 - At all other time, in the Municipality's safe.
- (4) No person other than the Petty Cash Controller, or another person designated by the CFO may have access to/or should open the petty cash box.
- (5) Handing over of cash to the person collecting the cash (Payee) from the Petty Cash Controller must be recorded in the petty cash voucher by both their signatures and the date, with one copy given to the payee as proof of cash receipt.

5.6 Accounting for petty cash expenditure

- (1) Petty cash must be accounted for using excel spreadsheet.
- (2) All petty cash payments must be supported by:
 - Petty cash voucher - accurately describing expense, as well as the name and signature of the person receiving the cash and all supporting source documentation verifying the expenditure.
- (3) Cash counts must be performed by the Petty Cash Controller once on monthly basis and reconciled to the balance reflected in the petty cash book. Should differences arise:
 - Shortages/or overs must be reported to the Chief Financial Officer.
 - Reasons for above must be ascertained by the Chief Financial Officer.
 - All shortages should be paid back or refunded into the float by the Petty Cash Controller.

6 APPOINTMENT OF PETTY CASH CONTROLLERS

- (1) The Chief Financial Officer shall appoint the PCC in writing to manage and control petty cash.

7 PROCEDURES FOR MANAGING PETTY CASH

7.1 Requisitions for petty cash

- (1) If a Department within the Municipality requires petty cash, a petty cash requisition, designed in a format approved by the CFO, shall be completed and signed by the requester (Payee), and countersigned as authorized by the relevant HOD.
- (2) Such form must state the name of the relevant section, the amount requisitioned, the purpose for which it requisitioned, and the cost center or GL code to be *debited*.
- (3) Such form must be *supported* by an official invoice/or slip or quotation which states the name of the supplier, the date, and the nature of the goods or services provided.
- (4) That till slips shall be accepted with a petty cash requisition form signed by Payee, HOD and approved by the CFO or designated official.
- (5) Therefore if cash is advanced prior to the purchase being made, it should be on the basis of an advance until the purchase is made and the supporting document (invoices/slips) must be submitted within 48 hours of advance being made. However, necessary quotations must still be provided before payment is made.
- (6) The requisition form and supporting invoice/slip must be submitted to the PCC who shall check same to ensure that all the details are in order, and who shall thereafter pay over the amount requisitioned to the person submitting it. The recipient shall sign an acknowledgement of receipt for the cash, which acknowledgement shall be co-signed by the PCC.
- (7) The PCC shall enter the details of each petty cash requisition in the monthly petty cash reconciliation.
- (8) The maximum amount which may be requisitioned for petty cash disbursement for any **single** transaction shall be limited to **R 200-00** (*Two Hundred Rands only*).

Ulundi Local Municipality Petty Cash Management Policy and Procedures

7.2 Replenishing of petty cash

- (1) When the petty cash float reaches the minimum amount as determined from time to time by the CFO, the PCC shall prepare a replenishment voucher /requisition and submit the same to the CFO or the person delegated by the CFO.
- (2) If the CFO is satisfied with the voucher, the voucher shall be referred to the designated official who shall make out a cheque to the PCC who shall in turn cash it and immediately place the cash in the petty cash box.
- (3) The PCC shall reconcile the petty cash at every replenishment.

7.3 Reconciliations of petty cash

- (1) Petty cash reconciliations shall be performed by the PCC on a monthly basis.
- (2) The reconciliations shall indicate:
 - Petty cash opening balance,
 - Total amount *disbursed* during the month. This total should be supported by appropriate invoices/or slips,
 - Closing petty cash balance at month-end.
- (3) The monthly reconciliations shall be presented to the CFO or another designated official for review and approval by the 5th of the following month.

7.4 Petty cash audits

- (1) The Internal Auditor or Accountant or other designated official (other than the responsible PCC) shall make *surprise inspections* of petty cash as and when it is deemed fit, but at least once on *quarterly* basis.
- (2) A count of petty cash on hand shall be carried out at *every replenishment and financial year end*.
- (3) The total shall be reconciled to the petty cash requisition forms, vouchers and other supporting documents.
- (4) If this should be necessary, a proper reconciliation of petty cash shall be performed by the PCC/or other person designated by the CFO.

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Ulundi Local Municipality
Petty Cash Management Policy
and Procedures

8 CHANGING THE PETTY CASH CUSTODIAN OR AUTHORISED SIGNATORY

- (1) Petty cash signatory verification form shall be used for all changes required to be effected to change the petty cash authorized signatory.
- (2) Responsibility of petty cash shall not be transferred for whatever reason from the PCC to anyone else, other than in accordance with this policy.
- (3) Any transfer of petty cash responsibility shall be approved by the CFO.

9 LOSSES AND SHORTAGES

- (1) All losses and shortages of petty cash must be reported to the CFO within a day upon discovery.
- (2) Any losses or shortages that arise out of negligence, fraud or theft by the PCC shall be recovered from his/her salary on the next pay date and consideration given to proper disciplinary proceedings against the PCC.

10 REVIEW, AMENDMENTS AND UPDATES OF THIS POLICY

- (1) This petty cash policy shall be reviewed at least once a year or at the discretion of the CFO due to changing circumstances as a result of the legislation changes or otherwise.
- (2) Once reviewed and updated, this policy shall be presented to the Accounting Officer and the Council for their approval.

11 OTHER GENERAL CONSIDERATIONS

- (1) Ulundi Local Municipality's Supply Chain Management Policy and any Treasury Regulations relating the Supply Chain Management must be observed and adhered to at all times in the application of this policy.
- (2) Supporting documentation must be submitted to the Petty Cash Controller within 48 hours of the advance being paid.
- (3) No IOU's (I OWE YOU) or personal loans shall be paid out from petty cash.
- (4) Any non-adherence or non-conformance to this policy should be brought to the attention of the CFO, who should take proper necessary disciplinary steps against the offending employee.

Version Control sheet			
Year	Version	Date of approval	Implementation date
2020/2021			01 July 2020

Summa of changes	Action
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Approved by

 Mr N.G Zulu
 Municipal Manager

Policy Acknowledgement for implementation:

 Mr J.H Mhlongo
 Chief Financial Officer

" The City of Heritage "



ULUNDI LOCAL MUNICIPALITY

POLICY ON PROVISION FOR DOUBTFUL DEBT AND WRITING OFF OF IRRECOVERABLE DEBT

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**PROVISION FOR DEBT AND WRITE-OFF
POLICY**

1. INTRODUCTION

- 1.1 The Council is faced with a significant amount of outstanding debt and the continuous defaulting by certain consumers who can and cannot afford to pay the rates charged out to them.
- 1.2 The policy seeks to bring relief to consumers who have huge outstanding debts and have no income or are registered as indigents and are currently unable to pay for the outstanding debts.
- 1.3 The policy seeks that household consumers with no or lower income are not denied a reasonable service and that the municipality is not financially burdened with non-payment of services.
- 1.4 The policy will enable Council to write off irrecoverable debt as recommended by the committee that will be established as in accordance to the provision of this draft policy, therefore lessening the costs of recovering the debt that is irrecoverable.
- 1.5 Despite strict enforcement of the Customer Care, Credit Control and Debt Collection by–Laws, Council will continuously be confronted by circumstances requiring the possible write-off of irrecoverable debt.
- 1.6 The policy will enable Council to apply the principles of writing off of irrecoverable debt in circumstances and information submitted before Council wherein it is indicated that the debt will not be recovered.
- 1.7 The policy does not override the fact that “the Municipal Manager must ensure that all avenues are utilized to collect the municipality’s debt” as stipulated in the Municipal Systems Act.
- 1.8 The policy seeks to ensure that Council follows all principles and procedures for recovering outstanding debt prior to writing off of debt.

- 1.9 The policy seeks to ensure that Council appoints a committee in terms of section 79 of Municipal Structures Act 117 of 1998 to review and recommend to it the debt considered by the committee to be irrecoverable.

2. PURPOSE OF THE POLICY

- 2.1 Section 96 of the Local Government Municipal Systems Act 32 of 2000 provides that a municipality must collect all money that is due and payable to it, subject to the provisions of that Act and other applicable legislation

- 2.2 The purpose of this policy is

- 2.2.1 To provide the principles and procedures for writing off irrecoverable debt.

- 2.2.2 To ensure that recovery would not cause any undue hardship to the debtor or his/her dependents.

- 2.2.3 To determine the circumstances leading to the write-off of debts

- 2.2.4 To provide a framework for procedures for writing off of debts

3. RESPONSIBILITY AND ACCOUNTABILITY

- 3.1 The Council has the overall responsibility for adopting and approving the Bad debt and Write-Off policy.
- 3.2 Council has an oversight and monitoring role in the implementation and enforcement of the policy.
- 3.3 The Municipal Manager, as the implementing authority, must establish effective administrative mechanisms, procedures and processes to ensure the implementation of this policy.

4. PRINCIPLES

4.1 The following should be the guiding principles in implementing the Provision for Bad debt and Write-Off Policy:-

4.1.1 The policy is in accordance with the Local Government Municipal Finance Management Act 2003, Local Government Municipal System Act 2000, as amended and other related legislation.

4.1.2 Before any debt is written off it must be proved that the debt has become irrecoverable. To ensure that recommendations for write off of debt are consistent and accurate, the following principles or a combination of some of them must be followed prior to any write off:

4.1.2.1 Where the tracing of the debtor is unsuccessful;

4.1.2.2 Where all debt collection procedures implemented to recover the debt were proven to be unsuccessful;

4.1.2.3 All reasonable steps, at the discretion of the appointed write off committee, were taken by the officials to recover the debt;

4.1.2.4 Recovery would cause undue hardship to the debtor or his or her dependents (The debtor or his/her dependents would be deprived of their minimum essential means of livelihood);

4.1.2.5 The Council cannot legally prove the claim, provided that such a write off must be by an investigation to the circumstances which led to the failure to legally prove the claim

4.1.2.6 The debtor has neither assets nor income

4.1.2.7 The Council's claim against an insolvent estate that is being administered as insolvent had been properly proved and the dividend of the creditor was insufficient to meet the debt.

4.1.2.8 It would be to the advantage of the municipality to effect settlement of its claim or waive the claim.

4.1.2.9 Statutory requirements prevent the debt from being claimed or recovered.

4.1.2.10 On account of the weak financial position of an estate, the danger exists that if the debt is proved, a contribution will have to be paid to the estate.

4.1.2.11 the debtor is deceased and there is no known estate

- 4.1.2.12 the debtor is no longer a resident in South Africa and there are no apparent means of collecting the debt, and there is no evidence that the debtor has family or business concerns in South Africa that could lead to the debtor returning to South Africa
- 4.1.2.13 the assets of the debtor or of the estate of the debtor are indispensable to the debtors' dependents or are of relatively little value.
- 4.1.2.14 when the debts have prescribed in terms of section 11 of the Prescription Act 68 of 1969
- 4.1.3 Bad debt write offs must be considered in terms of cost benefit analysis, meaning when it becomes too costly to recover and the chances of collecting the debt are slim a write off should be considered
- 4.1.4 Debt can only be written off if the required provision exists in the Municipality's budget and or reserves.

5. CATEGORIES OF DEBTORS THAT MAY QUALIFY FOR THE WRITE-OFF

5.1 Approved Indigent Household Consumers in terms of the Municipality's Indigent Policy

5.1.1 Upon approval for registration as an indigent household consumer, the outstanding balance on his/her municipal rates account will remain outstanding unless it is approved by the Council to be written off.

5.1.2 Any new arrears accumulated by the debtor (i.e. any amounts in excess of the indigent allowance for free basic services) whilst registered as an indigent consumer, will not qualify to be written off and must be dealt with strictly in accordance with the Municipality's Debt Collection and Credit Control Policy and Indigent Policy.

5.2 Balances too small to recover considering the cost for recovery

5.2.1 Where final accounts have been submitted and paid by the respective consumer and the remaining balance after finalization of other administrative costs results in a balance of one thousand rand (R1 000) or less, such account must be forwarded once to the consumer for payment.

5.2.2 Where such account is not paid by the respective consumer within a period of sixty (60) days such amounts will not qualify to be written off and must be dealt with strictly in accordance with the Municipality's Debt Collection and Credit Control Policy and Indigent Policy.

5.3 Insolvency of the Debtor and Insolvent Deceased Estates

5.3.1 Where a debtor becomes insolvent the Municipality must ensure that a creditor's claim is timeously registered. Any amount not being recovered due to insufficient funds or if there is a risk of a contribution being made to an insolvent estate must, after notification, be written off subject to the provisions of Section 6.4 and 6.5 below.

5.3.2 In case of death of the debtor a creditor's claim must be timeously registered against the deceased's estate. Any amount not being recovered due to insufficient funds or if there is a risk of a contribution being made to a deceased estate must, after notification, be written off subject to the provisions of Sections 6.3 and 6.4 below.

5.4 Untraceable Debtors

5.4.1 Where for any reason the forwarding address of a debtor becomes untraceable or the debtor becomes untraceable from the current address, such account must be handed over to a collection agent for recovery of the debt. The collection agent will be paid on an attorney client scale relating to matters of debt collection. The Terms of Reference for such collection agent must include the appointment of a tracing agent to locate the debtor. Should a debtor be untraceable, the collection agent must report to the Municipality on the actions that were taken to attempt to trace the debtor. The municipality should be responsible to pay the tracing agent.

5.4.2 Any amount owed by a debtor that has become untraceable must, after notification, be written off or sold to a debt collection agency at a discount which will be determined by Council from time to time.

5.4.3 Debt written off in the above instances will automatically result in the debtor being reported to the credit bureau by the Municipality

5.5 Special Arrangements in order to obtain a Clearance Certificate

5.5.1 In terms of legislation the Municipality will under normal circumstances not issue a Clearance Certificate on any property unless all outstanding amounts are paid to date, or

alternatively payment of the current two years outstanding amounts are paid to guarantee by the attorney handling the property transfer is issued in favor of the municipality for the balance of the debt.

5.5.2 Section 18 of the Municipal Systems Act, No. 32 of 2000 determines that

- (1) A registrar of deeds or other registration officer of immovable property may not register the transfer of property except on production to that registration officer of a prescribed certificate
 - (a) Issued by the municipality in which that property is situated, and
 - (b) Which certifies that all amounts due in connection with that property for municipal property rates and other municipal taxes, levies and duties during the two years preceding the date of application for the date of application for the certificate have been fully paid.
- (2) In the case of the transfer of immovable property by a trustee of an insolvent Estate, the provisions of this section are subject to section 89 of the Insolvency Act, 1936 (Act No. 24 of 1936).
- (3) An amount due for property rates and other municipal taxes, levies and duties is a charge upon the property in connection with which the amount is owing and enjoys preference over any mortgage bond registered against the property

5.5.3 Council must certify that all municipal charges during the two years preceding the date of the application for the clearance certificate have been paid fully.

5.5.4 The amount due for municipal charge enjoys preference over any mortgage bond registered against the property.

5.5.5 The owner is required that before a rates clearance certificate is issued that Municipal charges during the two years preceding the date of application for the certificate have been fully paid.

5.5.6 A judgement must be obtained for debt older than two years to instruct the conveyancing attorney to deduct the amount due to Council from the proceeds of the Sale of the property.

5.5.7 Where property is sold in sale of execution the Sheriff must be informed of the amount due to Council and the Sheriff will have to deduct the amount due from the proceeds of the sale of the property due to the preference municipal charges enjoys

over the mortgage bond registered against the property.

5.5.8 The implementing authority must design a form for arrangements of guarantees with the attorneys handling the property transfer. The form must be attached to the policy as addendum.

6. COUNCIL TO APPROVE ANY DEBT TO BE WRITTEN OFF

6.1 Council will monitor the implementation of this Policy.

6.2 The above Council will meet at least quarterly to receive and review a report from the Accounting Officer containing full details of any actions taken by officials with respect to this Policy, and to consider any circumstances not covered by this Policy

6.3 The Council will consist of the following members:

- The Municipal Manager
- Chief Financial Officer
- Member of the Executive Committee for Finance

6.4 The Chief Financial Officer will, after thorough review of any applications in terms of this policy, be delegated to write off any amounts to be written off as per approval by Council.

7. DELEGATIONS OF WRITE – OFFS TO THE ACCOUNTING OFFICER

7.1 The Accounting Officer will, after thorough review of any applications in terms of this Policy, be delegated to write off any amounts to the maximum of

7.1.2 In the case of a household consumer an amount of R100.00 (excluding interest penalties) per submission, and

7.1.3 in the case of a business consumer an amount of R200-00 (excluding interest and penalties) per submission

7.2 Any amount in excess of the delegation provided for in paragraph 6.4 above must be submitted together with a recommendation from the Accounting Officer to the Council for consideration. The Council will, after thorough review of any recommendation by The Accounting Officer and in terms of this Policy, make recommendations to write-off.

7.3 All amounts to be written off in terms of Section 6.4 and Section 6.5 above must be considered individually and each case on its own merits must be separately reported to the Council.

8 PROVISION FOR BAD DEBTS

8.1 The system will consider the current consumer debtors after any payments received in the first month of the next financial year has been taken into account.

8.2. The total balance of accounts with a handed over portion is considered bad debts after any payment received in the first month of the new financial year has been deducted.

8.3. The municipality has to make provision for the debts that are identified as being irrecoverable. However, the municipality must ensure that all the means applicable to recover the debts as outlined in the Debt and Credit control policy are utilized.

8.4 Provision for bad debts on municipal accounts will therefore be calculated as follows:

Category of Debtor	Percentage of Debt regarded as collectable	Percentage of Debt to be provided for as irrecoverable
Credit balances	0%	0%
Current	100%	0%
30 to 60 Days outstanding	100%	0%
61 to 90 days outstanding	75%	25%
91 to 120 days outstanding	50%	50%
121 to 365 days outstanding	25%	75%
365 days plus outstanding	0%	100%
Any debt that is considered bad irrespective of the number of days outstanding	0%	100%
Government / Public Infrastructure Accounts	100%	0%
•		

9. IMPLEMENTATION AND REVIEW OF THIS POLICY

9.1 This policy shall be implemented once approved by Council. All future submissions for the writing off of debt must be considered in accordance with this policy.

9.2 This policy may be reviewed on an annual basis and be tabled to Council for approval

9.3 The policy takes effect on the 01 July of each year.

Ulundi Local Municipality

“The City of Heritage”



**REVENUE ENHANCEMENT STRATEGY
(CREDIT CONTROL, DEBT
COLLECTION AND INDIGENT
MANAGEMENT)**

REVENUE MANAGEMENT STRATEGY

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REVENUE MANAGEMENT STRATEGY

SECTION ONE - INTRODUCTION

The objective of this strategy is to undertake an intervention at the Ulundi Municipality to address financial and institutional challenges. The focus area is the formulation and implementation of a strategy to improve financial management and controls within Council. The objective of revenue enhancement strategy is to improve the current payment levels and then to recover arrear debt.

The total outstanding debt of Ulundi Municipality is approximately R80 million as at 30 April 2019. Although high levels of unemployment are definitely one of the factors, it should be noted that registered indigent debtors are subsidized; therefore causes for non-payment must be identified.

Lack of resources to implement effective debt collection and credit control and the unwillingness of consumers able to pay for their municipal services are possibly the major contributing factors to the current high levels of outstanding debt. In order to develop and implement an effective system of revenue collection, it is important to understand the reasons and dynamics behind the current position.

The approach in developing this strategy is based on that the systems, processes and policies are in place and working. The fact that the total outstanding amount was accumulated over a period of time necessitated an incremental approach to the problem. The incremental or targeted approach towards the recovery of debt is imperative to ensure the sustainability of systems and processes implemented. Revenue collection and management does not only start when the debtor defaulted, but already early in the billing cycle when the consumer applies for services, meters are read and accounts processed. If these processes are not operating efficiently, then debt collection is the symptom that is treated and not the cause.

REVENUE MANAGEMENT STRATEGY

2. SECTION TWO - APPROACH

Each category of consumers requires a strategic and targeted approach. The challenge in any debt recovery programme is time, because these arrears accumulated over a period of time and will take longer to recover. The principle that service payments must be linked to the provision of services creates a challenge, as the municipality needs money to provide services whilst communities expect services before paying for services.

Revenue Enhancement Strategy (RES)



REVENUE MANAGEMENT STRATEGY

In this approach, we need to treat the cause of the problems and not the symptoms, which means that we start at the beginning of the billing cycle with the process of applying for municipal services. This process is currently not effective and supportive to effective revenue management. Upon completion the next step will be the metering of services consumed, preparing accurate bills and ensuring that the accurate bill reaches the correct consumer on time. Systems must then be in place to ensure that on the date for payment, the municipality receives the money and allocates it correctly. If not paid on due date punitive steps must be instituted immediately as is the case with any other financial transaction and institution.

‘The municipality should not be last in line when consumers decide on spending their income.

Credit control and debt collection must be fair but strict.’

SECTION THREE - REVENUE ENHANCEMENT STRATEGY

The reality is that the outstanding debt of more than R120 million can't be recovered overnight; a strategic, incremental and targeted approach is needed. Systems, policies and processes need to be improved and implemented and this will take time. However, the municipality can't wait until all the debtors' records have been reconciled and all systems and processes are in place. It is therefore imperative that the revenue collection and enhancement strategy be done in phases, with the initial focus on short term gains, stabilizing the financial position, improving systems and processes and collecting what is realistic and collectable.

The proposed strategy is therefore divided into three phases (short, medium and long term) where some activities can run parallel and others can be delayed.

Although the strategy is resource (human, financial and technology) dependent, the municipality needs to ensure that the cost/benefit considerations are done. Where it becomes too expensive or it can be done more cost effective and efficient externally the municipality needs to consider those options. Well-developed strategy, policy and processes must be supported by competent and dedicated staff and service providers. Effective communication between Councillors, officials and the communities is needed, and this should be done before the programme starts.

REVENUE MANAGEMENT STRATEGY

3.1 SHORT TERM STRATEGY (SIX MONTHS)

3.1.1 Top 200 Accounts

As indicated above, the short term strategy must provide for quick gains. The “top 200” accounts were selected; representing debtors owing the municipality more than R100 000 each. Based on the sample analysed, it was found that 189 debtors owe the municipality R59.6 million in current and arrear debt. From a high-level review of these outstanding amounts, it should be stated upfront that a number of these debtors owing significant amounts seems not to be correct/ recoverable. However, even only a correction of an account will lead to a substantial decrease in the current outstanding debt of R120 million. As an example; there are accounts with no name, accounts belonging to Ulundi Municipality, accounts with incorrect category classification and accounts with huge interest. An urgent reconciliation of accounts will result in a significant reduction in outstanding debt; either through payment or correction.

The above debt should be approached as follow:

1. Start with the priority areas, in the following sequence (1) business, (2) electricity, (3) government, (4) vacant land, (5) agriculture, (6) residential, (7) undetermined.
2. Analyse (reconcile) the accounts to ensure accuracy, contact details, etc.
3. For outstanding accounts above R100 000, set up meetings with senior management of the institutions to present details and request payment. For the smaller accounts (less than R100 000), first make contact (telephonic or personal visit) and if no reaction then letters of demand be issued requesting payment within seven days.
4. Failure to pay within seven days, disconnect electricity supply.
5. After 28 day's notice hand accounts over for black listing (owners, directors) with credit bureau(s).
6. Institute legal proceedings to attach property.
7. Reconnection of electricity supply can only be done if arrangement is made to settle the account within three months.
8. Follow ups and spot checks must be done to ensure electricity supply has not been illegally connected.

REVENUE MANAGEMENT STRATEGY

3.1.2 Second and Third Group of Top 200 Accounts

Upon completing step 3 we then draw a new list of the next “top 200” debtors and follow the same procedures. The process is then repeated with the next 200 debtors for a period of six months.

3.1.3 Increase Current Collection Rates

The second step in the short term strategy is to increase current collection rates. Systems and processes must be formalised to ensure that current accounts are managed on a monthly basis. A reactive approach is costly, time consuming and less effective. Current account management must be a pro-active approach, where the debtor is notified before due date that the payment is expected.

This can be done through sms, telephone call, fax, notice, reminder, notice boards, etc. The objective is to inform and remind the debtor to pay. Only after the above has been done then can the reactive process start. The updating of direct deposits and cheque payments must be done before the cut off list is produced. Disconnection notices must be sent after due date and cut off lists provided to the electrical unit. Spot checks and follow ups are needed to ensure the disconnection process becomes effective.

3.1.4 Application for Services and Service Level Agreements

Included in the short term approach, will be to streamline the application for services and the signing of service level agreements.

Personal details to be provided in the application form should be reviewed and a check list should be introduced which will include copies of identity documents of the spouse, directors, partners, copies of company or close corporation registration, contact details, cell numbers, work and home telephone numbers, relatives and references contact details, copies of proof of income, etc. A reference check must be provided before services are connected; this will assist in improving the quality of information and to trace debtors.

REVENUE MANAGEMENT STRATEGY

The credit control policy should allow credit checks to be performed to assist in determining consumer risks profiles. Consumers must be profiled to ensure that high risks consumers are monitored and securities (deposit) updated on a regular basis.

3.1.5 Inactive Accounts

The next group for reconciliation will be “inactive accounts” of which there are approximately 1 770 accounts with total debit balances of R14.7 million. Where possible, outstanding amounts should be investigated and collected in terms of the credit control and debt collection policy whilst other accounts should be written off in terms of the proposed write off policy. Accounts written off must be listed with the credit bureau.

3.1.6 Vacant Land Accounts

The next group for reconciliation will be “vacant land” of which there are approximately 780 accounts with total debit balances of R17.7 million. The building inspectors must investigate monthly all vacant land, compile a list of finished properties and forward the list to rates section for starting a process of updating valuation roll. Where possible, outstanding amounts should be investigated and collected in terms of the credit control and debt collection policy whilst other accounts should be written off in terms of the proposed write off policy. Accounts written off must be listed with the credit bureau.

3.1.7 Meter Reading Process

The meter reading process also poses serious problems and all meters with no movement should be investigated and corrections made. Where no access to consumer properties for meter reading, averages taken for three months should be calculated and these consumers should be billed.

The monthly meter reading variance and exception reports must be analysed and referred to an official dedicated to this task. In order to have effective revenue and debt management systems, the municipality needs to ensure that accurate and credible accounts are produced.

REVENUE MANAGEMENT STRATEGY

3.1.8 Illegal Connections

Systems and processes needs to be improved to ensure that disconnection instructions are implemented and those consumers don't reconnect themselves. A system where periodic spot checks are conducted is needed, and if found that illegal reconnections were made, the electricity cables should be removed and the consumer must pay for a new connection plus a penalty. This message must be clearly communicated and stricter enforcement is a matter of urgency. Illegal reconnections must also be reported to the South African Police Services.

3.1.9 Updating the Indigent Register

The challenges and financial implications associated with the management of indigent debtors should be streamlined. In the short term it would necessitate that the indigent register be recompiled and indigents registered in accordance with the classifications in the indigent policy.

As a priority the indigent registration process must be reopened with a clear framework and evaluation criteria to ensure only qualifying debtors are subsidised. In terms of the proposed budget, free basic services will be subsidised. This process must be properly communicated and administratively the municipality must be able to handle and process the new applications effectively and efficiently.

It is imperative that the indigent register only reflect people that really qualify. In this regard, a cost effective way would be to subject all the indigent debtors on the register to a credit check through an agency or credit bureaus where their financial ratings and credit profiles can be determined. This credit check provides valuable information on employment details, credit records and ratings, postal addresses, contact details. It is also imperative that all applications will only be valid for the current financial year and those consumers renew their registration on an annual basis.

The registration process can be done in two ways, namely:-

- _ Requesting consumers to complete an application form and submit it to the municipality; or
- _ Conduct a house-to-house research where more than just indigent information is gathered.

REVENUE MANAGEMENT STRATEGY

Social, economic, infrastructure planning, street names and numbers, meter details, and more can be collected. This option is more expensive but in the long term it provides valuable information, which makes it worthwhile.

3.1.10 Clearance Certificates

A procedure manual for the issuing of clearance certificates should be documented and implemented. This will ensure that all possible debt is identified before a clearance certificate is issued.

3.1.11 Resources in the Debt Collection Unit

The escalating debt can also be attributed to the resources deployed to manage it. New and improved technology and streamlined processes needs to be introduced. Various software packages are available that makes the management of debt more effective and cost efficient. The existing human capacity should be developed by attending regular trainings to acquire latest trends of debt collection.

3.1.12 Establishment and Responsibilities of a Back Office

For the effective management of debt, the municipality needs to train and motivate staff to ensure they are focused and dedicated. Debt collection staff should just focus on making contact with the debtor, getting the debtor to make payment or an arrangement / promise to pay. Administrative processes must be streamlined and geared to support debt collectors. In this regard, it is proposed that a back office be established to support the debt collection unit. The back office must deal with the following:-

- _ Accuracy of accounts.
- _ Solving of queries.
- _ Ensure implementation of corrections, journals, etc.
- _ Meter reading variances are addressed.
- _ Account delivery and debtors details are updated.
- _ Improvement of the complete billing cycle, from meter reading, levying, accounts sorting and posting.
- _ Providing account history, printouts and reconciliations.
- _ Identify debtor's accounts to be followed up.

REVENUE MANAGEMENT STRATEGY

The back office will ensure that queries and complaints are centralized, and corrective measures are implemented. This office will also accelerate the collection processes, because debt collectors can now focus and manage on the collection processes only.

3.1.13 Writing Off Bad Debt

Bad debt write offs must be considered in terms of cost benefit; when it becomes too costly to recover and the chances of collecting the debt are slim, a write off should be considered. It is proposed that a committee responsible for writing off bad debts meets regularly. Time value of money is very important because the older (60 days plus) the debt becomes, the more difficult and costly it becomes to collect.

Irrecoverable debt must be well defined to ensure that recommendations for write off are consistent, accurate, properly motivated and authorised.

3.1.14 Internal Controls

Collections are about strategy and negotiations. Convenience of payments (debit orders, stop orders, internet banking, and direct deposits) can improve collection rates, but internal controls need to be in place to prevent credit card and cheque fraud. These processes will be addressed in the medium term strategy.

3.2 MEDIUM TERM STRATEGY (6-18 MONTHS)

The strategy over the medium term will be to implement the improved systems, processes and policies. Training of staff (finance, customer care and electricity) will be necessary to ensure a common and uniform approach. Data quality should be a priority and also to ensure that all users of municipal services are billed accurately and timeously for all services consumed. Lastly the data cleansing exercise must ensure that debtor's details are accurate to ensure that all debtors receive their monthly accounts.

The same approach ("top 200") as in the short term strategy will be applied in the medium term strategy. Due to the number of accounts, it will take longer to address.

The principle here is still to target what is perceived as collectable /recoverable.

A comprehensive deed search must be done of the entire Ulundi municipal area; this information must then be reconciled with the current valuation roll and debtors roll.

This information must also be linked with Geographic Information System (GIS),

REVENUE MANAGEMENT STRATEGY

cadastral data from the Surveyor General (SG) and Ortho photographs.

Discrepancies and variances must be corrected. This exercise is time consuming and can be costly but the results can be financially rewarding for the municipality.

The data cleansing programme can start in January 2017 or earlier and can be completed within the financial year.

The profiling of consumers is important, because resources are wasted and revenue is lost due to the fact that the municipality does not know their clients. Consumers, both commercial and residential can be categorised into various types of debtors, i.e:-

- “Gold Stars”** - Regular Payers that pay their account every month, without excuses and delays.
- “Silver Stars”** – Regular payers but late or with complaints /excuses. With them you need to ensure that the accurate account is delivered on time to prevent the “if not pay not” attitude.
- “Bronze Stars”** - Bad / slow payers, they need to be reminded, through disconnection notices, warnings, etc. They wait for the last day or day thereafter before making payment. Makes direct payments on last day, pay with cheque, post cheques, “municipality to do its work” attitude.
- “Grey Stars”** – they are the consumers who don’t want to pay, for various reasons, ranging from dissatisfaction with level of services, payment methods not convenient for them or believing the municipality won’t do anything because of capacity problems.
- “Blue Stars”** – they are the consumers who can’t pay even if they want to. These are our indigent debtors; they must be identified and managed, because they can play a vital role, for instance, in labour intensive projects, cleaning of streets and open spaces, etc.

The debt collection strategy and programme must be focused on rehabilitating the debtor, and not to punish him /her. Through rehabilitation we want to move “grey” debtors to “bronze”, then to “silver” and “gold”. In order to rehabilitate the debtor, you need to have systems and processes in place, you need to know and understand the behaviour of the debtor and then manage it accordingly.

REVENUE MANAGEMENT STRATEGY

Consumer education is a must in the medium term, and education campaigns can be launched to educate the public on municipal systems, processes, payment of services, maintaining infrastructure, assets, and more.

A consumer profile can be done through house to house reviews during the development of the valuation roll, indigent debtors surveying, every time consumers visits /contacts the municipal offices, etc. If the municipality knows its consumers it can manage them.

An incentive scheme for prompt/ regular/ early payments and a debt reduction scheme should be properly developed and tested before they can be rolled out.

3.3 LONG TERM STRATEGY (18 TO 36 MONTHS)

The approach over the long term is firstly to ensure that the systems, processes and policies are still effective and secondly to start collecting the remaining debt. Older debt usually takes longer to collect, and is also more difficult and costly to collect. The strategy should be to maintain the interest of the debtor to prevent default on arrangements. Two options are available, namely:-

- _ The first being the introduction of an incentive / write off scheme to shorten the repayment period and reduce the outstanding amount.
- _ The second option is to arrange for finance from a financial institution that can assist the debtor to consolidate his or her debt.

Both options have their pros and cons. The writing off of debt has negative implications because consumers who are regular payers get disgruntled and it may justify non-payment because you will be rewarded by only paying for half of what you consumed. Such an option may therefore only be introduced as a “once off” incentive. The second option is beneficial to the municipality, because it is perceived that consumers would rather pay a private organization than a “government” organization. No and slow paying debtors must be closely monitored and contact should be maintained with them. Regular reminders through sms, e-mail, fax and telephone calls prove to be very effective and much quicker than letters and notices. A push strategy is applied with them, which means that constant reminders and punitive steps must be taken to get them to pay.

“Silver and Gold” debtors must be managed to ensure they remain “good” paying debtors. These debtors requires a pull strategy, which means that we need to find out what services or products (internet banking, direct deposits, convenient

REVENUE MANAGEMENT STRATEGY

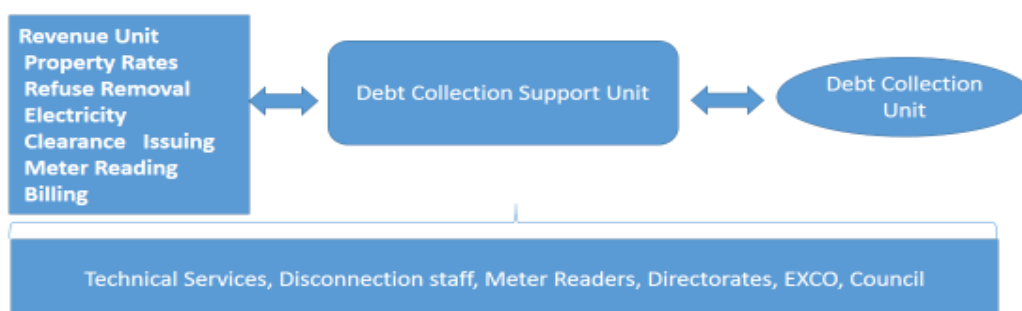
payments, electronic accounts, etc) they need to maintain and even improve their payment levels. A note thanking them for prompt and regular payments can be issued on a quarterly basis and the introduction of possible prize incentives.

SECTION FOUR - RESOURCE PLAN

4.1 HUMAN RESOURCES

The debt collection processes must be separated from the queries and administrative processes and matters. The reason for this is to ensure that the unit only focuses and performs collection actions. We need to eliminate the time consuming handling of queries and to obtain accurate records, personal and contact details of debtors. In order to achieve a systematic workflow it is proposed that the revenue unit be clustered into three separate units, comprising of the following:-

1. The existing revenue unit comprising electricity, property rates, clearance certificates, meter reading, billing.
2. The reconfiguration of the debt collection section to form the Debt Collection Support section that provides back office support (reconciliations, queries, *liaison with other departments, dealing with policy, etc) to the debt collection unit.
3. The existing debt collection office, with the focus on debt collection only. The functions of the proposed units are set out below.



REVENUE MANAGEMENT STRATEGY

4.1.1 Debt Collection Unit (DCU)

- The existing debt collection unit currently comprises of 3 recoveries clerks. The staff members must dedicate their time and energy only on the allocated accounts, build the necessary relations with the respective debtors and ensure that the debts are recovered in the shortest possible time.
- Other staff members should be allocated a portfolio or group account. In order to actively recover the debt we need to implement an incremental approach as discussed in Section Three. The “top 200” debtors strategy is proposed to start the effective collection drive.
- The DCU must perform debt collection tasks only and not be burdened with accounting and administrative tasks. Their focus from 7:30 am to 4:30 pm (extendable on arrangement with head of department) should be to contact the debtor, get him / her to make an arrangement or to pay the outstanding account.
- They should not only use the traditional collection tools, but also employ methods such as phone, fax, e-mail, sms, registered mail, notices, personal visits, news paper articles to create awareness, notices at schools, churches, businesses, shopping centres, etc.
- This unit must prepare disconnection / cut off lists on arrear debt and liaise with the revenue unit on their current account disconnection / cut offs to ensure co-ordination.
- The unit must manage arrangements and extensions, but no arrangements must be allowed on current accounts, which must be paid monthly.
- Prepare notices to debtors notifying them of intention to black list them with the credit bureaus.
- Prepare the summonses and hand over the accounts to attorneys and debt collectors, where internal collection efforts failed.
- The staff in the unit must be performance driven and clear collection targets must be set for each staff member.
- A project manager to be identified /appointed in the unit to drive the programme, prepares targets, produces management reports and liaises with other units and departments.

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4.1.2 Debt Collection Support Unit (DCS)

- The DCS should be constituted to provide technical support to the DCU. The purpose is to provide administrative and technical support to the DCU, in order to enable the latter to focus on debt collections only.
- The DCS must perform the analyses, reconciliations and the updating of missing information on debtors accounts, review deposits /security and hand over to DCU for collection. This unit becomes the back office of the debt collection programme.
- The analyses of the inactive and “return to sender” accounts can be reconciled by this unit and recommendations made on the finalisation thereof.
- Representatives can accompany the DCU to meetings with clients where queries are discussed.
- The unit must follow up the meter reading variances and inaccurate meters to ensure adjustments and corrections are effected on the system and debtors account.
- Follow ups must be made with the revenue section on the return to drawer (RD) cheques to ensure corrective measures are taken or the account is handed over to the DCU.
- Follow ups must be made monthly on the posting of accounts, to ensure all accounts are posted on time and “return to sender” accounts are eliminated.
- Follow ups should be made on clearance certificate problems, where payments were not received, surety’s not presented and all arrears not listed.

4.2 TECHNOLOGY AND SUPPORT SYSTEMS

An effective debt collection programme comprises of three main components, namely:-

- Legislative framework that creates a conducive environment and uniform approach.
- Human resources component with skilled and dedicated staff.
- Effective utilization of Technology.

Various computerized debt management systems exist in the market. It is imperative that Council investigates these systems for possible implementation to ensure efficient debt collection.

REVENUE MANAGEMENT STRATEGY

SECTION FIVE – PROPOSED ACTION PLAN



REVENUE MANAGEMENT STRATEGY

SECTION SIX – PROPOSED COMMUNICATION STRATEGY

The success of the revenue enhancement programme is based on three pillars, namely political and administrative buy-in, accurate data and effective communication. The development of a communication strategy is to ensure that roles, responsibilities and tasks are properly coordinated and managed. The communication strategy is focused on the revenue enhancement programme and the services that flow from it. The strategy must be incorporated into the municipalities existing communication programme with its stakeholders. This strategy does not replace existing communication methods and practices, but rather complements it.

6.1 STAKEHOLDER ANALYSIS

The main stakeholders of the municipality have been classified into five main groups, namely residential consumers, management, council, government departments and the business community. The various stakeholders have different information needs. The challenge in addressing their needs is to ensure that the right information is available at the right time for each stakeholder. The objective of information sharing is also to gain specific action or decisions from each stakeholder. When information is given to management it is mainly two reasons; to inform and to obtain decisions. The same principle applies to most of the other stakeholders except for residents and for businesses. In this instance we want to communicate plans, programmes, decision of council and matters that can or will affect them. The approach here is to select the right platform, media and intervals. The communication channels to be used will therefore differ between the stakeholders. Communication channels will range from public meetings, ward committee meetings, management and council meetings, newsletters, flyers, articles in the local newspapers and radio talk shows. Strategies will also be employed to create an interest in the articles to be submitted.

6.2 COMMUNICATION STRATEGY

6.2.1 Consumers

Information collection and dissemination

– Information on the revenue enhancement programme.

REVENUE MANAGEMENT STRATEGY

- Informing community about credit control, debt collection and indigent support programmes and policies.
- Information regarding the importance of paying for municipal services.
- Information regarding actions to be instituted against non-payment and defaulting clients.
- Information of consumer complaints and feed-back from the public on how to improve services and client relations.

Communication Channels

- Local media, where on a fortnightly basis an article is published in the local newspapers.
- Newsletters and flyers are circulated before collection drive start to encourage consumers to come in and make arrangements / pay their accounts.
- Monthly a notice can be printed on the municipal account with different messages.
- Attendance at ward committee meetings where consumer complaints and suggestions are heard and attended to. This platform must also be used to communicate the importance of paying municipal accounts and actions to be taken against defaulters.

Programme

- Articles must be drafted for publication in the above mentioned newspapers.
- Dates for ward committee meetings to be obtained to present the objective and roll out of the revenue enhancement programme. Once dates obtained the consortium and municipal management should be present at these meetings.
- Flyers to be issued with the monthly accounts – flyers to inform consumers to come to municipality if they don't receive accounts, incorrect accounts and to make arrangements to pay account.

6.2.2 Management

Information collection and dissemination

- Information on the revenue enhancement programme.

REVENUE MANAGEMENT STRATEGY

- Information about other programmes and support mechanisms. This will assist with coordination and integration of initiatives. Revenue Management is not a Finance Directorate function, but a function of management and politicians.
- Information of consumer complaints and feedback from the public on how to improve services and client relations.
- Information for management decisions to fast track the implementation and to unblock bottle necks.

Communication Channels

- Project Steering Committee that meet/ sits fortnightly.
- Management Meetings on a monthly basis.
- Attendance of ward committee meetings, meetings with the local business chamber, meetings with government departments, and other stakeholders where issues affecting the revenue enhancement programme is discussed.
- Radio Interviews.

Programme

- Project Steering Committee meetings should be held every second week, dates to be determined.
- Management meetings for 2017.
- Dates for ward committee meetings to be obtained to present the objective and roll out of the revenue enhancement programme. Once dates obtained the consortium and Municipal Management should be present at these meetings.
- Radio Interview accompanied by Senior Politicians.

6.2.3 Council

Information collection and dissemination

- Information on the revenue enhancement programme.
- Informing Council about credit control, debt collection, and indigent support programmes and policies. Council resolutions needed.

REVENUE MANAGEMENT STRATEGY

- Information regarding the importance of paying for municipal services. Councillors advocating payment for services and support for the revenue enhancement.
- Information of consumer complaints and feedback from the public on how to improve services and client relations.

Communication Channels

- Attendance at ward committee meetings where consumer complaints and suggestions are heard and attended to. This platform must also be used to communicate the importance of paying municipal accounts and actions to be taken against defaulters.
- Standing item of EXCO and Council agendas where progress, problems and decisions needed should be communicated.

Programme

- Dates for Ward Councillor public meetings to be obtained to present the objective and rollout of the revenue enhancement programme.
- Committees, EXCO and Council meetings scheduled for 2017.

6.2.4 Government

Information collection and dissemination

- Information on the revenue enhancement programme.
- Information on outstanding government debt.
- Information on disputes on ownership of land / buildings and amounts.
- Information on staff employed in departments.

Communication Channels

- Meetings with responsible officials and management to develop open communication channels.
- Sending accurate accounts to the right department and responsible official for payment.
- Presenting information and accounts in the required formats.
- Sending confirmations of payments received, and correct allocation / receipting (unallocated deposits, incorrect receipts, etc)

REVENUE MANAGEMENT STRATEGY

- Placing an article in newspaper about how government debt was resolved and support received from the relevant department.

Programme

- Weekly visits to the affected departments to address queries and complaints.
- Daily follow ups until all queries addressed and payments affected.
- Monthly hand delivery of accounts to identified official and manager for prompt payment.

6.2.5 Business

Information collection and dissemination

- Information on the revenue enhancement programme.
- Informing business about credit control, debt collection, and indigent support programmes and policies.
- Information regarding the importance of paying for municipal services.
- Information regarding actions to be instituted against non-payers and defaulters.
- Information of complaints and feedback from the business on how to improve services and client relations.
- Information on staff employed in business, branches, etc.

Communication Channels

- Meeting with Business Chamber to brief them and obtain buy in.
- Newsletters and flyers for possible advertisement and sponsorship by business.
- Monthly accounts to be reviewed to make provision for adverts and marketing by local and national business.
- Attendance of monthly business chamber meetings.

Programme

- Meeting with business chamber initially and thereafter monthly.
- Newsletters and flyers.
- Monthly accounts to be redesigned.

Ulundi Local Municipality

“The City of Heritage”



Subsistence and Travel Policy & Procedures

Version 02

Ulundi Local Municipality
Subsistence and Travel Policy and Procedures

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Ulundi Local Municipality Subsistence and Travel Policy and Procedures

1 POLICY OBJECTIVES

- 1.1 It is essential that officials of Ulundi Local Municipality from time to time travel to other cities, towns and regions in order to establish and maintain links and relationships with other related institutional organizations, government bodies, and other parties.
- 1.2 It is important for officials to broaden their knowledge and understanding of and compare local experiences in municipal sector, innovation and change in the rest of the country, and this can only be done effectively through the medium of personal contact with a wide range of key stakeholders.
- 1.3 In terms of the Income Tax Act (No.58 of 1962), officials traveling to other destinations for official business purposes need be granted an ad-hoc travel and subsistence allowance.
- 1.4 The object of this policy is to enforce the promulgated legislation in terms of ad-hoc travel and subsistence allowances, in order to set uniform guidelines for the officials of the Municipality.

2 GLOSSARY OF TERMS

For the purposes of this Policy, except where clearly indicated otherwise, the words and expressions set out below have the following meaning:

<i>“AO” or Accounting Officer</i>	The Municipal Manager as defined in the Municipal Finance Management Act, Act No 56 of 2003
<i>“Chief Financial Officer”</i>	The person appointed by the Council as Chief Financial Officer and includes any person acting in that position or to whom authority has been delegated.
<i>“Council”</i>	The Municipal Council, as referred to in Section 157 of the Constitution of the Republic of South Africa (Act 108 of 1996), of the Ulundi Local Municipality.
<i>“Councillor”</i>	Means the member of a Municipal Council.
<i>“Day”</i>	For the purposes of claiming travel and subsistence allowance per day by the Councillors or/and officials, a “day” means a completed period of twenty four (24) hours away from the normal place of domicile and employment on official business of the Municipality.
<i>“Head of Department”</i>	Means the official appointed by the Council to head a Department of the Municipality.
<i>“Daily Allowance”</i>	This is equivalent to the total allowance granted for meals and incidental cost for 24-Hours period or portion thereof to a minimum of 6 Hours after the first 24 Hours.
<i>“Incidental Costs”</i>	Expenses which are not necessarily incurred in performing the duties of employment whilst away on business (e.g. telephone cost, laundry cost, drinks, tips etc.)

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<i>“Meals”</i>	Any food / refreshment that an employee is entitled to whilst on official Municipality business away from the workplace.
<i>“Municipality”</i>	Means Ulundi Local Municipality.
<i>“Municipal Manager”</i>	The person appointed by the Council as Municipal Manager and includes any person acting in that position or to whom authority has been delegated.
<i>“SARS”</i>	South African Revenue Services.
<i>“Travel: Domestic”</i>	For purposes of this policy, domestic travel shall mean travel within South Africa.
<i>“Travel: International”</i>	For purposes of this policy, international travel shall mean travel to any country outside South Africa.
<i>“Subsistence Allowance”</i>	<p>Is an amount of money paid by the Municipality to a traveler incurred or to be incurred in respect of personal subsistence and incidental costs (e.g. snacks, refreshments, drinks and newspapers).</p> <p><i>NB. Subsistence Allowance does not cover any personal recreation expenses, such as visits to cinema, theatre or nightclubs or sightseeing.</i></p>
<i>“Travel Allowance”</i>	Is any amount paid or advanced given to an employee in respect of travelling expenses for business use.

3 PURPOSE

- 3.1 The purpose of this Policy is to prescribe the process to be followed by the Municipality for the payment of travel and subsistence allowances for official travelling, either to boundaries within the Municipality or beyond.

4 SCOPE OF APPLICATION

- 4.1 This policy is applicable to the following:
- (i) All Councillors of the Municipality
 - (ii) All officials of the Municipality

Who are travelling on the official business and as such are formal travelers of the Municipality.

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5 RESPONSIBILITIES OF OFFICIALS TRAVELLING ON BUSINESS TRIPS

- 5.1 Every staff member who travels on the business of the Municipality must comply with this policy in letter and in spirit.
- 5.2 Representatives who travel on the business of the Municipality must appreciate, at all times, that they are ambassadors for the Municipality, that their actions, conduct and statements must be in the best interests of Ulundi Local Municipality, and that they must comply with any specific mandates they have been given.
- 5.3 Consistent with the Municipality's performance monitoring and evaluation objectives, the Accounting Officer shall ensure that a database of all representatives and official traveling is kept.
- 5.4 For any official trip, a trip authorisation form (**refer to Annexure D**) shall be completed and approved prior to the trip being undertaken.
- 5.5 International trips shall be recommended by the Accounting Officer and final approval obtained from the full Council and, before each trip is undertaken.

6 EMPLOYEE TAX IMPLICATIONS

- 6.1 In terms of Schedule 7 of the Income Tax Act (No. 58 of 1962), the subsistence and travelling allowance is defined as remuneration in the employees' hands and subject to income tax.
- 6.2 There is a reasonable expectation that the responsible employee has incurred some expenditure as a result of such trip.
- 6.3 It is the responsibility of the employees to keep detailed and relevant records of all subsistence and travelling claims for tax purposes.

7 SUBSISTENCE AND TRAVEL ALLOWANCE

- 7.1 A subsistence and travel allowance is an amount of money paid by the Municipality to a representative to cover the following expenses:
 - (i) Meals (including reasonable gratuities);
 - (ii) Incidentals such as refreshments, snacks, drinks and newspapers; and;
 - (iii) All business related travel.
- 7.2 A subsistence allowance does not cover any personal recreation, such as visits to a gym, cinema, theatre, nightclubs or sightseeing.
- 7.3 Determination of the allowances shall be in respect of the period from the latest reasonable time at which it would be necessary for the traveler using the authorized form of transport to leave the ordinary place of residence or office in order to be present at the appointed time to the earliest reasonable time on or about which such traveler could, by using such transport, arrive back at the ordinary place of residence or office.

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- 7.4 The expenditure limits for subsistence (meal) allowance shall be set and approved by the full Council.
- 7.5 All expenditures incurred on official business shall be claimed within 30 days of return to the Municipality offices. (refer to Annexure C)

8 ENTITLEMENT TO SUBSISTENCE ALLOWANCE

- 8.1 A representative may claim a *daily subsistence allowance* as provided in this policy with the understanding that all authorized personal expenses are covered by the Subsistence Allowance.
- 8.2 No further expenses, with the exception of certain business expenses (see below), may be claimed.
- 8.3 The *subsistence allowance* may be claimed *without* the representative having to furnish proof of expenses.
- 8.4 Entertainment of external business associates, contacts, potential investors or clients, falls *outside* the scope of the subsistence allowance and will be separately reimbursed (subject to prior approval where applicable).
- 8.5 Where an official of the Municipality has an entertainment allowance, the entertainment of external business associates or contacts or other parties must be claimed against the entertainment allowance.
- 8.6 No subsistence allowance will be paid, and no representative will be entitled to a subsistence allowance, if the trip or travel is not related to the *official business* of the Municipality.
- 8.7 All traveling on business of the Municipality must be approved as such before a representative is entitled to a subsistence allowance.

9 ACCOMMODATION AND SUBSISTENCE ALLOWANCE

- 9.1 Representatives who travel on the business of the Municipality, where the business unavoidably entails one or more nights to be spent away from home, may stay in a hotel, motel, guesthouse or bed and breakfast establishment.
- 9.2 Although the policy does not specify any grading for the specific accommodation required, representatives must refrain from any extravagance. **But certainly the accommodation should be of an acceptable standard for all Municipality officials. Selection of accommodation must however be judged on availability, location, suitability, safety, etc.**
- 9.3 The actual cost of accommodation will be borne by the Municipality, subject to a **maximum of R1,500 per night**, where such accommodation is not available, the rate for a **single room** will be payable.

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- 9.4 A daily allowance, at the SARS rate, to defray **incidental costs only** (deemed to have been expended) will be paid in advance to the amount as **announced and gazetted annually in February by the Minister of Finance**, to the recipient where the official business trip is in the Republic of South Africa (domestic travel). Any amount over and above the prescribed amount, if for whatever reason approved by Municipality, will be taxable.
- 9.5 A daily allowance, at the SARS rate, to defray **meals and incidental costs** (deemed to have been expended) will be paid in advance to the amount **as announced and gazetted annually in February by the Minister of Finance**, to the recipient where the official business trip is in the Republic of South Africa (domestic travel). Any amount over and above the prescribed amount, if for whatever reason approved by Municipality, will be taxable.
- 9.6 If a municipal official stays with a relative or friend, no accommodation allowance may be claimed, however, the representative may, in addition to the applicable subsistence allowance, an all inclusive (accommodation and meals) taxable **amount of R350.00 (Three Hundred and Fifty Rand) per day may be claimed as a private accommodation allowance**
- 9.7 Employees or municipal officials may only be allowed to claim for accommodation if the destination is **beyond a radius of 250 kilometres** from the local area of the Municipality.
- 9.8 In cases where Municipality's officially appointed travel agent did not make the reservation, payments of overnight accommodation for representatives shall be paid directly into the account of the hotel or guesthouse.
- 9.9 Requests for reservations and payments must be submitted by the relevant official **at least seven days** prior to embarking on an official trip to enable the administration sufficient time to process the reservation and payment. This is to avoid unnecessary inconvenience to all parties concerned.
- 9.10 In the event where an official is unable to make use of the meals provided due to religious convictions, the reimbursement for alternative meals shall be dealt with on an *ad hoc basis* with the authorisation of the Accounting Officer or his delegated authority.

10 SUBSISTENCE ALLOWANCE IF TRAVEL IS FOR A DAY OR PART OF THE DAY WITHOUT AN OVERNIGHT STAY

- 10.1 If a official is on the business of the Municipality outside the boundaries of the Municipality for a day or part of a day in circumstances not requiring the night to be spent away (*absence of more than 6 Hours and less than 24 Hours*), a **subsistence allowance of R80 per day** is payable.
- 10.2 No subsistence allowance will be payable to representatives attending courses and seminars where all their physical needs are catered for.
- 10.3 Miscellaneous expenses including laundry, bus fares, toll and parking fees shall be paid by the Municipality upon submission of proof, both within and outside the boundaries of South Africa.

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10.4 Foreign expenditure shall be linked to the applicable exchange rate.

11 CAR HIRE/MUNICIPALITY VEHICLES

11.1 In all cases, the most economical way of transport must be utilized.

11.2 Only category "A" or "B" vehicles may be rented, unless it is more cost effective to hire a more expensive vehicle, for example; where the number of representatives involved could justify the hire of a microbus.

11.3 **Any exception** to this rule will necessitate the Accounting Officer's approval.

11.4 Car rental must be approved as part of the travel package before the trip is embarked on.

11.5 Individual staff members using a hired car shall, in his *personal capacity*, be responsible for any traffic fines and other non-compliances with the National Road Traffic laws and regulations.

11.6 A municipal employee who rents a vehicle whilst travelling on the business of the Municipality *without* having received authorization will only be reimbursed for the cost of the rented vehicle *if proof of expenditure can be produced*, the municipal employee can demonstrate that the vehicle was necessitated under the circumstances, the cost was reasonable and condoned by the Accounting Officer or his/her delegated authority.

12 PRIVATE TRANSPORT

12.1 Where the Municipality official intends using his/her privately owned vehicle for the official trip, this shall be approved/authorised by the Accounting Officer, prior to the use of a private transport.

12.2 If a municipal official has to utilize his/her personal motor vehicle outside the boundaries of Ulundi Municipality, he/she will be reimbursed at rate of R3.50 per kilometre.

12.3 If municipal official does not have a car allowance and has to utilise his/hers own motor vehicle outside the boundaries of Ulundi Municipality, he/she will be reimbursed at rate of R4.00 per kilometre

12.4 Where the total number of kilometers for which such reimbursement is received **exceeds 8,000** in a tax year, reimbursement for the excess kilometres over 8,000 must be taxed for PAYE purposes, subject to changes in the annual tax thresholds.

12.5 The distance to which the reimbursement applies, must be the shortest distance between the departure and arrival points.

12.6 Where the possibility arises, representatives must travel together, up to a maximum of four people per vehicle, to minimize travelling expenses.

Ulundi Local Municipality Subsistence and Travel Policy and Procedures

13 CLASS OF AIR TRAVEL

13.1 All flights taken by the representatives of the Municipality shall be in **economy class**.

13.2 However, in cases where the Accounting Officer and/or Senior Directors, form part of or accompany ministerial delegations, they may be allowed to fly on business class.

14 INTERNATIONAL (FOREIGN) TRAVEL

14.1 *General provisions (meals, parking, toll fees, laundry and dry cleaning)*

- (i) Any representative embarking on an overseas visit must request his/her subsistence allowance not later than **7 (seven) working days** before actual date of departure.
- (ii) For consistency, the value of the subsistence will be calculated against an exchange rate obtained from Municipality's official bankers as listed 5 (Five) working days before the actual departure date indicated on the plane ticket or reservation which must accompany the request for subsistence.
- (iii) This exchange rate will be according to the currency of the specific country to be visited.

14.2 *Actual expenditure allowance*

- (i) The reasonable actual miscellaneous expenses will be refunded against proof (receipt/invoice) of payment as approved per paragraph 15 (1).
- (ii) On return from overseas visits, the representatives must submit a report to the related HOD, who shall in turn present a written report to the Municipal Manager to be tabled on the next Council meeting regarding the value, experience and benefits achieved.

14.3 *Compulsory vaccination, medical examinations and medicines prior to trip*

- (i) The Municipality official travelling on an official business visit will be required to arrange his/her own vaccinations, medications prior to embarking on a trip. The cost of such prior trip expenditures incurred will be **reimbursed** by the Municipality on the actual cost basis, upon producing a valid tax invoice from the service provider.

14.4 *Exchange Rates and costs incurred regarding exchange rates*

- (i) The Municipality will reimburse the costs of visas for countries to be visited in accordance with the official visit.
- (ii) The actual miscellaneous expenses will be refunded against proof (receipt/invoice) of payment.

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14.5 Travelling documents and residential permits

- (i) The Municipality will reimburse the costs of visas for countries to be visited in accordance with the official visit.
- (ii) The actual miscellaneous expenses will be refunded against proof (receipt/invoice) of payment.

15 SUBSISTENCE AND TRAVEL ALLOWANCE FOR PERSONS INVITED FOR INTERVIEWS

- 1.1 No subsistence allowance is payable to any candidate attending interviews with the Municipality.
- 1.2 Travelling costs may be paid for candidates coming from areas outside the Municipal boundaries to attend interviews.

16 APPROVED SUBSISTENCE THRESHOLDS

16.1 The following subsistence thresholds payable by the Municipality are applicable:

- (i) Travelling abroad South Africa – applicable rates are dependent on country-to-country, subject to ruling exchange rates applicable.
- (ii) Travelling within South Africa – R260 per day for meals and incidentals.
- (iii) Travelling within South Africa – R80 per day for incidentals only.

16.2 The approved rates shall be reviewed by the Accounting Officer at least once annually.

17 AUTHORISATION

- 17.1 For purposes of implementing this policy, any approval for subsistence or visits outside the borders of the Municipality must be in accordance with Municipality's existing delegated powers and functions.
- 17.2 An invitation to attend a workshop, meeting or related event is not an automatic authorization to attend such a workshop or event. The required authorization must still be obtained from the Accounting Officer.
- 17.3 Municipal official any conference, workshop or meeting must ensure that they arrive on time and attend until the conclusion of such event.
- 17.4 If any representative fails to do so, the Chief Financial Officer together with his/her HOD or the Accounting Officer, as the case may be, may recover all allowances and disbursements paid to enable said municipal official to attend such event, provided that said municipal official is afforded an opportunity to submit reasons for not being able to be present from the commencement to conclusion of such event.

18 LEGAL REQUIREMENTS

18.1 This policy is developed and guided by the following legal frameworks:

- (i) Constitution of the Republic of South Africa (Act 108 of 1996)
- (ii) Income Tax Act (No. 58 of 1962)
- (iii) Labour Relations Act (No. 66 of 1995)
- (iv) Guidelines for Employers, 2005, South African Revenue Services
- (v) Municipal Finance Management Act, Act No 56 of 2003
- (vi) Remuneration of Public Office Bearers Act (Act of 1998)
- (vii) Public Service Regulations of 2001
- (viii) Budget Speeches

19 COMMENCEMENT

19.1 This Policy shall take effect on(date)

**Ulundi Local Municipality
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**ANNEXURE "A": DRAFT SOUTH AFRICAN REVENUE SERVICE DIRECTIVE
DRAFT SOUTH AFRICAN REVENUE SERVICE**

DETERMINATION OF THE DAILY AMOUNT IN RESPECT OF MEALS AND INCIDENTAL COSTS FOR PURPOSES OF SECTION 8(1) OF THE INCOME TAX ACT, 1962 (ACT NO. 58 OF 1962)

By virtue of the powers vested in me by Section 8(1) (c) (ii) of the Income Tax Act, 1962 (Act No. 58 of 1962), I, George Ngakane Virgil Magashula, Commissioner for the South African Revenue Service, hereby determine in the Schedule hereto the amounts which shall be deemed to have been actually expended by a person in respect of meals and incidental costs for the purposes of Section 8(1) (a) (i) (bb) of that Act.

The amounts determined in this notice apply in respect of the year of assessment commencing 1 March 2013.

GNV MAGASHULA

COMMISSIONER FOR THE SOUTH AFRICAN REVENUE SERVICE

SCHEDULE

1. Unless the context otherwise indicates, any word or expression to which a meaning has been assigned in the Income Tax Act, 1962, bears the meaning so assigned.
2. The following amounts will be deemed to have been actually expended by a recipient to whom an allowance or advance has been granted or paid —
 - (a) Where the accommodation, to which that allowance or advance relates, is in the Republic and that allowance or advance is paid or granted to defray:
 - Incidental costs only, an amount equal to R98.00 per day; or
 - The cost of meals and incidental costs, an amount equal to R 319.00 per day; or
 - (b) Where the accommodation, to which that allowance or advance relates, is outside the Republic and that allowance or advance is paid or granted to defray the cost of meals and incidental costs, an amount per day determined in accordance with the following table for the country in which that accommodation is located —

Country	Currency	Special Daily Allowance	
		Head of Department	Other Employees
Albania	Euro	97	
Algeria	Euro	136	
Angola	US \$	191	
Antigua and Barbuda	US \$	220	
Argentina	US \$	75	
Armenia	US \$	279	

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Country	Currency	Special Daily Allowance	
		Head of Department	Other Employees
Austria	Euro	108	
Australia	Australian \$	175	
Azerbaijani	US \$	145	
Bahamas	US \$	191	
Bahrain	B Dinars	36	
Bangladesh	US \$	79	
Barbados	US \$	202	
Belarus	Euro	117	
Belgium	Euro	124	
Belize	US \$	152	
Benin	Euro	89	
Bolivia	US \$	53	
Bosnia-Herzegovina	Euro	112	
Botswana	Pula	799	
Brazil	US \$	133	
Brunei Darussalam	US \$	88	
Bulgaria	Euro	89	
Burkina Faso	Euro	100	
Burundi	US \$	138	
Cambodia	US \$	90	
Cameroon	Euro	100	
Canada	Canadian \$	157	
Cape Verde Islands	Euro	65	
Central African Republic	Euro	94	
Chad	Euro	121	
Chile	US \$	129	
China (People's Republic)	Renminbi	939	
Colombia	US \$	94	
Comoro Island	Euro	125	
Cook Islands	New Zealand \$	217	
Cote D'Ivoire	Euro	96	

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Country	Currency	Special Daily Allowance	
		Head of Department	Other Employees
Costa Rica	US \$	102	
Croatia	Euro	108	
Cuba	US \$	123	
Cyprus	Euro	117	
Czech Republic	Euro	89	
Democratic Republic of Congo	US \$	288	
Denmark	Danish Kroner	1442	
Djibouti	US \$	99	
Dominican Republic	US \$	99	
Ecuador	US \$	121	
Egypt	US \$	118	
El Salvador	US \$	72	
Equatorial Guinea	Euro	130	
Eritrea	Nakfa	1630	
Estonia	Euro	91	
Ethiopia	US \$	64	
Fiji	US \$	110	
Finland	Euro	174	
France	Euro	156	
Gabon	CFA	1124	
Gambia	Euro	105	
Georgia	US \$	95	
Germany	Euro	125	
Ghana	US \$	129	
Greece	Euro	130	
Grenada	US \$	151	
Guatemala	US \$	108	
Guinea	Euro	78	
Guinea Bissau	Euro	85	
Guyana	US \$	118	
Haiti	US \$	109	

**Ulundi Local Municipality
Subsistence and Travel Policy and Procedures**

Country	Currency	Special Daily Allowance	
		Head of Department	Other Employees
Honduras	US \$	166	
Hong Kong	Hong Kong \$	1 000	
Hungary	Euro	87	
Iceland	ISK	21 478	
India	Indian Rupee	5 900	
Indonesia	US \$	86	
Iran	US \$	105	
Iraq	US \$	125	
Ireland	Euro	240	
Israel	US \$	162	
Italy	Euro	120	
Jamaica	US \$	151	
Japan	Yen	17 984	
Jordan	US \$	187	
Kazakhstan	US \$	128	
Kenya	US \$	113	
Kiribati	Australian \$	233	
Korea	US \$	182	
Kuwait (State of)	Kuwaiti Dinars	45	
Kyrgyzstan	US \$	172	
Laos	US \$	95	
Latvia	US \$	151	
Lebanon	US \$	141	
Lesotho	Rand	750	
Liberia	US \$	143	
Libya	US \$	112	
Lithuania	Euro	154	
Macau	Hong Kong \$	1 196	
Macedonia (Former Yugoslav)	Euro	100	
Madagascar	Euro	105	
Madeira	Euro	290	

**Ulundi Local Municipality
Subsistence and Travel Policy and Procedures**

Country	Currency	Special Daily Allowance	
		Head of Department	Other Employees
Malawi	Malawi Kwacha	21 699	
Malaysia	Ringgit	377	
Maldives	US \$	202	
Mali	Euro	182	
Malta	Euro	132	
Kuwait (State of)	Kuwaiti Dinars	45	
Kyrgyzstan	US \$	172	
Laos	US \$	95	
Latvia	US \$	151	
Lebanon	US \$	141	
Lesotho	Rand	750	
Liberia	US \$	143	
Libya	US \$	112	
Lithuania	Euro	154	
Macau	Hong Kong \$	1 196	
Macedonia (Former Yugoslav)	Euro	100	
Madagascar	Euro	105	
Madeira	Euro	290	
Malawi	Malawi Kwacha	21 699	
Malaysia	Ringgit	377	
Maldives	US \$	202	
Mali	Euro	182	
Malta	Euro	132	
Niue	New Zealand \$	252	
Norway	NOK	1 854	
Oman	Rials Omani	69	
Pakistan	Pakistani Rupees	6 307	
Palau	US \$	252	
Palestine	US \$	147	
Panama	US \$	105	

**Ulundi Local Municipality
Subsistence and Travel Policy and Procedures**

Country	Currency	Special Daily Allowance	
		Head of Department	Other Employees
Papua New Guinea	Kina	285	
Paraguay	US \$	63	
Peru	US \$	133	
Philippines	US \$	130	
Poland	Euro	94	
Portugal	Euro	101	
Qatar	Qatar Riyals	651	
Republic of Congo	Euro	149	
Reunion	Euro	164	
Romania	Euro	76	
Russia	Euro	171	
Swaziland	Rand	818	
Sweden	Swedish Krona	1 220	
Switzerland	S Franc	208	
Syria	US \$	112	
Taiwan	New Taiwan \$	3 355	
Tajikistan	US \$	108	
Tanzania	US \$	101	
Thailand	Thai Baht	4 568	
Togo	Euro	78	
Tonga	Pa'anga	231	
Trinidad & Tobago	US \$	213	
Tunisia	Tunisian Dinar	134	
Turkey	Euro	96	
Turkmenistan	US \$	125	
Tuvalu	Australian \$	339	
Uganda	US \$	87	
Ukraine	Euro	99	
United Arab Emirates	Dirhams	642	
United Kingdom	B Pounds	124	
Uruguay	US \$	145	

**Ulundi Local Municipality
Subsistence and Travel Policy and Procedures**

Country	Currency	Special Daily Allowance	
		Head of Department	Other Employees
USA	US \$	160	
Uzbekistan	Euro	117	
Vanuatu	US \$	173	
Venezuela	US \$	233	
Vietnam	US \$	86	
Yemen	US \$	94	
Zambia	US \$	119	
Zimbabwe	US \$	120	
Countries not listed	US \$	215	

**Ulundi Local Municipality
Subsistence and Travel Policy and Procedures**

**ANNEXURE "B": CLAIM FOR UTILISATION OF VEHICLE IN TERMS OF THE
SUBSISTENCE AN TRAVEL POLICY**

**CLAIM FOR UTILISATION OF VEHICLE IN TERMS OF THE
SUBSISTENCE AND TRAVEL POLICY**

A. DETAILS OF CLAIM

1.1 MILEAGE CLAIM:

NAME: _____

PERSAL NO.: _____

VEHICLE MAKE AND MODEL: _____

ENGINE CAPACITY: _____

TARIFF: _____

TOTAL OFFICIAL KILOMETERS TRAVELLED _____ **KM**

AMOUNT OF CLAIM: _____ **(TOTAL KILOMETERS) X** _____

CENTS PER KM = R _____

1.2 CLAIM FOR OTHER EXPENSES (TOLL FEES, LUNCH, DINNER, ETC)

EXPENSES INCURRED: _____

TOLL FEES FOR : _____

TOTAL CLAIM FOR OTHER EXPENSES _____

1.3 TOTAL OF EXPENSES (A + B)

TOTAL OF SECTION A _____ **+**

TOTAL OF SECTION B _____ **=**

TOTAL CLAIM AMOUNT _____

B. DECLARATION

I certify that the details above are correct:

SIGNATURE OF CLAIMANT

POSITION

DATE

**Ulundi Local Municipality
Subsistence and Travel Policy and Procedures**

C. APPROVAL

I certify that the official trips were necessary and in the interest of the Municipality.

Payment approved/amended/turned down

SIGNATURE OF HEAD OF DEPARTMENT

POSITION

DATE:

D. PAYMENT CHECK

I certify that the claim has been checked and that the calculations made are accurate.

**SIGNATURE
CHIEF FINANCIAL OFFICER**

**SIGNATURE
MUNICIPAL MANAGER/or DELEGATED OFFICIAL**

DATE



**ANNEXURE "D": TRIP AUTHORITY TRIP
TRIP AUTHORITY FORM**

Applicant's particulars:

Employee No.....
Title.....Name.....
Private / Subsidised /SMS Vehicle Request
Business Department.....

Cell Number
Surname.....

Purpose of Journey:

.....
.....
.....

Date from..... To.....

Place of Departure..... Place of Arrival.....

Make of Vehicle Engine Capacity

Approval of Trip

Signature of applicant..... Date

Name of authorized official Date.....

Signature of authorized official.....

Trip authority forms must be approved prior to the trip being conducted

FLIGHT, VEHICLE HIRE, AND ACCOMMODATION REQUEST FORM



Applicant’s particulars:

Employee No:.....Cell Number

Title:.....Name..... Surname.....

Department:.....

Flight Arrangements Ref.....

1. From Airport Flight number.....
Date and Time of Departure.....

2. To Airport..... Time of Arrival.....

Flight Arrangements (Return)

3. From Airport Flight number.....
Date and Time of Departure.....

4. To Airport..... Time of Arrival.....
Special Arrangements.....

Vehicle Hire Request Ref.....

5. Place of Departure..... Date and time needed.....

6. Special Arrangements.....

7. Place of Arrival..... Date and time of Return.....

8. Approximate kilometers to be travelled

Accommodation Request Ref.....

City /Town..... Preferred hotel.....

Date of arrival..... Date of Departure.....

Special Arrangements.....

Ulundi Local Municipality

“The City of Heritage”



Rates Policy

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i) IN THE EVENT OF VACANT LAND PURCHASED, REGISTERED AND TRANSFERRED TO THE NAME OF THE PURCHASER SHOULD WITHIN A PERIOD OF TWO (2) YEARS ERECT OR CONSTRUCT OR DEVELOP, FAILING WHICH THE COUNCIL HAS THE RIGHT IN TERMS OF THE SALE AGREEMENT SIGNED BY BOTH PARTIES TO DISPOSE OFF THE VACANT LAND TO ULUNDI MUNICIPALITY WITHOUT FURTHER NOTICE TO THE OTHER PARTY.	19
(ii) SHOULD THE OWNER OF A VACANT PROPERTY DESIRE TO SURRENDER THE PROPERTY TO THE MUNICIPALITY FOR ANY REASON(S) HE/SHE CAN DO SO IN WRITING AND ADDRESS SUCH REQUEST TO THE MUNICIPAL MANAGER. FURTHER, BILLING OF PROPERTY RATES AND OTHER SERVICES TO THE SAME PROPERTY SHALL BE DISCONTINUED AND THE ACCUMULATED DEBT SHALL BE WRITTEN OFF ON TRANSFER OF THE PROPERTY BACK INTO THE MUNICIPALITY’S NAME.	19
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GLOSSARY OF TERMS

TERM	DEFINITION
“ULM”:	Ulundi Local Municipality
“AO”:	Accounting Officer (i.e. Municipal Manager)
“CFO”:	Means the Chief Financial Officer of the Municipality, being a person designated in terms of Section 80 (2) (a) of the MFMA, or his/her nominee.
“HOD”:	Head of Department
“IAS”:	International Accounting Practice
“MFMA”:	Municipal Finance Management Act (No. 56 of 2003)
“MM”:	Municipal Manager (i.e. Accounting Officer)
“MSA”:	Municipal Systems Act (No. 32 of 2000)
“MPRA”	Municipal Property Rates Act (Act 6 of 2004)

1 PREAMBLE

- 1.1 Ulundi Local Municipality (the Municipality) has resolved to levy property rates based on the market values of all rateable properties within its jurisdiction, as reflected in its property valuation roll.
- 1.2 The Municipality may impose rates on property in terms of Section 229 of the Constitution of the Republic of South Africa; Section 2(1) of the Municipal Property Rates Act (Act No. 6 of 2004) (MPRA) and in so doing must exercise the power to levy rates in accordance with Section 229 of the Constitution.
- 1.3 Section 2(3) of MPRA requires a municipality to develop and implement a Rates Policy. Section 62 (1)(f)(ii) of the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Manager must ensure that the Municipality has and implements a Rates Policy.
- 1.4 Revenue raised from property rates shall be used to fund services that benefit the community as a whole as opposed to individual households, and these services include, but not limited to:
 - (i) Maintenance of streets, roads, sidewalks, lighting and storm drainage facilities.
 - (ii) Municipal and recreational facilities.
 - (iii) Cemeteries and
 - (iv) Municipal administration.

2 LEGISLATIVE CONTEXT

- 2.1 In terms of Section 229 of the Constitution, a Municipality may impose rates on property.
- 2.2 In terms of Section 4(1) (c) of the Municipal Systems Act, a Municipality has a right to finance the affairs of the Municipality by imposing, inter alia, rates on property.
- 2.3 In terms of Section 2(1) of the MPRA, a local municipality may levy a rate on property in its area of jurisdiction in accordance with other provisions of the MPRA.
- 2.4 This policy must be read together with, and is subject to the provisions of the MPRA and the Rates By-Laws.
- 2.5 In terms of Section 8 (1) of the MPRA, the municipality is levying rates on the use of the property.

3 DEFINITIONS

3.1 All words and phrases in this policy shall have the same meaning and interpretation as assigned in terms of the Local Government: Municipal Property Rates Act, Act 6 of 2004, and unless the context indicates otherwise:-

TERM	DETAIL
Agent	In relation to the owner of the property, means a person appointed by the owner of the property: <ul style="list-style-type: none"> (a) To receive rental or other payments in respect of the property on behalf of the owner; or (b) To make payments in respect of the property on behalf of the owner.
Agricultural Property	Property that is used primarily for agricultural purposes but, without derogating from section 9 of the Act, excludes any portion thereof that is used commercially for the hospitality of guests, and excludes the trading in or hunting of game.
Agricultural purpose	In relation to the use of a property, excludes the use of a property for the purpose of ecotourism or for the trading in or hunting of game.
Annually	Means once every financial year.
Appeal board	Means a valuation appeal board established in terms of section 56 of the Act.
Bed and Breakfast	Means a commercial accommodation establishment with less than or equal to 4 bedrooms available to guests.
Business Commercial property	<p>or Means –</p> <ul style="list-style-type: none"> (a) Property used for the activity of buying, selling, or trading in commodities or services and includes any office or other accommodation on the same property, the use of which is incidental to such activity. (b) Property on which the administration of the business of private or public entities takes place. (c) property used for the provision of commercial accommodation. (d) Property excluded from any other category of property.
Category	<ul style="list-style-type: none"> (a) In relation to property, means a category of property determined in terms of section 8 of the Act; and (b) In relation to owner of property, means a category of owner determined in terms of section 15 (2) of the Act and this Property Rates policy.
CFO	Means the Chief Financial Officer of the Municipality, being a person designated in terms of Section 80(2)(a) of the MFMA, or his/her nominee.

Ulundi Local Municipality Rates Policy

Child Headed Household (Category of Owner of Property)	Means a household recognized as such in terms of section 137 of the Children's Amendment Act, 41 of 2007.
Commercial accommodation	Means lodging or board and lodging, together with domestic goods and services, in any house, flat, apartment, room, hotel, motel, Inn, guesthouse, Bed & Breakfast, boarding house, residential establishment, holiday accommodation, student accommodation, unit, chalet, tent, caravan, camping site or similar establishment which is regularly or systematically supplied but excludes a dwelling supplied in terms of an agreement for letting and hiring thereof.
Communal property	<p>Means a separately registered property, where the property is predominately used for Rural Residential purposes.</p> <p>A communal property may also be used for more than one purpose including agricultural property, public service purpose, state trust land, commercial, industrial, residential, and other non-residential property, etc. and categorized as multiple purposes in terms of 8 (2) (i) which, in the case of a property used for multiple purposes, the use will be assigned to the applicable category of property, the associated value apportioned and rates determined accordingly, as contemplated in section 9 (2) of the Act.</p> <p>A Communal property's land extent can vary and be adjusted according to the apportioned category and associated land extents as determined from time to time by the municipal valuer.</p>
Constitution	A body of fundamental principles or established precedents according to which our State is governed and as embodied and promulgated per Act 108 of 1996.
Data-collector	Means a person designated as a data-collector in terms of section 36 of the Act.
Date of valuation	Means the date determined by a municipality in terms of section 31(1) of the Act.
Disabled (Category of Owner of Property)	Means a person who qualifies to receive relief in terms of the Social Services Act, 1992 (Act No. 59 of 1992) or has been certified as disabled by a medical practitioner and qualifies in terms of the income threshold as defined in the Council's Customer Care Policy or Indigent Policy.
Disaster (Deals with the treatment of the Category of Owner of Property)	Means a disaster within the meaning of the Disaster Management Act (Act 57 of 2002) or any other serious adverse social or economic condition as adopted by a Council resolution from time to time.

Ulundi Local Municipality Rates Policy

Disaster area (Deals with the treatment of the Category of Owner of Property)	Means owners of property situated within an area affected by: (a) a disaster within the meaning of the Disaster Management Act 57 of 2002. (b) any other serious adverse social or economic conditions;
Dominant use	Means a property used for more than one purpose subject to section 9 (1) (b) of the Act and refers to the primary and predominant use of the property when viewed overall. This means that the category of property for rating will be based on the predominant use with a single value, a single category of property and a single “rate” applied for rating. (a) The dominant use approach will be applied to developed property located within the area of an approved town planning scheme granted in terms of any planning law. (b) The calculation of the dominant use is the highest percentage use of all actual uses determined by using the gross building area. (c) The dominant use category of property as calculated in (b) above will then be applied for the levying of rates. (d) The dominant use approach may not be used for – (i) Communal property used for multiple purposes, or (ii) For property used for multiple purposes where there is a large surplus land holding and the dominant use cannot be calculated on gross building area, or (iii) For property where there are ratable and non-ratable portions (partial exemptions), The alternative “apportionment” approach as contemplated under s9 (2) must then be used for properties used for multiple purposes.
Effective date	(a) In relation to a valuation roll, means the date on which the valuation roll takes effect in terms of section 32(1) of the Act; or (b) In relation to a supplementary valuation roll, means the date on which a supplementary valuation roll takes effect in terms of section 78(2)(b) of the Act.
Equitable treatment of ratepayers	Means the fair, just and impartial treatment of all ratepayers.
Exclusion	In relation to a municipality’s rating power, means a restriction of that power as provided for in section 17 of the Act.

Ulundi Local Municipality Rates Policy

Exemption	In relation to the payment of a rate, means an exemption granted by a municipality in terms of section 15 of the Act.
Financial year	Means the period starting from 1 July in a year to 30 June the next year.
Guest House	Means a commercial accommodation establishment with between 5 and 10 bedrooms available to guests.
Income Tax Act	Means the Income Tax Act, 1962 (Act No. 58 of 1962).
Indigent owner (Category of Owner of Property)	Means an owner of a property earning less than a gross income as determined by the municipality in its Indigent Policy.
Industrial Property	Means property used for a branch of trade or manufacturing, production, assembly, or processing of finished or partially finished products from raw material or fabricated parts in respect of which capital and labour are involved, and includes:- (a) The production of raw products on the property. (b) The storage and warehousing of products; and (c) Any office or other accommodation on the same property the use of which is incidental to such activity.
Land reform beneficiary (Category of owner of property)	In relation to a property read with section 17 (1) (g) of the Act, means a person who: (a) acquired the property through - <ul style="list-style-type: none"> (i) the Provision of Land and Assistance Act, 1993 (Act No. 126 of 1993); or (ii) the Restitution of Land Rights Act, 1994 (Act No. 22 of 1944). (b) holds the property subject to the Communal Property Associations Act, 1996 (Act No. 28 of 1996); or (c) holds or acquires the property in terms of such other land tenure reform legislation as may pursuant to section 25(6) and (7) of the Constitution be enacted after the Act has taken effect.
Land tenure right	A land tenure right as defined in section 1 of the Upgrading of Land Tenure Rights Act, 1991 (Act No. 112 of 1991)
Legal entity	In law an entity is something which can bear legal rights and obligations, has a distinct separate existence.

Ulundi Local Municipality Rates Policy

Local community	<p>In relation to a municipality:</p> <p>(a) means that body of persons comprising:</p> <ul style="list-style-type: none">(i) the residents of the municipality.(ii) the ratepayers of the municipality.(iii) any civic organisations and non-governmental, private sector or labour organisations or bodies which are involved in local affairs within the municipality; and(iv) visitors and other people residing outside the municipality who, because of their presence in the municipality, make use of services or facilities provided by the municipality. <p>(b) includes, more specifically, the poor and other disadvantaged sections of such body of persons.</p>
Local municipality	<p>Means a municipality that shares municipal executive and legislative authority in its area with a district municipality within whose area it falls, and which is described in section 155(1) of the Constitution as a category B municipality.</p>
Market value	<p>In relation to a property, means the value of the property determined in accordance with section 46 of the Act.</p>
Mining property	<p>A property used for mining operations as defined in the Mineral and Petroleum Resources Development Act, 2002 (Act No 28 of 2002);</p>
Minister	<p>Means the cabinet member responsible for local government.</p>
Municipal Council or Council	<p>Means the Municipal Council of Ulundi Municipality.</p>
Municipal Finance Management Act	<p>Means the Local Government: Municipal Finance Management Act 2003 (Act No. 56 of 2003).</p>
Municipal Manager	<p>Means a person appointed in terms of section 82 of the Municipal Structures Act.</p>
Municipal owned property	<p>Means property owned by the municipality.</p>
Municipal leases	<p>Means property owned by the municipality and leased to another party. The municipality reserves the right to recover municipal rates against all properties registered in the name of the municipality over which a portion or all of its property is leased</p>

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either through an existing lease agreement where rates are exclusive or through the provisions of the Act. Rates payable will be based on the rates category and market value as contained in the Valuation Roll.

Municipal Structures Act	Means the Local Government: Municipal Structures Act, 1988 (Act No. 117 of 1998).
Municipal valuation	Means a valuation of a ratable property within the municipal area by the Municipal Valuer in terms of the Act.
Municipal Valuer	Means a person designated as a Municipal Valuer in terms of section 33(1) of the Act.
National Building Regulations (NBR)	Means the National Building Regulations and standards Act No. 103 of 1977, as amended.
Occupier	In relation to a property, means a person who occupies the property, whether that person has a right to occupy the property.
Office Bearer	In relation to places of public worship, means the primary person who officiates at services at the place of worship. In relation to places of public worship –
Official residence	(a) a portion of the property used for residential purposes; or (b) one residential property, if the residential property is not located on the same property as the place of worship, Registered in in the name of a religious community or registered in the name of a trust established for the sole benefit of a religious community and used as a place of residence for the office bearer;
Organ of state	Means an organ of state as defined in section 239 of the Constitution. (a) any department of state or administration in the national, provincial, or local sphere of government; or (b) any other functionary or institution— (i) exercising a power or performing a function in terms of the Constitution or a provincial constitution; or (ii) exercising a public power or performing a public function in terms of any legislation but does not include a court or a judicial officer.
Owner	(a) In relation to a property referred to in paragraph (a) of the definition of property, means a person in whose name ownership of the property is registered. (b) In relation to a right referred to in paragraph (b) of the definition of <i>property</i> , means a person in whose name the right is registered.

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- (i) in relation to a time-sharing interest contemplated in the Property Time-sharing Control Act, 1983 (Act No. 75 of 1983), means the management association contemplated in the regulations made in terms of section 12 of the Property Time-sharing Control Act, 1983, and published in Government Notice R327 of 24 February 1984.
 - (ii) in relation to a share in a share block company, the share block company as defined in the Share Blocks Control Act, 1980 (Act No. 59 of 1980).
 - (iii) in relation to buildings, other immovable structures and infrastructure referred to in section 17(1)(f) of the Act, means the holder of the mining right or the mining permit,
- (c) In relation to a land tenure right referred to in paragraph (c) of the definition of property, means a person in whose name the right is registered or to whom it was granted in terms of legislation; or
- d) In relation to public service infrastructure referred to in paragraph (d) of the definition of property, means the organ of state which owns or controls that public service infrastructure as envisaged in the definition of “publicly controlled”.

provided that a person mentioned below may for the purposes of the Act be regarded by a municipality as the owner of a property in the following cases:

- (i) a trustee, in the case of a property in a trust excluding state trust land.
- (ii) an executor or administrator, in the case of a property in a deceased estate.
- (iii) a trustee or liquidator, in the case of a property in an insolvent estate or in liquidation.
- (iv) a judicial manager, in the case of a property in the estate of a person under judicial management.
- (v) a curator, in the case of a property in the estate of a person under curatorship.
- (vi) a person in whose name a usufruct or other personal servitude is registered, in the case of a property that is subject to a usufruct or other personal servitude.
- (vii) a lessee, in the case of property that is registered in the name of the municipality and is leased by it; or
- (viii) a lessee, in the case of property to which a land tenure right applies and which is leased by the holder of such right; or.
- (ix) a buyer, in the case of a property that was sold by a municipality and of which possession was given to the buyer pending registration of ownership in the name of the buyer.

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Pensioner (Category of Owner of Property)	Means a person that : <ul style="list-style-type: none">(a) must be 60 years of age.(b) who is the sole owner of the property, or owner jointly with his/her spouse.(c) does not own another property within the municipality.(d) <i>Insert additional criteria as required by the Municipality</i>
Permitted use	In relation to a property, means the limited purposes for which the property may be used in terms of - <ul style="list-style-type: none">(a) Any restrictions imposed by:<ul style="list-style-type: none">(i) a condition of title.(ii) a provision of a town planning or land use scheme; or(iii) any legislation applicable to any specific property or properties; or(c) Any alleviation of any such restrictions.
Places of public worship	Means property used primarily for the purposes of congregation, excluding a structure that is primarily used for educational instruction in which secular or religious education is the primary instructive medium: Provided that the property is— <ul style="list-style-type: none">(a) registered in the name of the religious community.(b) registered in the name of a trust established for the sole benefit of a religious community; or(c) subject to a land tenure right;
Prescribe	Means prescribe by regulation in terms of section 83 of the Act.
Property	Means: <ul style="list-style-type: none">(a) immovable property registered in the name of a person, including, in the case of a sectional title scheme, a sectional title unit registered in the name of a person/legal entity.(b) a right registered against immovable property in the name of a person/legal entity, excluding a mortgage bond registered against the property.(c) a land tenure right registered in the name of a person/legal entity or granted to a person/legal entity in terms of legislation; or(d) public service infrastructure.
Property register	Means a register of properties referred to in section 23 of the Act.
Protected area	Means those parts of a special nature reserve, national park or nature reserve within the meaning of the Protected Areas Act, or of a national botanical garden within the meaning of the National Environmental Management: Biodiversity Act, 2004 which are not developed or used for commercial, business, residential or

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agricultural purposes.

Means an area that is or must be listed in the register referred to in section 10 of the Protected Areas Act;

Protected Areas Act Means the National Environmental Management: Protected Areas Act, 2003.

Public Benefit Organization Means a property where the dominant activity is listed in item 1 (welfare and humanitarian), item 2 (health care) and item 4 (education and development) of Part 1 of the Ninth Schedule to the Income Tax Act.

Publicly controlled Means owned by or otherwise under the control of an organ of state, including:

- (a) a public entity listed in the Public Finance Management Act, 1999 (Act No.1 of 1999).
- (b) a municipality; or
- (c) a municipal entity as defined in the Municipal Systems Act.

Public Service Purposes In relation to the use of a property, means property owned and used by an organ of state as—

- (a) hospitals or clinics.
- (b) schools, pre-schools, early childhood development centres or further education and training colleges.
- (c) national and provincial libraries and archives.
- (d) police stations.
- (e) correctional facilities; or
- (f) courts of law,

but excludes property contemplated in the definition of ‘public service infrastructure’.

Rate Means a municipal rate on property envisaged in section 229(1)(a) of the Constitution.

Rateable property Means a property on which a municipality may in terms of section 2 of the Act levy a rate, excluding property fully excluded from the levying of rates in terms of section 17 of the Act.

Ratio In relation to section 19 of the Act, means the relationship between the cent amount in the Rand applicable to residential properties and different categories of non-residential properties: *Provided that the two relevant cent amounts in the Rand are inclusive of any relief measures that amount to rebates of a general application to all properties within a property category;*

Rebate In relation to a rate payable on a property, means a discount granted in terms of section 15 of the Act on the amount of the rate payable on the property.

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- Reduction** In relation to a rate payable on a property, means the lowering in terms of section 15 of the Act of the amount for which the property was valued and the rating of the property at that lower amount.
- Register**
- (a) means to record in a register in terms of –
 - (i) the Deeds Registries Act, 1937 (Act No. 47 of 1937); or
 - (ii) the Mining Titles Registration Act, 1967 (Act No. 16 of 1967); and
 - (b) includes any other formal act in terms of any other legislation to record :
 - (i) a right to use land for or in connection with mining purposes; or
 - (ii) a land tenure right.
- Residential property** Means a dwelling, in any building, premises, structure, or any other place, or any part thereof, used ***predominantly*** as a place of residence or abode of any natural person **excluding** a dwelling where the premises are used ***predominantly*** for any purpose other than residential, or where it is used in the supply of commercial accommodation.
- A property included in a valuation roll in terms of section 48(2)(b) of the Act in respect of which the primary use or permitted use is for residential purposes without derogating from section 9 of the Act;
- State trust land** Means land owned by the State:
- (a) in trust for persons communally inhabiting the land in terms of a traditional system of land tenure.
 - (b) over which land tenure rights were registered or granted; or
 - (c) which is earmarked for disposal in terms of the Restitution of Land Rights Act, 1994 (Act No. 22 of 1994).
- Threshold Value** Means, with reference to impermissible rates and Section (17) (1) (h) of the Act, a municipality may not levy a rate on the first R15, 000 of the market value of a property with a category residential and a Municipal Council may increase this value to a higher market value in terms its annual budget and policy review, which is referred to as the threshold value.
- Vacant Land** Means any unimproved vacant land, which is not agricultural property. Any vacant land outside the area of a scheme for which no development rights have been granted in terms of any planning law must be considered as agricultural property and valued accordingly.
- The value of vacant land must reflect:
- (a) the highest and best use permitted by the scheme, including any consent granted in terms thereof, if the land is situated in a scheme; or

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(b) the highest and best use permitted in terms of a development approval, if the land does not form part of the area of a scheme, but development rights have been granted in respect of the land.

Unauthorized immovable improvement / development

Means any use of a property which is inconsistent with or in contravention with the permitted use of the property or any immovable improvement / development or building erected without approval of the municipality in terms of the National Building Regulations and building standards Act No. 103 of 1977 as amended and other related legislation.

4 FUNDAMENTAL, PRINCIPLES AND GUIDELINES

4.1 The Municipality's Rates Policy was developed based on the following fundamental principles:

- (i) Equity
- (ii) Affordability
- (iii) Poverty Alleviation
- (iv) Social and Economic Development
- (v) Financial Sustainability
- (vi) Cost Efficiency.

4.2 The principles of the Policy are designed to ensure that:

- (i) All ratepayers, in specific category, as determined by the Council are treated equitable.
- (ii) Property rates will be assessed on the market value of all rateable properties within the jurisdiction of the Municipality and for purposes of generating revenue to balance the municipal budget.

4.3 The rates income generated by the Municipality will take into account relief measures to address the socio and economic needs of the community.

5 PURPOSE

5.1 The purpose of this policy is to:

- (i) Comply with the provisions of Section 3 of the Municipal Property Rates Act, 2004 (Act No. 6 of 2004)
- (ii) Give effect to the principles outlined above.
- (iii) To determine the methodology and to prescribe procedures for the implementation of the Act.
- (iv) Determine criteria to be applied for the levying of different rates for different categories of properties.
- (v) Determine criteria for the determination of categories of properties and categories of owners of properties.
- (vi) Determine criteria to be applied for granting exemptions, rebates and reductions.
- (vii) Determine measures to promote local economic and social development.

- (viii) Identify which categories of properties the municipality has elected not to rate as provided for in section 7 of the Act.

6 CATEGORIES OF PROPERTIES FOR DIFFERENTIAL RATING PURPOSES

- 6.1 Section 8 of the Act provides that a municipality may, subject to section 19 of the Act and in terms of criteria set out in its rates policy, levy different rates for the different specified categories of rateable property, determined in sub-section (2) and (3), which must be determined according to the:-
- (a) Use of property.
 - (b) Permitted use of the property; or
 - (c) A combination of (a) and (b).
- 6.2 The designated Municipal Valuer of a municipality is responsible for determining the category of property in terms of its rates policy.
- 6.3 For purposes of section 8 of the Act read with section 9, the following categories of rateable property have been determined, being:-
- (i) Residential properties;
 - (ii) Industrial properties;
 - (iii) Business and commercial;
 - (iv) Agricultural properties;
 - (v) Mining properties;
 - (vi) Properties owned by an organ of state and used for Public Services Purposes (PSP);
 - (vii) Public Service Infrastructure;
 - (viii) Public Benefit Organization Property;
 - (ix) Properties used for multi purpose, subject to section 9; or
 - (x) Any other category of property as may be determined by the Minister, with the concurrence of the Minister of Finance, by notice in the Gazette;
 - (xi) Impermissible properties
 - (xii) Communal property;
 - (xiii) Vacant land;
 - (xiv) Unauthorized development.

7 APPLICATION OF THE POLICY

7.1 Residential Property

- (i) The Municipality will not levy a rate on the first value of property of up to R60,000 of the market value as per the valuation roll of residential property, as follows:
 - (a) On the first R15, 000 on the basis set out in Section 17(1)(h) of the MPRA.
 - (b) On the balance of the market value up to R45,000 in respect of the residential properties, as an important part of the Municipality's indigent relief measure aimed primarily at alleviating poverty amongst those persons owning low-value properties.
- (ii) The maximum reduction of up to R60, 000 will be granted to every individually-valued residential property.

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- (iii) The Municipality may grant a residential rebate on the rates levied on the balance of the market value residential properties, if any, as determined by Council during the budget process.

7.2 Properties owned by an organ of state and used for Public Service Purposes (PSP)

- (i) Public Service Purposes properties do not qualify for any rates rebates by virtue of ownership.

7.3 Public Service Infrastructure

- (i) Public Service Infrastructure (as defined in the MPRA) may not be rated on the first 30% of its market value in terms Section 17 (1) (a) of the MPRA.

7.4 Agricultural Use

- (i) A farm is an area of land, including various structures thereon, devoted primarily to the practice of producing and managing food (produce, grains, and livestock) or any forestry products.
- (ii) Farms may be owned and operated by a single individual, family, community or corporate entity.
- (iii) In the case of a farmer being an individual, the farmer must be dependent on the income from the farm to support his or her family.
- (iv) In terms of MPRA:
 - (a) The Municipality reserves a right to inspect such properties before or after granting of such rebates and to revoke or amend any decision made prior to such inspection.
 - (b) No other rebates will be granted to properties that qualify for agricultural rebate.
 - (c) If the extent of the farm or smallholding is being used for commercial or industrial purposes (such as truck depots, construction sites or factories), these properties do not qualify for the residential rate, any rebates or valuation reductions. Farms and smallholdings used in contravention of any zoning scheme will be disqualified for any rebate.

7.5 Multi-Use Properties

- (i) Properties used for multi-purposes which do not fall within the definition of residential properties and accordingly, do not qualify for the residential rate, may be included into the category of multi-use properties, for which an apportionment of value for each distinct use of the property will be calculated by the Municipal Valuer and used for billing at the appropriate and applicable rate, in cases where the Municipal valuer considers it reasonable to apply this category.

7.6 Municipal Properties

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- (i) The Municipality does not raise or charge rates on any municipal-owned properties that are rented out.

7.7 Senior Citizens and Disabled Persons – Rate Rebate

- (i) Registered owners of residential properties who are senior citizens and/or disabled persons qualify for special rebates according to their gross monthly household income for all persons normally residing on that property.
- (ii) To qualify for a rebate, a property owner must be a natural person and the owner of a property which satisfies the requirements of the definition of residential property, and must on 01 July of the financial year:
 - (a) Occupy the property as his/her primary residence, provided that where the owner is unable to occupy the property due to no fault of his/her own, the spouse or minor children may satisfy the occupancy requirements and
 - (b) Be at least 60 years of age or in receipt of a disability pension and
 - (c) Be in receipt of a gross monthly household income as defined in the Indigent Policy and
 - (d) Not be the owner of more than one property nationally or internationally.
- (iii) A usufructuary or an executor of an estate will be regarded as an owner.
- (iv) The criteria of a natural person may be waived at the sole discretion of the CFO to allow for a property owned by a trust where the total number of beneficiaries meets all of the other requirements of paragraph 6.7 of this Policy, provided that the gross monthly household income of all persons residing on that property does not exceed amount adopted in Indigent Policy.
- (v) The criteria of a natural person may be waived at the sole discretion of the CFO to allow for a property owned by multiple owners where the total number of co-owners meets all of the other requirements of paragraph 6.7 of this Policy, provided that the gross monthly household income of all persons residing on that property, collectively, does not exceed amount adopted in Indigent Policy.

7.8 Nature and Special Nature Reserves and National Parks

- (i) Section 17(1)(e) of the MPRA precludes the Council from levying rates on those parts of a special nature reserve, national parks or nature reserves.

7.9 Religious Organisations

- (i) In terms of Section 17(1) (i) of the MPRA, the Municipality may not levy a rate on property registered in the name of and used primarily as a place of public worship by a religious community, including an official residence registered in the name of that community which is occupied by the office bearer of that community.
- (ii) Property used primarily as an office of a religious organisation or property used as parking facilities, camping sites not operated for gain and cemeteries for religious community will also receive a 100% rebate for rates.

7.10 Non-profit (NPO) or Public Benefit (PBO) Organisations

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- (i) The Municipality may grant a 100% rate rebate for the categories of NPO or PBO who are deemed to contribute services or benefits to the community.
- (ii) Any property that meets the PBO criteria as determined by the MPRA Rate Ratio Regulations, yet does not qualify for a 100% rebate in terms of this Policy, shall be rated at 25% of the residential cent-in-a-rand.

7.11 Sporting Organisations

- (i) The Municipality may grant a 100% rates rebate for amateur sporting bodies open to general public.
- (ii) Such property must be used predominantly by an organisation for the purpose of amateur sport and any social activities which are connected with such sport.

7.12 Rates clearance certificates

- a) All debt, inclusive of any advanced collection deemed to be due and payable, for the purpose of issuing any clearance certificate in terms of Section 118, of the Municipal Systems Act, must be paid in full:
 - i) No interest shall be paid in respect of any payment made in terms of this sub-item unless permitted in terms of any other legislation or policy;
 - ii) All payments will be allocated to the registered seller's municipal accounts in terms of this policy;
- b) The advanced collection shall be used to offset any debt that accumulated against the property as follows:
 - i) Any tenant debt; and
 - ii) Any of the sellers debts
- c) Any refund, in respect of any credit remaining after registration of transfer has been registered in the Deeds office, shall be refunded to such seller;
- d) Rates Clearance Certificates will only be issued by the municipality upon payment of a fee annually approved by the Council;
- e) No certificate, in terms of Section 118 of the Municipal System Act, will be issued where the registered owner (and, in this instance, the seller) has not complied with any relevant legislation, policy or agreement relating to the property in question;
- f) The Municipal Manager may require the purchaser to apply for all services at the property as part of the application for clearance; or
- g) By virtue of registration of the property, the registered owner accepts liability for all services rendered by the municipality to the said property, except as provided for in other legislation or policy
- h) With the exception of an attorney's trust cheque any cheque tendered in respect of a clearance certificate, in terms of Section 118 of the Systems Act, must first be cleared by the bank before the certificate can be issued.

7.13 Vacant land

- i) In the event of vacant land purchased, registered and transferred to the name of the purchaser should within a period of two (2) years erect or construct or develop, failing which the council has the right in terms of the sale agreement signed by both parties to dispose off the vacant land to Ulundi Municipality without further notice to the other party.
- (ii) Should the owner of a vacant property desire to surrender the property to the municipality for any reason(s) he/she can do so in writing and address such request to the Municipal Manager. Further, billing of property rates and other services to the same property shall be discontinued and the accumulated debt shall be written off on transfer of the property back into the municipality's name.

7.14 Rural Communal Land

Property rates are charged to rural communal lands in terms of MPRA (Act 6 of 2004) and guidelines by COGTA.

8 RELIEF MEASURES FOR OWNERSHIP CATEGORIES AND USE CATEGORIES

8.1 Relief for Ownership Categories

- (i) Indigent Owners:
 - (a) Criteria to be applied:
 - 1.1. Be the sole or joint owner of the property
 - 1.2. Be living permanently on the property
 - 1.3. Not own any other property, nationally.
 - 1.4. Qualifies as indigent in terms of the Municipality's Indigent Policy.
- (ii) Pensioners, Disabled Owners and Child-headed households.
- (iii) Owners of property situated within an area affected by:
 - (a) A disaster within the meaning of the Disaster Management Act, Act 57 of 2002
- (iv) Owners of residential properties with a market value below R60, 000 and registered as indigent as determined by the Municipality.
- (v) Public Benefit Organisations who conduct the following specific public benefit activities:
 - (a) Welfare and humanitarian
 - (b) Health care
 - (c) Education
 - (d) Are registered in terms of the Income Tax Act for tax deductions.

8.2 Exemptions granted to Categories of Properties

- (i) The Municipality has exempted in total, from payment of rates, the following categories of properties:
 - (a) Property registered in the name of and used primarily as a place of worship by a religious community.
 - (b) All local municipalities' properties, excluding those properties that are rented or leased.

8.3 Exemptions granted to Categories of Owners of Properties

- (i) The Municipality has resolved to exempt from the payment of rates the following categories of owners of properties:
 - (a) Properties owned by PBO, which are used for any specific public benefit activities.
 - (b) Properties owned by owners registered as NPO.
- (ii) In order to qualify for relief, all applicants shall comply with the following requirements:

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- (a) Written application for relief must be lodged in a prescribed format with the Municipal Manager on the dates as determined by the Council.
- (b) In the case of PBO, proof of:
 - 1.1. Registration in terms of the requirements of the Income tax Act
 - 1.2. An affidavit signed by the Head of PBO before a Commissioner of Oaths that the property is used for the aims and objectives of the said organisation.
- (iii) In the case of properties owned by the NPO, upon submission of:
 - (a) An affidavit signed by the Head of NPO before a Commissioner of Oaths that the property is used for the aims and objectives of the said organisation.

9 LIABILITY FOR AND PAYMENT OF RATES

- 9.1 The liability for and payment of rates is governed by the MPRA as well as the Municipality's Credit Control and Debt Collection Policy.
- 9.2 The following people shall be liable for the payment of rates levied by the Municipality:
- (i) Owner of a property.
 - (ii) Joint owners of a property, who shall be jointly and severally liable.
 - (iii) Owner of the sectional title unit
- 9.3 In terms of Section 26 of the MPRA, the Municipality shall recover rates:
- (i) On a **monthly basis** and must be paid on or before 7th day of the following month.
 - (ii) **Annually**, as may be agreed with the owner of the property, on receiving annual invoices which are payable within 30 days, interest is charged from January.
- 9.4 The Municipality shall furnish each person liable for the payment of rates with a written account in terms of Section 27 of the MPRA.
- 9.5 The Municipality may recover rates in arrears from tenants and occupiers in accordance with the provisions of Section 28 of the MPRA.
- 9.6 The Municipality may recover rates due, either whole or in part, from the agent of the owner if this is convenient for the Municipality and in compliance with Section 29 of the MPRA.

10 REDUCTION IN THE VALUE OF A PROPERTY

- 10.1 Reduction in value of the property refers to the lowering of the value of the property upon which the rates will be levied.
- 10.2 In terms of Section 17(1) (h) of the MPRA, the Municipality is precluded from levying rates on the first R15, 000 of the market value of the property assigned in the Valuation Roll.

11 IMPERMISSIBLE RATES

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11.1 Constitutionally impermissible rates

- (i) The Act provides that in terms of Section 2129(2)(a) of the Constitution, a Municipality may not exercise its powers to levy rates on property in a way that would materially create an unreasonable prejudice:
 - (a) National economic policies
 - (b) Economic activities across its boundaries
 - (c) National mobility of goods, services, capital and labour.

11.2 Impermissible in terms of Section 17 of the Municipal Property Rates Act

- (i) In accordance with Section 17 of the MPRA, the Municipality may not levy a rate on:
 - (a) The first 30% of the market value of the public service infrastructure.
 - (b) Those parts of a special nature reserves, national part, nature conservation within the meaning of the Protected Areas Act.
 - (c) Mineral rights within the meaning of the definition of “property” on this Policy.
 - (d) A property belonging to a land reform beneficiary or his/her heirs, provided that this exclusion lapses ten (10) years from the date on which such beneficiary’s title was registered in the Office of the Registrar of Deeds.
 - (e) The first R15, 000 of the market value of a property assigned in the valuation roll or supplementary valuation roll of the Municipality.

12 PHASED OUT PSI PROPERTIES

12.1 The rates payable on newly rateable properties will be phased in over a period of three (3) financial years with the full rates account to be paid in the fourth financial year.

12.2 The following are applicable rates for properties to be phased in over three (3) years:

Year	Percentage Rates Payable
First	25%
Second	50%
Third	75%
Fourth	100%

12.3 Property owned by the PBO must be phased in over a period of four (4) financial years provided that the Municipality may extend this period on a written application to the MEC.

12.4 The rates payable by the PBO will be phased in over four financial years as follows:

Year	Percentage Rates Payable
First	-
Second	25%
Third	50%

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Fourth	75%
Fifth	100%

13 EFFECTS OF OBJECTIONS AND APPEALS ON LIABILITY FOR PAYMENT

13.1 In terms of the MPRA:

- (i) The lodging of an objection or an appeal in terms of Section 50 and Section 54 of the MPRA does not defer liability for the payment of rates beyond the dates determined for the payment of rates in terms of this Policy.
- (ii) The review of the Municipal Valuer's decision in terms of Section 52 of the MPRA does not defer liability for the payment of rates beyond the dates as determined.

14 INTEREST

14.1 Interest shall be raised on overdue accounts as determined in the Credit Control and Debt Collection Policy.

14.2 Interest of 5% per annum shall be charged on all overdue rates and other service accounts.

15 INDIGENCY

15.1 In terms of Section 3(3) (f) and Section 15 of the MPRA, all indigents, for rating purposes, will qualify in respect of their residential properties for the benefits as set out in paragraph 6.7 of this Policy and Credit Control and Debt Collection By-Law and Policy and may also qualify for the 100% rebate in terms of paragraph 7.1 (i) of this Policy.

16 ANNUAL REVIEWS AND APPROVAL

16.1 *Policy consultations & approval*

- (i) *Consultation Process* - The policy shall be reviewed at least once annually, unless circumstances dictate otherwise, by the Chief Financial Officer.
- (ii) *Policy Approval Process* - This policy shall be approved by the Council thereafter. All reviews and revisions to any section of the policy and procedures document must be approved by the Council.
- (iii) Any amendments to the Policy must be approved at the next Council meeting.
- (iv) No policy amendments may be implemented without prior Council approval.

16.2 *Review and revision arrangements including version control*

- (i) All reviews and revisions to any section of the policy and procedures document must be approved by the Council.
- (ii) *Version Control* - A version control sheet shall be maintained with the document.

16.3 Dissemination and implementation

- (i) Dissemination - Once approved, this policy document shall be circulated by e-mail to appropriate staff within the organization including management, staff and financial management staff.
- (ii) The document will also be supplied to the Registry Department for archiving, and publishing.
- (iii) Implementation - Implementation shall be carried out by the Chief Financial Officer and the Municipal Manager shall exercise oversight.

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“The City of Heritage”



**Asset Management
Policy and Procedures**

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GLOSSARY OF TERMS

“AC”:	Standard reference for South African Generally Recognised Accounting Statement
“ULM”:	Ulundi Local Municipality
“AMP”:	Asset Management Policy
“AO”:	Accounting Officer (i.e. Municipal Manager)
“CFO”:	Chief Financial Officer
“GRAP”:	Generally Recognised Accounting Practice
“HOD”:	Head of Department
“IAS”:	International Accounting Practice
“MFMA”:	Municipal Finance Management Act (No. 56 of 2003)
“MM”:	Municipal Manager (i.e. Accounting Officer)
“MSA”:	Municipal Systems Act (No. 32 of 2000)
“PPE”:	Property, Plant and Equipment
“SAPS”:	South African Police Service

1 INTRODUCTION

- 1.1 Asset Management encompasses planning/demand management, acquisitions, use, maintenance, and disposal of assets. Ulundi Local Municipality (“ULM”) should use assets to ensure efficient and effective service delivery to the community within the Ulundi locality.
- 1.2 The purpose of the Asset Management Policy is to govern the management of assets owned by ULM (both operationally and financially) to ensure that they are managed, controlled, safeguarded and used in an efficient and effective manner.
- 1.3 In other words, the purpose of the Asset Management Policy is to facilitate the management of assets both operationally and financially (accounting treatment).

2 REGULATORY REQUIREMENTS

- 2.1 ULM is required to comply with the MFMA, MSA, and circulars, memorandum and guidelines (practice notes) issued by National Treasury.
- 2.2 The MFMA Circular No. 18 prescribed GRAP as the new standards to be used for financial reporting and directive 4 as issued by the Accounting Standards Board gave the transitional arrangements which saw the municipalities having to fully comply with GRAP by the end of 2011/2012.
- 2.3 The following statements relate directly to Asset management policy
 - (i) GRAP 1: Presentation of financial Statements
 - (ii) GRAP 3: Accounting policies, changes in accounting estimates and errors
 - (iii) GRAP 8: Interests in joint ventures
 - (iv) GRAP 12: Inventories
 - (v) GRAP 13: Leases
 - (vi) GRAP 16: Investment Property
 - (vii) GRAP 17: Property, Plant and equipment
 - (viii) GRAP 19: Provisions, Contingent Liabilities, Contingent Assets
 - (ix) GRAP 31: Intangible Assets
 - (x) GRAP 103: Heritage Assets

3 RELATED POLICIES, PROCESSES AND PROCEDURES

- 3.1 The following policies, processes and procedures should be in place to ensure an effective and efficient asset management system:
 - (i) Supply Chain Management Policy
 - (ii) Risk Management Policy
 - (iii) Fleet Management Policy

RELATED POLICY GUIDELINES

3.2 The following related published guidelines may provide additional assistance:

- (i) National Treasury Guidelines for the implementation of accounting standards
- (ii) The latest published Specimen Annual Financial Statements

4 POLICY OBJECTIVES

4.1 The objectives of the Asset Management Policy include:

- (i) To ensure that all responsible municipal officials are aware of their roles and responsibilities regarding the use of the assets of the Municipality.
- (ii) To prescribe the accounting treatment of assets acquired and used in accordance with the applicable accounting standards approved by National Treasury.
- (iii) To prescribe the administrative guidelines and internal control procedures to be followed by persons in control of the municipal assets.
- (iv) To ensure compliance with Municipality’s, Supply Chain Management Policy and Payment Procedures.
- (v) To ensure the effective and efficient control, utilisation, optimisation of usage, safeguarding and management of Ulundi local Municipality’s assets.
- (vi) To ensure compliance with current legislations.
- (vii) To emphasise a culture of accountability over fixed assets.
- (viii) To ensure that fixed assets are not written off and disposed of without proper authorization.
- (ix) To ensure that preventative measures are in place to eliminate theft, loss and misuse.
- (i) To ensure a formal set of procedures that can be implemented to ensure that fixed assets and financial policies are achieved and are in compliance with the MFMA.

5 DEFINITIONS

TERM	REGULATION/ STANDARD	DETAIL
<i>Asset</i>	GRAP 1 and 3	<p>An asset is defined in terms of GRAP 1.06 and GRAP 3.04 as follows:</p> <p>“Assets are resources controlled by an entity as a result of past events and from which future economic benefits or service potential are expected to flow to the entity.”</p> <p>The Framework for the Preparation and Presentation of Financial Statements (in terms of IFRS) provides the following explanations.</p> <ul style="list-style-type: none"> • Future economic benefits: The potential to contribute, directly or indirectly, to the flow of can and cash equivalents of the operating activities. • Control: The ability to control the benefits which are expected to flow. It’s not limited to legal title.

TERM	REGULATION/ STANDARD	DETAIL
Asset Management	Municipal Systems Act	Asset Management encompasses planning/demand management, acquisitions, use, maintenance, and disposal of assets.
Carrying amount	GRAP 17	Carrying amount (for the purpose of this Standard) is the amount at which an asset is recognised after deducting any accumulated depreciation and accumulated impairment losses.
Cost	GRAP 17 IAS 40	Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction.
Depreciable amount	GRAP 17	Depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value.
Depreciation	GRAP 17	Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.
Fair value	GRAP 17 IAS 40	Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.
Head of Department	Municipal Systems Act	All incumbents occupying Section 57 posts as defined in Municipal Systems Act.
Inventory	GRAP 12	GRAP 12 (Inventories) defines the following as inventory in the public sector: <ul style="list-style-type: none"> • ammunition, • consumable stores, • maintenance materials, • spare parts for plant and equipment other than those dealt with under the Standard of Generally Accepted Municipal Accounting Practice on <i>Property, Plant and Equipment</i>, • strategic stockpiles, • work in progress, and • Land/property held for sale.
Investment property	GRAP16	Investment property is property (land or a building-or part of a building-or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for: <ol style="list-style-type: none"> (a) use in the production or supply of goods or services or for administrative purposes; or (b) Sale in the ordinary course of business.
Owner-occupied property	GRAP 16	<ul style="list-style-type: none"> • Owner-occupied property is property held (by the owner or by the lessee under a finance lease) for use in the production or supply of goods or services or for administrative purposes.

TERM	REGULATION/ STANDARD	DETAIL
<i>Intangible Assets</i>	GRAP 31	Intangible asset is an identifiable non-monetary asset without physical substance.
<i>Property, Plant and Equipment</i>	GRAP 17	Property, plant & equipment are tangible items that: (a) are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and (b) are expected to be used during more than one reporting period.
<i>Recoverable amount</i>	IAS 36 GRAP 17	<ul style="list-style-type: none"> • Cash generating assets The recoverable amount is the higher of its fair value less costs to sell and its value in use. <ul style="list-style-type: none"> • Non-cash generating assets Recoverable amount is the amount that the entity expects to recover from the future use of an asset, including residual value on disposal.
<i>Useful life</i>	GRAP 17	Useful life is either: (a) the period over which an asset is expected to be available for use by an entity, or (b) The number of production or similar units expected to be obtained from the asset by an entity.
<i>Residual value</i>	GRAP 17	Residual value of an asset is the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life.

6 ANNUAL REVIEWS AND APPROVAL

6.1 Policy consultations & approval

- (i) Consultation Process - The policy shall be reviewed at least once annually, unless circumstances dictate otherwise, by the Chief Financial Officer. All Departments are responsible for submitting requests to change enhance or improve the existing policy.
- (ii) Policy Approval Process - This policy shall be approved by the Council thereafter. All reviews and revisions to any section of the policy and procedures document must be approved by the Council.
- (iii) Any amendments to the Policy must be approved at the next Council meeting.
- (iv)** No policy amendments may be implemented without prior Council approval.

6.2 *Review and revision arrangements including version control*

- (i) Review and Revision Process - The policy shall be reviewed at least once annually, unless circumstances dictate otherwise, by the Chief Financial Officer and the Accounting Officer.
- (ii) All reviews and revisions to any section of the policy and procedures document must be approved by the Council.
- (iii) Version Control - A version control sheet shall be maintained with the document

6.3 *Dissemination and implementation*

- (i) Dissemination - Once approved, this policy document shall be circulated to appropriate staff within the organization including management, staff and financial management staff.
- (ii) The document will also be supplied to the Registry Department for archiving, and publishing.
- (iii) Implementation - Implementation shall be carried out by the Chief Financial Officer and the Municipal Manager shall exercise oversight.

7 ROLES AND RESPONSIBILITIES

7.1 *Overview*

- (i) The Administration Department supports Budget and Treasury (Finance Department). The other departments are accountable to Budget and Treasury. Each Department is supported by a local Asset Management Controller.

7.2 *Municipal Manager*

- (i) Responsibilities:
 - (a) The Municipal Manager is the Accounting Officer of the Municipality in terms of Section 60 of the Municipal Finance Management Act (MFMA).
 - (b) The Accounting Officer of a Municipality is responsible for the management of the assets of that Municipality in terms of Section 63 of the MFMA which prescribes the following:
 - (1) Safeguarding and maintenance of assets.
Immovable Assets
 - Each and every official using immovable property is responsible for council property. This includes :
 - Locking the offices all the time.
 - After knock off time switch off all equipment that consume electricity e.g. air conditioners, lights and computer equipments.

Movable Assets

- Any official in possession of council movables is responsible for safeguarding of movable assets this include, not limited to:
 - Other Assets including computer equipment (desktops, laptops, MacBook's, hard drives), Vehicles, office equipment (cameras), furniture and fitting and machinery assets.
 - Should it be found that an official of a municipality was negligent in handling of a council movable property as mentioned above such that it resulted to the loss of property, the official concerned will be liable for the replacement thereof.
 - In case of loss through theft or any damage of a councils movable property such official in whose possession the property was, will be liable for payment of insurance excess after the finalization of insurance claim.
 - Should the council insurance repudiate the claim, the custodian of the damaged or lost council property will be liable for full replacement.
- (2) Implementation of an information system that accounts for the assets.
- (3) Ensuring that assets are valued in terms of generally recognised accounting practice.
- (4) Maintaining a system of internal control of assets (e.g. an asset register)

- (ii) Delegations:
 - (a) The Accounting Officer may delegate to a member of the Municipality's top management (Chief Financial Officer; Senior Managers responsible for managing votes; other senior officials) or any other official of the Municipality in terms of Section 79 (1) (b) of the MFMA:
 - (1) Any powers or duties assigned to an Accounting Officer in terms of the Act, or
 - (2) Any powers or duties reasonably necessary to assist the Accounting Officer in complying with a duty which requires the Accounting Officer to take reasonable or appropriate steps to ensure the achievement of the aims of a specific provision of this Act.
 - (b) The Accounting Officer must regularly review the delegations issued above and, if necessary, amend or withdraw any of those delegations.
 - (c) The delegations:
 - (1) Must be in writing.
 - (2) May be subject to limitations and conditions as the Accounting Officer may impose in a specific case.
 - (3) May be to a specific individual or to the holder of a specific post in the municipality.
 - (4) May authorise the delegated member to sub-delegate the delegated power or duty to an official or the holder of a specific post in that member's area of responsibility.
 - (5) Do not divest the Accounting Officer of the responsibility concerning the exercise of the delegated power or the performance of the delegated duty.
 - (d) The Accounting Officer is therefore accountable for all transactions entered into by his/her delegates.

7.3 Chief Financial Officer

- (i) The Chief Financial Officer shall be the Asset Registrar of the Municipality, and shall ensure that a complete, accurate and up-to-date computerised Asset Register is maintained.
- (ii) No amendments, deletions or additions to the Asset Register shall be made other than by the Chief Financial Officer or by an official acting under the written instruction of the Chief Financial Officer.
- (iii) The following duties have been delegated to the Chief Financial Officer:
 - (a) To ensure that Council assets are accounted for in accordance with generally recognised accounting practice.
 - (b) To ensure that the general ledger is reconciled to the asset register. This reconciliation must be prepared on monthly basis by the Accountant and presented to the Chief Financial Officer for his/her final review.
 - (c) To review the reconciliation between the general ledger and the asset register
 - (d) To provide the Auditor-General or his personnel, on request, with the financial records relating to assets belonging to Council as recorded in the general ledger.

7.4 Heads of Departments

- (i) Section 78(1) of the MFMA prescribes the following areas of responsibility for senior managers (also referred to as HOD's) relating to asset management.
- (ii) “Each Senior Manager of a Municipality and each official of a municipality exercising financial management responsibilities must take all reasonable steps within their respective areas of responsibility to ensure:
 - (a) That the system of financial management and internal control established for the Municipality is carried out diligently;
 - (b) That the financial and other resources of the municipality are utilised effectively, efficiently economically and transparently;
 - (c) That any unauthorised, irregular or fruitless and wasteful expenditure and any other losses are prevented;
 - (d) That the assets of the municipality are managed effectively and that assets are safeguarded and maintained to the extent necessary; and
 - (e) That the provision of this Act, to the extent applicable to that senior manager or official including any delegations in terms of Section 79, are complied with.
- (iii) The provision of Section 78(1) must be performed subject to the directions of the Accounting Officer.
- (iv) In addition to the above, the Head of Department are responsible to ensure that all employees within their respective department adhere to the approved Asset Policy and Procedures. **The Head of Department must nominate an employee to implement and maintain asset control (i.e. Departmental Asset Controller) in his/her directorate / department. The Finance Department must be notified of such person.**
- (v) Where limited resources are available, it is incumbent upon the Head of Department, to ensure that adequate procedures for regular independent checks of fixed assets are in place.
- (vi) It is the responsibility of the Head of Department to ensure that all assets related changes that take place within their divisions/directorates have been properly authorised and communicated to the Department Asset Controller.

7.5 Department Asset Controller

- (i) The “Departmental Asset Controller”, under the supervision and authority of the HOD, must ensure that:
 - (a) All information needed by the Asset Management Unit (Finance Department) Office to compile and update the Asset Register, is circulated to the said Department.
 - (b) The HOD and Finance Department (Asset Management Unit) (after approval of the HOD) is notified of any changes in the status of the assets under the directorates/departments control (e.g. new asset purchases, asset transfers, asset impairments and asset disposals).
 - (c) The inventory and/or assets of the ULM are not used for private enterprise and gain by any employee/Councillor.
 - (d) Control is exercised over the respective department's assets and shall report any enhancement/improvement, transfer or disposal of the

- respective department's assets to the Finance Department (Asset Management Unit).
- (e) Relevant reports on the writing off of scrap (in case of vehicles) and the theft/loss (in the case of other assets) are submitted to the Finance Department.
 - (f) Any discrepancies in the asset stock take report are followed up.
 - (g) All assets within the department are recorded on the asset register and are bar coded.
 - (h) Administer cyclical counts on assets within the respective department and follow up on any discrepancies.

7.6 *Delegations*

- (i) All delegated authority must comply with the Delegations of Authority Policy.

7.7 *Accounting Policies:*

- (i) Classification of Assets:
 - (a) The Chief Financial Officer must ensure that all assets are, as prescribed by the current standards, classified under the following headings in the asset register and Statement of Financial Position:
 - (1) PPE (Infrastructure, Community, Heritage and Other Assets)
 - (2) Investment Property
 - (3) Inventory (classified as property, plant & equipment)
 - (4) Intangible Assets
- (ii) Property, Plant and Equipment treated as Inventory:
 - (a) Any land or buildings owned or acquired by the municipality with the intention of selling such property in the ordinary course of business, or any land or buildings owned or acquired by the municipality with the intention of developing such property for the purpose of selling it in the ordinary course of business, shall be accounted for as inventory, and not included as either property, plant & equipment or investment property in the municipality's Statement of Financial Position.
- (iii) Recognition criteria - Property, Plant and Equipment:
 - (a) The property, plant & equipment shall be recognised as an asset when:
 - (1) It is probable that future economic benefits or service potential associated with the asset will flow to the entity, and
 - (2) The cost or fair value of the asset can be measured reliably.
- (iv) Initial measurement
 - (a) Purchased assets:
 - (1) An item of property, plant & equipment which qualifies for recognition as an asset shall initially be measured at its cost.

- (b) Donated assets:
 (1) Where an asset is acquired at no cost, or for a nominal cost, its deemed cost is its fair value as at the date of acquisition.
- (v) Capitalisation threshold
 (a) Council must approve the capitalisation threshold on an **annual** basis:

Asset (excluding computer equipment)	Treatment
Cost/fair value ≥ R2 000* * Or such other amount as the Council of the Municipality may from time to time determine on the recommendation of the Municipal Manager	Recognise as PPE Record on the asset register. Assets of a similar nature may be recorded as one asset with one barcode in the asset register and a total value recorded as a cost.
Cost/fair value < R2 000	Recognise as an ordinary operating expense
Cost/fair value > R500	Record on the inventory register

- (b) The above capitalisation threshold does not apply to computer equipment and may not apply, depending on the nature of the asset and on professional judgement by Chief Financial
- (vi) Components of Cost/Valuation of assets

(a) General

- (1) The cost of an item of property, plant & equipment comprises its purchase price, including import duties and non-refundable purchase taxes, and any directly attributable costs of bringing the asset to working condition for its intended use.
- (2) Any trade discounts and rebates are deducted in arriving at the purchase price.
- (3) Examples of directly attributable costs are:
- the cost of site preparation,
 - initial delivery and handling costs,
 - installation costs,
 - professional fees such as for architects and engineers, and
 - The estimated cost of dismantling the asset and restoring the site, to the extent that it is recognised as a provision. Guidance on accounting for provisions is found in GRAP on Provisions, contingent liabilities and contingent asset
- (4) **Administration and other general overhead costs are not** a component of the cost of property, plant & equipment unless they can be directly attributed to the acquisition of the asset or bringing the asset to its working condition. Similarly, start-up and similar costs do not form part of the cost of an asset unless they are necessary to bring the asset to its working condition.

- (5) Initial operating losses incurred prior to an asset achieving planned performance are recognised as an expense.
 - (6) **Recoverable indirect costs** (e.g. VAT etc.) are not a component of the cost of property, plant & equipment.
- (b) Self-constructed assets
- (1) The cost of a self-constructed asset is determined using the same principles as for an acquired asset. If an entity makes similar assets for sale in the normal course of business, the cost of the asset is usually the same as the cost of producing the assets for sale (refer to GRAP 12 on Inventories). Therefore, any internal surpluses are eliminated in arriving at such costs.
 - (2) Similarly, the cost of abnormal amounts of wasted material, labour or other resources incurred in the production of a self-constructed asset is not included in the cost of the asset.
- (c) Deferred payments
- (1) When payment for an item of property, plant & equipment is deferred beyond normal credit terms, its cost is the cash price equivalent.
- (vii) Exchange of assets

For the purposes of this Policy, the accounting treatment relating to the exchange of dissimilar and similar assets as follows:

- (a) Dissimilar exchange:
- (1) Property, plant & equipment may be acquired in exchange or part exchange for a dissimilar item of property, plant & equipment or other asset. The cost is measured at the fair value of the asset received which is equivalent to the fair value of the asset given up adjusted by the amount of any cash or cash equivalents transferred. Similar exchange
 - (2) Property, plant & equipment may be acquired in exchange for a similar asset that has a similar use in the same line of operations and which has a similar fair value.
 - (3) Property, plant & equipment may also be sold in exchange for an equity interest in a similar asset.
 - (4) In both cases, no gain or loss is recognised on the transaction. The cost of the new asset is the carrying amount of the asset given up.

- (5) The fair value of the asset received may provide evidence of impairment in the asset given up. Therefore, the asset given up is written down and this written-down value is assigned to the new asset. Examples of exchanges of similar assets include the exchange of aircraft, hostels and other real estate properties.
- (6) If other assets such as cash are included as parts of the exchange transaction this may indicate that the items exchanged do not have a similar value.

(b) Subsequent expenditure

- (1) Subsequent expenditure relating to property, plant & equipment should be added to the carrying amount of the asset when it is probable that:
 - future economic benefits or service potential
 - over the total life of the asset
 - in excess of the most recently assessed standard of performance of the existing asset,
 - Will flow to the entity.
- (2) Otherwise, all other subsequent expenditure not meeting the definition above will be accounted for as repairs and maintenance expense.
- (3) Major components of some items of property, plant & equipment that require replacement at regular intervals must be accounted for as separate assets as they have different useful lives. Therefore, the expenditure incurred in replacing or renewing the component should be accounted for as an acquisition of a separate asset (provided the recognition criteria is met in terms of section 2.3.4.1) and the replaced asset should be written off.
- (4) For example, a reservoir may require relining after a specified number of hours of usage or components of a sewerage purification works may need replacing during the lifetime of the works, or a road may need resurfacing every few years, a furnace may require relining after a specified number of hours of usage.

(c) Measurement subsequent to initial recognition

- (1) Subsequent to the initial recognition as an asset, and item of property, plant & equipment should be measured as follows in terms of GRAP 17

PPE (excluding land)	Land
Carried at its cost less any accumulated depreciation and any accumulated impairment losses.	Carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent impairment losses.

- (d) Classes of property
- (1) When land is revalued, the entire class of property to which that asset belongs shall be revalued. In other words, if land is revalued, then all land within that classification must be revalued.
- (e) Accounting treatment of revaluation increases and decreases
- (1) Increase in carrying amount
 - (2) The increase shall be credited directly to a revaluation surplus.
 - (3) The increase will only be recognised as revenue (credited to the Statement of Changes in Financial Performance) to the extent that it reverses a revaluation decrease of the same class of assets previously recognised in surplus or deficit.
 - (4) Decrease in carrying amount
 - The decrease shall be recognised in surplus or deficit.
 - The decrease will only be charged directly against any related “Revaluation surplus” to the extent of any credit balance existing in revaluation surplus in respect of the asset.
 - (5) Depreciation
 - All property, plant & equipment, except land and heritage assets, shall be depreciated.
 - In accordance with the GRAP 17: 48-73 the requirements and guidance relating the accounting treatment of depreciation from have been summarised below.
- (f) Depreciation method
- (1) The Chief Financial Officer shall depreciate all depreciable assets on the straight-line method of depreciation over the assigned useful operating life of the asset in question.
- (g) Commencement date
- (1) Ulundi local Municipality will calculate depreciation from the beginning of the month in which the asset was acquired.
- (h) Useful life
- (1) The Chief Financial Officer shall assign a useful life to each depreciable asset recorded on the municipality’s asset register. In determining such a useful life the Chief Financial Officer shall adhere to the useful lives set out in the **Appendix A** to this document.
 - (2) In the case of a fixed asset which is not listed in **Appendix A**, the Chief Financial Officer shall determine a useful life, if necessary in consultation with the HOD who shall control or use the asset in question, and shall be guided in determining such useful life by the likely pattern in which the asset’s economic benefits or service potential will be consumed.

- (3) Lost, stolen or damaged assets must be immediately written off the accounting records when the event occurs.
- (i) Review of the useful life
 - (1) An entity should assess whether there is any indication that the expected useful life of the asset has changed based on whether the condition of the asset has improved or declined.
 - (2) Where the expectations are significantly different from previous estimates, the depreciation charge for the current and future periods shall be adjusted.
- (j) Review of the depreciation method
 - (1) The depreciation method applied to property, plant & equipment shall be reviewed periodically and, if there has been a significant change in the expected pattern of economic benefits or service potential from those assets, the method shall be changed to reflect the changed pattern.
 - (2) When such a change in depreciation method is necessary the change shall be accounted for as a change in accounting estimate and the depreciation charge for the current and future periods shall be adjusted.

7.8 *Heritage Assets*

- (i) GRAP 17 does not require an entity to recognise heritage assets that would otherwise meet the definition of, and recognition criteria for, property, plant & equipment.
- (ii) If the Municipality does recognise heritage assets, it must apply the disclosure requirements of GRAP 17 and may, but is not required to, apply the measurement requirements of GRAP 17.
- (iii) Some assets are described as “heritage assets” because of their cultural, environmental or historical significance.

7.9 *Investment Property*

- (i) Investment property shall be accounted for in terms of GRAP 16 and shall not be classified as property, plant & equipment for purposes of preparing the Municipality’s Statement of Financial Position.

(1) Recognition criteria

- (a) GRAP 16 states that investment property shall be recognised as an asset when and only when:
 - it is **probable** that the **future economic benefits or service potential** that are associated with the investment property will flow to the entity; and
 - The cost **or fair value** of the investment property **can be measured reliably**.

(2) Measurement at initial recognition

- (a) GRAP 16 states that:
 - Investment property shall be measured initially at its cost (including transaction costs).
 - **Where investment property is acquired through a non-exchange transaction, it cost shall be measured at its Fair Value as at the date of acquisition.**
 - The initial cost of a property interest held under a lease and classified as an investment property shall be as prescribed for a finance lease by GRAP 16 i.e. the asset shall be recognised at the lower of the fair value of the property and the present value of the minimum lease payments. An equivalent amount shall be recognised as a liability in accordance with that same paragraph.

(3) Measurement subsequent to initial recognition

- (a) All investment property shall be measured at its fair value. Investment property shall not be depreciated, but shall be annually valued on balance sheet date to determine their fair (market) value.
- (b) Investment assets shall be recorded in the balance sheet at such fair value. Adjustments to the previous year’s recorded fair value

shall be accounted for as either gains (revenues) or losses (expenses) in the accounting records of the department or service controlling the assets concerned.

- (c) An appraisal of the value of the asset may be undertaken by a member of the valuation profession, who holds a recognized and relevant professional qualification, or by another expert with the requisite competence to undertake such appraisals in accordance with the requirements of the applicable Standards of GRAP. The valuer or other expert may be employed by the municipality.
- (d) If the Council of the municipality resolves to construct or develop a property for future use as an investment property, such property shall in every respect be accounted for as an ordinary fixed asset until it is ready for its intended use – where after it shall be reclassified as an investment

7.10 Inventory

(i) Recognition of spare parts and servicing equipment

- (1) GRAP 12 paragraph 10 and 11 states that most spare parts and servicing equipment are usually carried as inventory and recognised in surplus or deficit as consumed. However, major spare parts and stand-by equipment qualify as property, plant & equipment when the entity expects to use them during more than one period or when their use is expected to be irregular.
- (2) Spare parts and land/property held for sale are accounted for as inventory in terms of GRAP 12 unless the spare parts meet the requirements to be recognised as property, plant & equipment in terms of GRAP 17.

(ii) Depreciation of spare parts and stand-by equipment qualifying as property, plant & equipment

- (1) Depreciation will be over the time period not exceeding the useful life of the related asset.

8.1 Disclosure

(i) Property, plant and equipment

- (1) GRAP 17 details the disclosure requirements for accounting purposes relating to property, plant & equipment. The following aspects need to be disclosed:
 - (a) The measurement bases.
 - (b) Depreciation method/(s) used.
 - (c) Useful lives or depreciation rates.

- (d) Gross carrying amount and accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period.
 - (e) Reconciliation of the carrying amount at the beginning and end of the period showing:
 - additions,
 - disposals,
 - acquisitions through business combinations,
 - increases or decreases during the period resulting from revaluations,
 - reductions in the carrying amount (impairment losses),
 - impairment losses (if any) reversed,
 - depreciation,
 - the net exchange difference arising on the translation of the financial statements from the functional currency into a different presentation currency, and
 - Other movements.
- (2) Existence and amounts of restrictions on the title for property, plant & equipment pledged as security for liabilities. The amount of commitments for the acquisition of property, plant & equipment.
- (3) The accounting policy for estimated costs of restoring the site of property, plant & equipment.
- (4) When property is stated at revalued amount, the following shall be disclosed:
- (a) the effective date of the revaluation,
 - (b) the method and significant assumptions applied in estimating the items' fair values,
 - (c) The extent to which the items' fair values were determined directly by reference to observation process in an active market or recent market transactions on arm's length terms or were estimated using other valuation techniques;
 - (d) The revaluation surplus, indicating the movement for the period.

(ii) Investment property

GRAP 16.88 details the disclosure requirements for accounting purposes relating to investment property.

9 FORMAT OF THE ASSET REGISTER

- (i) The asset register shall reflect the following information:
 - (a) Description of each asset
 - (b) Date of acquisition/brought into use
 - (c) Unique asset number (barcode)
 - (d) Title deed number (for property)
 - (e) Erf and portion number (for property)
 - (f) Location of asset (e.g. physical address and description, unique location number)
 - (g) Original cost

- (h) Revalued amount
- (i) Fair value (if no costs are available)
- (j) Last revaluation date of assets subject to revaluation
- (k) Accumulated depreciation to the beginning of the current year
- (l) Depreciation charge for the current year
- (m) Accumulated depreciation at year end
- (n) Carrying value of the asset
- (o) Method and rate of depreciation.
- (p) Impairment losses incurred during the financial year (and reversal of such losses, where applicable)
- (q) Department(s) or vote(s) within which the assets will be used
- (r) Source of financing
- (s) Current insurance arrangements
- (t) Use of the asset e.g. to perform basic municipal services
- (u) Nature and duration of assets secured for debt and other encumbrances
- (v) Disposal date/price of retirement from use.

FINAL DRAFT

10 CLASSIFICATION OF ASSETS

The CFO must ensure that all assets are, as prescribed by the current standards, classified under the following headings in the asset register.

10.1 Property, plant and equipment

(i) PPE are classified as follows:

Classification	Description	Example
Infrastructure assets	<p>Infrastructure assets are any assets that are part of a network of similar assets.</p> <p>Some assets are commonly described as infrastructure assets. While there is no universally accepted definition of infrastructure assets, these assets usually display some or all of the following characteristics:</p> <p>(a) They are part of a system or network, (b) They are specialised in nature and do not have alternative uses, (c) They are immovable, and/or (d) They may be subject to constraints on disposal.</p>	Roads, water and Reticulation schemes, sewerage purification, electricity assets and trunk mains.
Community assets	Community assets are any assets that contribute to the community's well-being.	Parks, libraries and fire stations.
Heritage assets	Heritage assets are culturally significant resources.	Works of art, historical buildings and statues.
Other assets	Other assets are assets utilised in operations	Plant and equipment, motor vehicles and furniture and fittings. Property classified as investment property.

(ii) **Housing and township developments**, where Ulundi Local Municipality acts as developers on behalf of Local; District and Provincial Government, are not under the control of Ulundi Local Municipality (unless accredited by the provincial department of housing). Therefore, development costs are expensed. Only the infrastructure (e.g. roads) will be under the control of the municipality and will be capitalised.

10.2 Investment property

- (i) Investment property shall be accounted for in terms of GRAP 16 and shall not be classified as property, plant & equipment for purposes of preparing the municipality’s Statement of Financial Position.

10.3 Inventory

- (i) Major spare parts and stand-by equipment qualify as property, plant & equipment when the entity expects to use them during more than one period or when their use is expected to be irregular in terms of GRAP 12.11.

10.4 Intangible assets

- (i) No intangible asset should be recognised as an asset, except where the Chief Financial Officer, acting in compliance with the requirements of IAS 38 (specifically research and development expenditure) recommends to the Council that specific development costs be recognised as an asset.

11 PROPERTY, PLANT AND EQUIPMENT

11.1 Components of Cost/Valuation of assets

- (i) its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates
- (ii) any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- (iii) deferred costs

11.2 Subsequent costs

- (i) In accordance with GRAP 17.18-19 the requirements relating to subsequent expenditure are as follows:
- (ii) Recognising subsequent expenditure as an asset
- (iii) Subsequent costs on PPE are recognised in surplus or deficit as incurred. Cost of day-to-day servicing is primarily the costs of labour and consumables, and may include the cost of small parts.

11.3 Recognising subsequent expenditure as an expense

- (i) Expenditure related to repairs or maintenance of PPE are made to restore or maintain the future economic benefits or service potential that an entity can expect from the most recently assessed standard of performance of the asset.
- (ii) Therefore, they are usually recognised as an expense when incurred.
- (iii) The cost of servicing or overhauling plant and equipment is usually an expense since it restores, rather than increases, the most recently assessed standard of performance.

11.4 Other considerations

- (iv) GRAP 17.13 states that:
- (v) The cost of an item of property, plant and equipment comprises:
 - (a) its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
 - (b) any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
 - (c) The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

11.5 Revaluations of land

- (i) Determination of the fair value
 - (a) For many assets, the fair value will be readily ascertainable by reference to quoted prices in an active and liquid market. For example, current market prices can usually be obtained for land and non-specialised buildings.
 - (d) The fair value of land is their market value, determined by appraisal. An appraisal of the value of an asset is normally undertaken by a member of the valuation profession who holds a recognised and relevant professional qualification.
- (ii) Frequency of revaluations
 - (a) Land will be revalued every **5 years**.
The Chief Financial Officer shall adjust the carrying value of the land concerned to reflect in each instance the value of the fixed asset as recorded in the valuation roll, provided the Chief Financial Officer is satisfied that such value reflects the fair value of the fixed asset concerned All land recorded in the municipality’s fixed asset register shall be revalued with the adoption by the municipality of each new valuation roll (or, if the land concerned fall within the boundary of another municipality, with the adoption by such municipality of each new valuation roll).
- (iii) Treatment of accumulated depreciation on revaluation
 - The Chief Financial Officer shall also, where applicable, create a revaluation reserve for each such fixed asset equal to the difference between the value as recorded in the valuation roll and the carrying value of the fixed asset before

the adjustment in question. The increased depreciation expenses shall be budgeted for and debited against the appropriate line item in the department or vote controlling or using the fixed asset in question.

- The Chief Financial Officer shall ensure that an amount equal to the difference between the new (enhanced) monthly depreciation expense and the depreciation expenses determined in respect of such fixed asset before the revaluation in question is transferred each month from the revaluation reserve to the municipality’s appropriation account. An adjustment of the aggregate transfer shall be made at the end of each financial year, if necessary.

(iv) Classes of property

(a) A class is a grouping of assets of a similar nature or function in an entity’s operations. The following are examples of separate classes:

- (a) Land,
- (b) Operational buildings,
- (c) Office buildings,
- (d) Roads,
- (e) Machinery,
- (f) Electricity transmission networks,
- (g) Motor vehicles,
- (h) Furniture and fixtures, and
- (i) Office equipment.

(v) Depreciation

(a) In addition to the definition of depreciation explained in section 2.1, depreciation is also understood to be the monetary quantification of the extent to which PPE is used or consumed in the provision of economic benefits or the delivery of services.

(vi) Useful life

(a) In accordance with GRAP 17 the following guidance should be referred to when considering the useful life of an asset.

The future economic benefits or service potential embodied in an asset are consumed by an entity principally through its use. However, other factors, such as technical or commercial obsolescence and wear and tear while an asset remains idle, often result in the diminution of the economic benefits or service potential that might have been obtained from the asset. Consequently, all the following factors are considered in determining the useful life of an asset:

- (1) Expected usage of the asset. Usage is assessed by reference to the asset’s expected capacity or physical output.

- (2) Expected physical wear and tear, which depends on operational factors such as the number of shifts for which the asset is to be used and the repair and maintenance programme, and the care and maintenance of the asset while idle.
- (3) Technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset.
- (4) Legal or similar limits on the use of the asset, such as the expiry dates of related leases.

(vii) Impairment losses

(a) Indicators of impairment for cash-generating assets

Internal indicators	External Indicators
<ul style="list-style-type: none"> • Evidence of obsolescence or physical damage • Discontinuance, disposal or restructuring plans • Declining asset performance 	<ul style="list-style-type: none"> • Significant decline in the market value • Changes in technological, market, economic or legal environment • Changes in interest rates • Low market capitalisation

(b) Indicators of a reversal of the impairment for cash-generating assets

(1) The reversal of impairment may occur due to the following:

Internal indicators	External Indicators
<ul style="list-style-type: none"> • Changes in the way the asset is used or expected to be used • Evidence from internal reporting indicates that economic performance of the asset will be better than expected 	<ul style="list-style-type: none"> • Significant increase in market value • Changes in technological, market, economic or legal environment • Changes in interest rates • Market interest rates have decreased

12 HERITAGE ASSETS

12.1 Heritage assets with service potential

- (i) Some heritage assets have service potential other than their heritage value (e.g. a historic building being used for office accommodation).

- (ii) In such instances, they may be recognised and measured on the same basis as other items of PPE. For other heritage assets, their service potential is limited to their heritage characteristics, for example, monuments and ruins.
- (iii) The existence of alternative service potential can affect the choice of measurement base.
- (iv) Disclosure requirements in paragraphs .75 to .81 require entities to make disclosures about recognised assets.
- (v) Therefore, entities that recognise heritage assets are required to disclose in respect of those assets such matters as:
 - (a) the measurement basis used,
 - (b) the gross carrying amount,
 - (c) the accumulated depreciation at the end of the period, if any, and
 - (d) A reconciliation of the carrying amount at the beginning and end of the period showing certain components thereof.

12.2 Heritage assets without service potential

- (i) Entities may have large holdings of heritage assets that have been acquired over many years and by various means, including purchase, donation, bequest and sequestration.
- (ii) These assets are rarely held for their ability to generate cash inflows, and there may be legal or social obstacles to using them for such purposes.

13 ASSET MANAGEMENT PROCEDURES

13.1 Summary of asset management responsibilities

- (i) The table below summarises the departments, specific employee designations and structure’s referred to (explicitly or implied) in the various sections.

Department	Human Resources	Finance	Budget & Treasury	All departments	MM	Council
4.2 Budget Process		✓	✓	✓		
4.3 Acquisition of assets		✓	✓	✓	✓	
4.4 Disposal of assets		✓	✓	✓	✓	✓
4.5 Departmental transfer of assets		✓	✓	✓		
4.6 Resignations of officials	✓			✓	✓	
4.7 Identification of assets		✓		✓	✓	
4.8 Verification of assets		✓		✓		
4.9 Safekeeping of assets		✓		✓	✓	
4.10 Alienation of assets			✓	✓	✓	✓
4.11 Reporting write-offs of assets			✓	✓		
4.12 Maintenance				✓	✓	
4.13 Private use of municipality assets				✓		
4.14 Replacement norms				✓	✓	
4.15 Insurance of assets			✓	✓	✓	
4.16 Disposal of firearms				✓		

13.2 Budget process

- (i) Each HOD, acting in consultation with the CFO, shall:
- (a) Prepare an annual budget for the acquisition of assets and the maintenance of assets.
 - (b) Ensure that reasonable budgetary provision is made annually for the depreciation of all applicable assets controlled or used by the department in question or expected to be so controlled or used during the ensuing financial year.

13.3 Acquisition of assets

- (i) The process to be followed when assets are acquired shall be in accordance with the Council’s Supply Chain Management Policy and Manual, Delegation of Authority Policies and Payment Procedures. This shall apply to all the types of Council’s assets as contained in this Policy.
- (ii) All assets to be purchased should be in terms of the approved budget.
- (iii) Depending on the amount of the asset to be purchased and after the necessary authorisation has been obtained the following procedure for purchasing an asset must be followed:

- (a) Requisition to be completed and signed by person requesting the asset.
 - (b) Quotations must be obtained in terms of the Supply Chain Management Policy.
 - (c) Authority in terms of Delegated Powers to Officials must be reflected on the requisition.
 - 1) The bidding process procedures will apply in terms of the MFMA Municipal SCM Regulations and the Ulundi Local Municipality SCM Policy.
 - 2) The HOD/MM should sign the requisition as authorisation where the asset is acquired within their delegated authority.
 - (d) Quotations must be attached to the relevant requisition and submitted to Budget and Treasury Office.
 - (e) Budget and Treasury Office: Creditors Section must generate and issue the order.
 - (f) For all assets acquired, the HOD should notify the Insurance Claims Clerk on delivery to provide immediate cover. It is the responsibility of the HOD to ensure that the purchased capital asset has been covered for insurance purposes.
 - (g) On receipt of the purchased asset, the recipient should inspect the asset and once satisfied endorse
 - (h) The delivery note or invoice and forward it to Budget and Treasury Office.
 - (i) The recipient should immediately inform the Accountant: Asset Division that the asset has been delivered for the purpose of bar coding.
 - (j) The recipient's inventory list should be updated and a signed copy be kept by Asset Division.
 - (k) The invoice should be endorsed with the bar code number before payment can be made to the supplier.
- (iv) The Asset Division will provide the Administration Department with a monthly report on asset movements. The reporting must also apply to the following:
- (a) Donations.
 - (b) Additions / Improvements (refers to immovable assets).
 - (c) Auctions.
 - (d) Loss or damage.
 - (e) Transfers.
 - (f) Write-offs
 - (g) Land sales.
- (v) The Heads of Department shall ensure:
- (a) At all times that there are enough funds in the budget before approval of any requisitions.
 - (b) That the correct vote and descriptions are being used before authorising any requisitions.
 - (c) Any item with a value in excess of R500 (five hundred rand), and with an estimated useful life of more than one year, shall be recorded on an

inventory register. The inventory register should record all inventory purchases and movements.

13.4 Disposal of assets

- (i) All assets are to be disposed of in 4 ways, for example:

Asset Management Policy	Link to Supply Chain Managements Policy (Disposal Management)
<ul style="list-style-type: none"> • Donation 	<p>(a) transferring the asset to another organ of state in terms of a provision of the Act enabling the transfer of assets</p> <p>(b) transferring the asset to another organ of state at market related value or, when appropriate, free of charge</p>
<ul style="list-style-type: none"> • Public tender for the disposal of property or letting of assets (including unserviceable, redundant or obsolete assets subject to section 14 and 90 of the MFMA) 	<p>(c) selling the asset</p>
<ul style="list-style-type: none"> • Auctioning 	
<ul style="list-style-type: none"> • By dumping at a tip site after approval by HOD concerned if the item is damaged beyond repair 	<p>(d) destroying the asset</p>

- (ii) The Director: Administration in conjunction with the Supply Chain Manager should direct the disposal process.

- (iii) The disposal of capital assets, in terms of section 14 of Municipal Finance Management Act (No. 56 of 2003), specify the following requirements:

- (a) Capital assets needed to provide the minimum level of basic municipal services may not be disposed of.
- (b) Capital assets (other than those mentioned in 1) may only be disposed of after the municipal council in a meeting open to the public:
 - 1) Has decided on reasonable grounds that the asset is not needed to provide the minimum level of basic municipal service, and
 - 2) Has considered the fair market value of the asset and the economic and community value to be received in exchange for the asset.

- (iv) Any decision made by the municipal council that the specific capital asset is not needed to provide the minimum level of basic municipal service may not be reversed by the municipality after the asset has been disposed of.

- (v) The Municipal Council may delegate its power to make the decision in 2(a) and (b) for movable capital assets to the Municipal Manager subject to limits (e.g. R5 000) prescribed by the Municipal Council.
- (vi) Any transfer of ownership (disposal) must be fair, equitable, transparent, competitive and consistent with the supply chain management policy.
- (vii) The above does not apply to transfers of capital assets to another municipality, municipal entity, national or provincial organ of state provided that the transfers are in accordance with the prescribed framework.

13.5 Disposal procedures

- (i) After the necessary authorisation has been obtained, the following procedure for disposing of an asset must be followed:

Disposal procedure	Type of disposal
<ul style="list-style-type: none"> • A staff member identifies the asset(s) to be disposed of (obsolete, redundant, transferred, and other). 	All
<ul style="list-style-type: none"> • HOD concerned approves the status of the item. 	All
<ul style="list-style-type: none"> • A request to dispose of the asset and the proposed method of disposal must be sent to the Disposal Committee. • The Disposal Committee should inspect all redundant items and provide recommendations to Council to approve the disposal. 	All Disposal of unserviceable, redundant, obsolete and damaged assets
<ul style="list-style-type: none"> • The Administration Department will table the item as per the recommendations of the Disposal Committee at the HOD/Working Group meeting for consideration 	All
<ul style="list-style-type: none"> • A memorandum must be written by the HOD/Working Group meeting to the MM indicating the status of the item and the proposed method for disposal 	All
<ul style="list-style-type: none"> • An asset disposal form must be filled in and properly signed by the requesting official, HOD, Disposal Committee Chairperson and the MM. 	All
<ul style="list-style-type: none"> • The asset disposal form must be attached to the memorandum and forwarded to Budget and Treasury for processing. 	All
<ul style="list-style-type: none"> • The asset (s) should be taken to the Administration Department’s safe house for storage. 	All

Disposal procedure	Type of disposal
<ul style="list-style-type: none"> When the items to be disposed of have been identified, a public notice in the local newspaper is made inviting applications from charity organisations and schools. 	<p>Disposal of redundant and obsolete assets</p> <p>Disposal by auction or donation.</p>
<ul style="list-style-type: none"> Once the approval has been received, the asset register will be adjusted accordingly. 	All

- (ii) Each department / directorate must take the necessary steps to ensure that all its assets to be disposed of are brought to the attention of the Director: Administration.
- (iii) The useful life of assets will be guided by the asset life as suggested by GRAP standardised set of statements.
- (iv) Land and Buildings shall be auctioned at the reserved prevailing market prices as indicated by the valuers at the time of disposal.
- (v) All computer equipment to be disposed of will be subject to scrutiny by the IT Manager.

13.6 Departmental transfers of assets

- (i) The HOD's shall approve all asset movements, which relate to the transfer of assets from one department to the other.
- (ii) When a directorate or department transfers an asset or an inventory item inter-departmentally or within its department, the *Asset Transfer Form* must be forwarded to the department/location receiving the asset or inventory item. A copy of this form is to be forwarded to the Asset Division for the update of the asset register.
- (iii) Where a department no longer requires the use of an asset it should be transferred to the Finance Department for storage until it is required by another department.

13.7 Resignations of officials

- (i) At the resignation of an employee the applicable Director or his/her duly delegated representative must complete the relevant asset form and forward it to the Human Resources Department for their further attention.
- (ii) This form is a statement that the inventory and asset items entrusted to the employee to execute his/her daily duties are in good order and handed in where necessary.

13.8 Identification of assets

- (i) The following applies relating to the identification of assets:
 - (a) The MM is responsible for ensuring that the municipality maintains an asset identification system.
 - (b) The fixed asset identification system should operate in conjunction with the asset register.
 - (c) The MM in consultation with the Director: Administration and HOD's should prescribe the identification system.
 - (d) The identification system should comply with any legal prescriptions and recommendations of the Auditor-General.
 - (e) The CFO should ensure that the asset identification system is applied.

13.9 Verification of assets

- (i) Departmental asset register/listing of assets
- (ii) The Asset Division must distribute to each Department Asset Controller an asset register/listing of all assets for the respective department on a quarterly basis.
- (iii) The departments should:
 - (a) Perform cyclical counts on assets within their department during the year.
 - (b) Perform the annual asset verification of all assets as at 30 June each year within the last two months of the financial year. The asset verification will be facilitated by **Asset Division**.
 - (c) Ensure that the existence of items recorded on the inventory register is verified from time to time, and at least once in every financial year. Any amendments which are made to the inventory register must be retained for audit purposes.
 - (d) These counts should be coordinated by Department Asset Controller.
- (iv) The Director: Administration and where necessary his/her duly designated official shall:
 - (a) Receive from the **Asset Division** a detailed “outcome report” on the assets verification exercise.
 - (b) In consultation with the CFO, ensure that the asset register of the Council is balanced at least annually.
- (v) **The Asset Division** will facilitate the annual verification of assets.

13.10 Safekeeping of assets

- (i) Every HOD shall be directly responsible for the physical safekeeping of any asset controlled or used by the department in question.
- (ii) In exercising this responsibility, every HOD shall adhere to any written directives issued by the MM to the department in question, or generally to all departments, in regard to the control of or safekeeping of the municipality's assets.
- (iii) In addition, any visitors to a department should be accompanied by an employee of the department.

13.11 Alienation of assets

- (i) Every HOD shall report in writing to the Director: Finance on 31 October and 30 April of each financial year on all assets controlled or used by the department concerned which such HOD wishes to alienate by public auction or public tender.
- (ii) The CFO shall thereafter consolidate the requests received from the various departments, and shall promptly report such consolidated information to the Council or the municipal manager of the municipality, as the case may be, recommending the process of alienation to be adopted.
- (iii) The Council shall delegate to the municipal manager the authority to approve the alienation of any asset with a carrying value less than R5 000 (five thousand rand).
- (iv) The Council shall ensure that the alienation of any asset with a carrying value equal to or in excess of R5 000 (five thousand rand) takes place in compliance with Section 14 of the MFMA.
- (v) Once the assets are alienated, the CFO shall delete the relevant records from the asset register.
- (vi) If the proceeds of the alienation are less than the carrying value recorded in the asset register, such difference shall be recognised as a loss in the Statement of Financial Performance of the department or vote concerned. If the proceeds of the alienation, on the other hand, are more than the carrying value of the asset concerned, the difference shall be recognised as a gain in the Statement of Financial Performance of the department or vote concerned.
- (vii) Transfer of assets to other municipalities, municipal entities (whether or not under the municipality's sole or partial control) or other organs of state shall take place in accordance with the above procedures, except that the process of alienation shall be by private treaty.

13.12 *Reporting write-offs of assets*

- (i) All losses should be recorded on a standard Asset Write off Form which shall be used for reporting purposes.
- (ii) Loss, theft, destruction, or impairment
 - (a) Every HOD shall ensure that any incident of loss, theft, destruction, or material impairment of any fixed asset controlled or used by the department in question is promptly reported in writing to the Director of Administration, and – in cases of suspected theft or malicious damage – also to the South African Police Service.

- (b) The Director of Administration shall promptly report to the CFO in writing the above events.
- (iii) Other write-offs
 - (a) A fixed asset even though fully depreciated shall be written off only on the recommendation of the HOD controlling or using the asset concerned, and with the approval of the MM of the municipality.
 - (b) Each Department / Directorate must keep an accurate record of all asset losses and report such losses to the Director of Administration.
 - (c) The Director of Administration shall report to the CFO on 31 October and 30 April of each financial year on any assets which such HOD wishes to have written off, stating in full the reason for such recommendation. The CFO shall consolidate all such reports, and shall promptly submit a recommendation to the Council of the municipality on the assets to be written off.
 - (d) The only reasons for writing off assets, other than the alienation of such assets, shall be the loss, theft, and destruction or material impairment of the fixed asset in question.
 - (e) In every instance where a not fully depreciated fixed asset is written off, the CFO shall immediately debit to such department or vote, as additional depreciation expenses, the full carrying value of the asset concerned.

13.13 Maintenance

- (i) General maintenance
 - (a) Every HOD shall be directly responsible for ensuring that **all assets (other than infrastructure assets which are dealt with below)** are properly maintained and in a manner which will ensure that such assets attain their useful operating lives.
- (ii) Maintenance plans
 - (a) Every HOD shall ensure that a maintenance plan in respect of every new infrastructure asset with a value of R100 000 (one hundred thousand rand) or more is promptly prepared and submitted to the Council of the municipality for approval.
 - (b) The MM may direct that the maintenance plan be submitted to the Council prior to any approval for the acquisition or construction of infrastructure asset concerned.
 - (c) Annual reports should be submitted by the HOD's (controlling or using infrastructure assets) to the Council by July each year on the progress in complying with the maintenance plan. The effect of any non-compliance on the useful operating life of the asset should also be reported.
- (iii) Deferred maintenance
 - (a) If there is material variation between the actual maintenance expenses incurred and the expenses reasonably envisaged in the approved maintenance plan, the CFO shall disclose the extent of and

possible implications of such deferred maintenance in an appropriate note to the financial statements.

- (b) If no such plans have been formulated or are likely to be implemented, the CFO shall re-determine the useful operating life of the fixed asset in question, if necessary in consultation with the HOD controlling or using the asset, and shall recalculate the annual depreciation expense accordingly.
- (c) Where maintenance is deferred and results in a change in the useful operating life of the asset, then the statement on Accounting policies, changes in accounting estimates and errors (GRAP 3) should be applied.

13.14 Private use of municipal assets

- (i) Each department should ensure that the removal of assets from municipal premises is monitored. The standard Asset Removal Form should be completed and authorised by the HOD each time any asset is removed from municipal premises.
- (ii) No municipal asset may be used for personal gain or profit.

13.15 Replacement norms

- (i) The MM, in consultation with the CFO and other HOD's, shall formulate norms and standards for the replacement of all normal operational assets. Such norms and standards shall be incorporated in a formal policy, which shall be submitted to the Council of the municipality for approval.
- (ii) This policy shall cover the replacement of motor vehicles, furniture and fittings, computer equipment, and any other appropriate operational items. Such policy shall also provide for the replacement of assets which are required for service delivery but which have become uneconomical to maintain.

13.16 Insurance of assets

- (i) The municipal manager shall ensure that all movable assets are insured at least against fire and theft, and that all municipal buildings are insured at least against fire and allied perils.
- (ii) If the municipality operates a self -insurance reserve (assuming such reserve to be allowed), the Chief Financial Officer shall annually determine the premiums payable by the departments or votes after having received a list of fixed assets and insurable values of all relevant fixed assets from the heads of departments concerned

- (iii) The Municipal Manager shall recommend to the council of the municipality after consulting with the Chief Financial Officer, the basis of the insurance to be applied to each type of fixed assets: either the carrying value or the replacement value of the fixed assets concerned. Such recommendation shall take due cognizance of the budgetary resources of the municipality.
- (iv) The Chief Financial Officer shall annually submit a report to the council of the municipality on any reinsurance cover which it is deemed necessary to procure for the municipality’s self- insurance reserve.

13.17 Fleet Management

- (i) The management of Fleet Assets (Council’s vehicles, plant and earth moving equipment as defined by the Fleet Management Policy) shall be in terms of the “Fleet Management Policy.”

13.18 Disposal of firearms

- (i) The procedures for the legal disposing of firearms in terms of the Firearms Control Act of 2000 are not included in this policy.

APPENDIX “A”: ASSET USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT

Description	Asset Life	Description	Asset Life
INFRASTRUCTURE ASSETS			
ELECTRICITY		GAS	
Power stations	30	Metres	20
Cooling towers	30	Mains	20
Transformer Kiosks	30	Storage tanks	20
Meters	30	Supply/reticulation	20
Mini Subs	25	SEWERAGE	
Load control equipment	30	Sewers	20
Switchgear equipment	20	Outfall sewers	20
Supply/reticulation	30	Purification works	20
Mains	30	Sewerage pumps	15
Cables	25	Sludge machines	15
High Must Lights	30	Ablution facilities	30
Switch Room	25	PEDESTRAIN MALLS	
Other Electrical Equipment	30	Footways	30
ROADS		Kerbing	20
Motorways	30	Paving	20
Other roads	30	SECURITY MEASURES	
Traffic islands	10	Fencing & Gates	30
Traffic lights	10	Security System	10
Street lighting	25	EMERGENCY EQUIPMENT	
Overhead bridges	30	Fire	15
Storm water drains	30	Ambulances	10
Bridges, subways & culverts	30	Fire hoses & Other Fire Equipment	15
Car parks	20	Emergency lights	5
Bus terminals	20	Fire Extinguishers	15
Manhole	30	Trailer	20
Signboards	30	Generators	20
Catch pits	30	Blue Lights	20
Road Base	50	Floodlights	30
Kern Channel	50	MOTOR VEHICLE	
COMMUNITY ASSETS		Fire engines	20
BUILDINGS		Buses	15
Ambulance stations	30	Motor vehicles	7
Aquariums	30	Motor cycles	3
Halls	30	Trucks/bakes	7
Care centres	30	Finance Leases- Motor Vehicles	3
Cemeteries	20	AIRCRAFT	
Civic theatres	30	WATERCRAFT	



Asset Management Policy

Concrete Chairs & Tables	30		PLANT & EQUIPMENT	
Community centres	30		Graders	15
			Tractors	15
Fire stations	30		Mechanical horses	15
Game reserves/Rest Camps	30		Farm equipment	5
Indoor sports	30		Lawnmowers	2
Libraries	30		Compressors	5
Museums/Art galleries	30		Laboratory equipment	5
Parks	30		Radio equipment	5
Public convenience/Bathhouses	30		Firearms	30
Wendy houses & Other Similar	2		Telecommunication equipment	10
Recreation centres	30		General	7
Stadiums	30		Irrigation systems	15
Zoos	30		Cremators	15
			Ladders	15
			Lathes	15
OTHER ASSETS			Milling equipment	15
BUILDINGS			Conveyors	15
Abattoirs	30		Feeders	15
Asphalt plant	30		Tippers	15
Cable Stations	30		Pulverising mills	15
Caravan parks	30		Brush Cutters	5
Cinemas	30		Other Small Equipment	3
Compacting stations	30		Compactors & Other Equip.	10
Wendy Houses	2		BINS AND CONTAINERS	
			Households refuse bins	5
Markets	30		Bulk containers	10
Office buildings	30		Concrete bins	30
Quarries	30		Other Containers	30
Tip sites	30		Office Bins	10
Training centres	30			
Transport facilities	30			
Workshops/deposits	30			
OFFICE EQUIPMENT				
Computer hardware	10			
Computer software	5			
Office machines	10			
Air conditioners	7			
Other Office Equipment	10			
Kitchen Appliances	10			
Printers	20			
FURNITURE AND FITTINGS				
Chairs & Trays	10			
Tables/desks	10			
Cabinets/cupboard	10			
Miscellaneous	10			
Notice Boards	10			
Book Shelves	30			

POLICY	VERSION	DATE OF APPROVAL	MM's Signature
ASSET MANAGEMENT POLICY	VERSION 1		

FINAL DRAFT

“ The City of Heritage “: “



Ulundi Local Municipality

Virement Policy

“ The City of Heritage “



VIREMENT POLICY
VERSION NO.1



DEFINITIONS

“Appropriation” - money set aside by council for a specific purpose

“Cost Centre” - a cost collector which represents a logical point at which cost (expenditure) is collected and managed by a responsible cost center manager.

“Line Item” - an appropriation that is itemized on a separate line in a budget adopted with the idea of greater control over.

“Transfer” - shifting of allocated funds from one department, line-item or both to the other

“Virement” - the agreed transfer of appropriated funds from one line item to another within votes

“mSCOA” – Municipality Standard Chart of Accounts



1. OBJECTIVES OF VIREMENT POLICY

- To provide greater flexibility to senior managers (heads of departments) of the municipality in managing their budgets; and
- To provide clear guidance to senior managers on when they may shift funds between items, projects and programmes.
- To enable senior managers to act on occasions such as disasters, emergency and unforeseen events as they arise so as to accelerate service delivery in a financially responsible manner.
- To empower senior managers with an efficient financial – and budgetary system to ensure optimum service delivery within the current legislative framework of the MFMA and the Municipality’s system of delegations.

2. LEGISLATIVE BACKGROUND

Section 62 (1) of Municipal Finance Management Act, 56 of 2003 (MFMA) stipulates that the accounting officer of a municipal is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure:

- a) that the resources of the municipality are used effectively, efficiently, economically and transparently;
- b) that full and proper records of the financial affairs of the municipality are kept;
- c) that the municipality has and maintains effective, efficient and transparent systems-
 - i. of financial and risk management and internal control; and
 - ii. of internal audit complying with and operating in accordance with any prescribed norms and standards;
- d) that irregular and fruitless and wasteful expenditure and other losses are prevented;
- e) that expenditure is in accordance with the operational policies of the municipality; and
- f) that disciplinary or, when appropriate, criminal proceedings, are instituted against any official of the municipality who has allegedly committed an act of financial misconduct or an offence in terms of Chapter 15.



3. POLICY PRINCIPLES

The following principles shall apply in dealing with transfers and virement of budgeted funds:

- a) It is the responsibility of each Head of each Department (Vote) to which funds are allocated, to plan and conduct assigned operations so as not to expend more funds than budgeted and to ensure that funds are utilized effectively and efficiently.
- b) Each official of a municipality exercising financial management responsibilities must take reasonable steps within that official's area of responsibility to ensure that the provisions of section 78 of MFMA to the extent applicable to that official, including any delegations in terms of section 79, are complied with.
- c) This policy applies only to transfers between line items within votes of the municipality's operating budget. No transfers between or from capital projects / items or between departments shall be performed under this policy in compliance with mSCOA regulations. Any variations from or adjustments within capital projects or between departments shall be dealt with in terms of the adjustment budget process provided for in terms of section 28 of MFMA.
- d) The total amount transferred from and to line items within a particular cost centre in any financial year may not exceed 10% of the total operating budget allocated to that cost centre.
- e) The total amount transferred from and to cost centres within a particular department in any financial year may not exceed 10% of the total operating budget allocated to that department.

4. AUTHORISATION AND APPROVAL OF VIREMENTS

A transfer of funds from one line item to another and from one cost center within a department to another subject to this policy shall be approved and authorized as in line with the municipality's system of delegations as approved by the Council from time to time.



5. VIREMENT REQUIREMENTS

In order for a department to transfer funds from one line item to another or cost center to another, a saving has to be identified within the monetary limitations of the approved “giving” line item or cost center allocations within the department.

There must be sufficient, non-committed budgetary provision available within the “giving” line item and / or cost concerned to give effect to the budgetary transfer.

In addition, the department concerned must clearly indicate from which line item and / or cost center and to which line item and / or cost center, including clear identification of vote numbers, transfers will be made, the amount involved and a clear motivation for the transfer.

In cases of emergency situations virements shall be submitted by the Heads of the Departments to the Municipal Manager for authorization and be reported by the Municipal Manager to Council at its next meeting following the occurrence of emergency.

Virement resulting in adjustments to the approved SDBIP by the user Department need to be submitted with an Adjustments Budget to Council with altered outputs and measurements for approval, and must indicate changes to the (SDBIP), and the impact that this will have on the performance objectives as set out in the municipality’s Multi-Year Business Plan.

An approved virement does not give expenditure authority and all expenditure resulting from approved virements must still be subject to the prescribed procurement processes as contained in the municipality’s approved Supply Chain Management Policy.

Any transfers or adjustments falling outside the scope of this policy must be dealt with in accordance with budget adjustment process in terms of section 28 of the Municipal Finance Management Act (MFMA).



6. VIREMENT RESTRICTIONS AND LIMITATIONS

- a) No virements are permitted within the first three months of the financial year unless in an emergency situation as stipulated in this policy.
- b) Virements are not be permitted in relation to the revenue side of the budget;
- c) Virements from the capital budget to the operating budget are not permitted;
- d) Virements to or from the following items are not be permitted:
 - i. bulk purchases;
 - ii. debt impairment,
 - iii. interest charges;
 - iv. depreciation,
 - v. revenue foregone,
 - vi. insurance,
 - vii. Value Added Tax (VAT),
 - viii. Ring-fenced allocations, and
 - ix. Statutory Funds
- e) No virement may commit the municipality to increase recurrent expenditure, which commits the municipality's resources in the following financial year, without the prior approval of Council. (This refers to expenditures such as entering into multi-year lease or rental agreements for the leasing of vehicles, photo copiers or fax machines).
- f) No virement may be made to cover/ allow for unauthorized, irregular or fruitless and wasteful expenditure.
- g) Virements must not be made where it would result in over expenditure; and
- h) Virement amounts shall not be rolled over to subsequent years, or create expectations on the following budgets.
- i) Virements from and between capital assets already approved by the Council is not allowed.
- j) Virements towards personnel expenditure are not be permitted; unless if specifically approved by Council.



7. ACCOUNTABILITY AND PROCESS FOR TRANSFERS AND VIREMENT

Accountability to ensure that virement application forms are completed in accordance with Council's virement policy and are not in conflict with the Department's strategic objectives manifests with the Head of the relevant Department.

Virements shall be permitted where the proposed transfer of funds facilitate sound risk and financial management (e.g. the management of central insurance funds and insurance claims from separate votes);

Permissible budget transfers and virements shall be recommended by the Head of Department, by completing the appropriate documentation and forward to the Municipal Manager for verification and further processing for approval.

All the necessary virements documentations must be signed for by the Head of Department and the manager within which the cost center is allocated.

The Chief Financial Officer shall prescribe a form on which all proposals for virements under this policy shall be made, which form shall include, but not limited to the following requirements:

- a) the name of the department concerned;
- b) particulars of the person making request for virement / transfer;
- c) descriptions and vote numbers of the line items from and to which the transfer is to be made;
- d) the amount of the proposed transfer;
- e) the cause of the saving in the line item from which the transfer is to be made;
- f) motivation for the transfer;
- g) a narrative of any consequences that such transfer may have for the multi-year business plan and SDBIP;
- h) signature of the Head of Department



8. SHIFTING OF FUNDS BETWEEN MULTI-YEAR APPROPRIATIONS

When funds for a capital programme are appropriated in terms of section 16(3) of MFMA for more than one financial year, expenditure for that programme during a financial year may exceed the amount of that year's appropriation for that programme, provided that :

- a) the increase does not exceed 20 per cent of that year's appropriation for the programme;
- b) the increase is funded within the following year's appropriation for that programme;
- c) the Municipal Manager certifies that actual revenue for the financial year is expected to exceed budgeted revenue; and sufficient funds are available for the increase without incurring further borrowing beyond the annual budget limit;
- d) prior written approval is obtained from Council for the increase; and
- e) the documents referred to in paragraphs (c) and (d) are submitted to the Council of Ulundi Municipality.

Where a capital asset has been budgeted for over multiple years in terms of MFMA, the municipality shall plan for the funding needed for every financial year of the project to ensure its financial sustainability.

In cases where capital appropriations are unable to be spent during the allocated financial year, the projected roll-overs shall be included as part of the adjustment budget within the framework of section 28(2)(e) of MFMA or the Chief Financial Officer shall provide for an adjusted capital appropriation as part of the next annual budget.

9. REPORTING

The Chief Financial Officer shall, report to the Accounting Officer (Municipal Manager) on all the virements, and the Municipal Manager shall, within seven working days of the end of each month following any virement / transfer, submit a report of all the virements and budget transfers in the preceding month.



Version Control sheet OF Virement Policy			
Year	Version	Date of approval	Implementation date
2018/2019	No.1		01/07/2018

No	Summary of changes	Action
1	NEW POLICY	NEW

Approved by

Mr N.G Zulu
Municipal Manager

Policy Acknowledgement for implementation:

Mr J.H Mhlongo
Chief Financial Officer

Ulundi
Local
Municipality

“City of Heritage”



Supply Chain Management Policy

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1. DEFINITIONS

1.1 In this Supply Chain Management Policy, unless the context indicates otherwise;

“Acceptable tender” – as defined in the Preferential Procurement Policy Framework Act, means a tender which, in all respects, complies with the specifications and conditions of tender as set out in the tender documents.

“Accounting Officer” – in relation to the Municipality, means the municipal official referred to section 60 of the Municipal Finance Management Act, 56 of 2003.

“Adjudication points” – means the points for price and points for B-BBEE contribution referred to the Preferential Procurement section of this policy, also referred to as "evaluation points".

“Applicable taxes” - include value-added tax, pay as you earn, income tax, unemployment insurance fund contributions and skills development levies.

“Asset” -: means a tangible or intangible resource capable of ownership.

“B-BBEE” - means broad-based black economic empowerment as defined in section 1 of the Broad-Based Black Economic Empowerment Act.

“B-BBEE status level of contribution” - means the B-BBEE status received by a measure entity based on its overall performance using the relevant scorecard contained in the Codes of Good Practice on Black Economic Empowerment, issued in terms of Section 9(1) of the Broad-Based Black Empowerment Act.

“Bid” – : means a written offer in a prescribed or stipulated form in response to an invitation by Ulundi Local Municipality for the provision of goods, services or construction works through price quotations, advertised competitive bidding processes or proposals.

“Bidder” – means a person submitting a competitive bid or a quotation.

“Broad-Based Black Economic Empowerment Act” - means the Broad-Based Black Economic Empowerment Act, 53 of 2003 and the Codes of Good Practice pertaining thereto.

“Capital Asset” - means: (a) any immovable asset such as land, property or buildings; or (b) any movable asset that can be used continuously or repeatedly for more than one year in the production or supply goods or services, for rental to others or administrative purposes, and from which future benefit can be derived, such as plant, machinery and equipment.

“Closing time” – means the time and day specified in the bid documents for the receipt of bids.

“comparative price” – means the price after the factors of non-firm price all unconditional discounts that can be utilised have been taken into consideration.

“competitive bidding process” – means a competitive bidding process referred to in paragraph 12(1)(d) of this the Supply Chain Management Regulations read with.

“competitive bid” :- means a bid in terms of a competitive bidding process.

“community based vendor” :- means works who resides in a target area or community, who meets the criteria for community based vendors as determined by the Chief Financial Officer from time to time, and who is registered as such on Ulundi Local Municipality's Supplier database.

“consortium” – Also referred to as “Joint Venture” (see clause 1.39 Below”).

“Construction Industry Development Board (CIDB) Act” – means the Construction Industry Development Board Act, 38 of 2000 and includes the regulations pertaining thereto.

“Construction Works”: - means any work in connection with : (a) The erection, maintenance, alteration, renovation, repair, demolition or dismantling of or addition to a building or any. Similar structure; (b) the installation, erection, dismantling or maintenance of a Fixed plant; (c) the construction, maintenance, demolition or dismantling of any bridge, dam, canal, road, railway, sewer or water reticulation system or any similar civil engineering structure; or (d) The moving of earth, clearing of land, the making of an excavation, piling or any similar type of work.

“Consultant”: - means a person or entity providing services requiring knowledge based expertise and includes professional service providers.

“Contract”: - means the agreement which is concluded when Ulundi Local Municipality accepts, in writing, a competitive bid or quotation submitted by a Supplier.

“Contractor” :- means any person or entity whose competitive bid or Quotation has been accepted by Ulundi Local Municipality.

“Contractor Participation goal” :- the value of the participation of a specific target group that a contractor must achieve in the performance of a contract, expressed as a percentage of the bid sum less provisional sums, contingencies and VAT.

“Day(s)” :- means calendar days unless the context indicates otherwise.

“Delegated Authority”- means any person or committee delegated with authority by Ulundi Local Municipality in terms of the provisions of the Municipal Finance Management Act.

“Designated sector” - means a sector, sub-sector or industry that has been designated by the Department of Trade and Industry in line with National development and industrial policies for local production, where only locally produced services, works or goods or locally manufactured goods meet the stipulated minimum threshold for local production and content.

“Evaluation of Bids”- in respect of bids that exceed R200,000, shall be deemed to take place when the Bid Evaluation Committee meets to make a recommendation to the Bid Adjudication Committee.

“Evaluation Points” – Also referred to as “Adjudication Points” (see clause 11.26 of this policy)

“Exempted Capital Asset”: - means a municipal capital asset which is exempted by section 14(6) or 90(6) of the MFMA from the other provisions of that section.

“Exempted Micro Enterprise” :- : means a bidder with annual total revenue of RS million or less (in terms of the Broad-Based Black Economic Empowerment Act).

“Final Award”:- in relation to bids or quotation submitted for a contract, means the final decision on which bid or quote to accept.

“Firm Price” :- means price that is only subject to adjustments in accordance with the actual increase or decrease resulting from the change, imposition, or abolition of customs or excise duty and any other duty, levy, or tax, which, in terms of the law or regulation, is binding on the contractor and demonstrably has an influence on the price of any supplies, or the tendering costs of any service, for the execution of the contract.

“Formal Written Price Quotation”~ Written Price Quotation”, “Quotation” or “Quote” :- means a written or electronic offer to Ulundi Local Municipality in response to an invitation to submit a quotation. Also referred to as "Bids".

“Functionality” -: means the measurement according to predetermined norms, as set out in the bid or quotation documents, of a service or commodity that is designed to be practical and useful, working or operating, taking into account, among other factors, the quality, reliability, viability and durability of a service and the technical capacity and ability of a bidder. "Functionality" is also referred to as "Quality".

“Granting of Rights” :- means the granting by Ulundi Local Municipality of the right to use, control or manage capital assets in circumstances where sections 14 and 90 of the MFMA and Chapters 2 and 3 of the Municipal Asset Transfer Regulations do not apply. In other words, where the granting of such rights does not amount to “transfer” or “disposal” of the asset and which includes leasing, letting, hiring out, etc, of the capital asset.

“Green Procurement” :- is defined as taking into account environmental criteria for goods and services to be purchased in order to ensure that the related environmental impact is minimised.

“Highest acceptable tender” – as defined in the Preferential Procurement Regulations, 2022, meaning a tender that complies with all specifications and conditions of tender and that has the highest price compared to other tenders”

“Imported Content”:- means that portion of the bid price represented by the cost of components, parts or materials which have been or are still to be imported (whether by the supplier or its sub• contractors) and which costs are inclusive of the costs abroad, plus freight and other direct importation costs, such as landing costs, dock dues, import duty, sales duty or other similar tax or duty at the South African port or entry.

“In the service of the state”:- (a) a member of any municipal council, any provincial legislature or the National Assembly or the National Council of Provinces; (b) an official of any municipality or municipal entity; (c) 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, 1 of 1999; (d) a member of the board of directors of any municipal entity; (e) a member of the accounting authority of any national or provincial public entity; or (f) An employee of Parliament or a provincial legislature.

“Joint-Venture Consortium”- means an association of persons formed for the purpose of combining their expertise, property, capital, efforts, skill and knowledge in an activity for the execution of a contract or contracts. The Joint Venture must be formalised by agreement between the parties.

“Local Content” :- means that portion of the bid price which is not included in the imported content, provided that local manufacture does take place.

“Lowest acceptable tender”- as defined in the 2022 Preferential Procurement Regulations, defined as a tender that complies with all specifications and conditions of tender and that has lowest price compared to other tenders.

“Municipal Asset Transfer Regulations”:- - means the Municipal Asset Transfer Regulations published in Government Gazette 21346 of 22 August 2008.

“Municipal Entity”:- - means an entity as defined in the Local Government: Municipal Systems Act, 32 of 2000.

“Municipal Finance Management Act (MFMA)”: - means the Local Government: Municipal Finance Management Act, 56 of 2003.

“Municipal Systems Act” :- means the Local Government : Municipal Systems Act, 32 of 2000.

“Non-compliant Contributor”: - means a person who does not meet the minimum score to qualify as a status level 8 B-BBEE Contributor, or a person who is not verifies in terms of the required Sector Charter.

“Non – exempted Capital Asset” – means a municipal capital asset which is not exempted by section 14(6) or 90(6) of the MFMA, from the other provisions of that section.

“ Non-firm prices”:- means all prices other than "firm" prices

“Person” : - includes a natural or legal entity.

“Policy” :- means this Supply Chain Management Policy as amended from time to time.

“Preferential Procurement Policy Framework Act (PPPFA)” :- means the Preferential Procurement Policy Framework Act, 5 of 2000.

“Preferential Procurement Regulations” – means the regulations pertaining to the PPPFA.

“Price”:- as defined in the 2022 Preferential Procurement Regulations, defined to mean an amount of money tendered for goods or services, and including all applicable taxes less all unconditional discounts.

“Prime Contractor”: - shall have the same meaning as “Contractor”.

“Promotion of Administration Justice Act”: - means the Promotion of Administrative Justice Act, 3 of 2000.

“Quality”: - means the acceptable standard of functionality.

“Rand value” – as defined in the 2022 Preferential Procurement Regulations, defined to mean the total estimated value of a contract in Rand, calculated at the time of the tender invitation and includes all applicable taxes and excise duties.

“Republic”:- means the Republic of South Africa.

“Responsible Agent”:- means either an internal project manager (being an employee of Ulundi Local Municipality) or an external consultant (appointed by Ulundi Local Municipality), as the case may be, who is responsible for the implementation of a project or part thereof.

“SARS”:- means the South African Revenue Services.

“Specific goals” - as defined in section 2 (1) (d) of the Preferential Procurement Policy Framework Act, 5 of 2000 which may include contracting with persons, or categories of persons, historically disadvantaged by unfair discrimination on the basis of race, gender and disability including the implementation of programmes of the Reconstruction and Development Programme as published in Government Gazette No. 16085 dated 23 November 1994.

“Stipulated Minimum Threshold”:- means that portion of local production and content as determined by the Department of Trade and Industry.

“Sub- contract” :- means the prime contractor's assigning, leasing, making out work to, or employing, another person to support such prime contractor in the execution of part of a project in terms of the contract.

“Sub-contractor”:- means any person that is assigned leased, employed or contracted by the prime contractor to carry out work in support of the prime contractor in the execution of a contract.

“Supplier/Vendor”:- are generic terms which may include supplies of goods and services, contractors and/or consultants.

“Supplier Database” :- means the list of accredited prospective providers which a municipality or municipal entity must keep in terms of Regulation 14 of the Supply Chain Management Regulations.

“Supply Chain Management Regulations (‘SCM Regulations’)” :- means Municipal Supply Chain Management Regulations published in terms of the Municipal Finance Management Act.

“Targeted Labour”:- means that individual employed by a contractor, or sub• contractor, in the performance of a contract, who is defined in the contract as the target group, and who permanently resides in the defined target area.

‘Targeted Enterprises’:- means those enterprises (suppliers, manufacturers, service providers or construction works contractors) that own, operate or maintain premises within the target area defined in the contract, for the purposes of carrying out their normal business operations.

“Tender: - as defined by the 2022 Preferential Procurement Regulations , means a written offer in a form determined by organ of state in response to an invitation to provide goods or services through price quotations, competitive tendering process or any other method envisaged in the legislation.

“Tenderer”: - means a person making the written offer determined by organ of state in response to an invitation to provide goods or services through price quotations, competitive tendering process or any other method envisaged in the legislation.

“Term Bid”: - means rates-based bid for the supply of goods, services or construction works, which are of an ad-hoc or repetitive nature where the individual rates are approved for use over a predetermined period of time.

“Total Revenue”: - bears the same meaning assigned to this expression in the Codes of Good Practice on Black Economic Empowerment issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act and promulgated in the Government Gazette on 9 February 2007.

“Transaction Value”: -means the actual contract value (the bid sum or price) in South African currency, inclusive of all applicable taxes in respect of the goods, services or construction works that are contracted for.

“Treasury Guidelines” : - means any guidelines on Supply Chain Management issued by the Minister in terms of section 168 of the MFMA

“Trust”:- means the arrangement through which the property of one person is made over or bequeathed to a trustee to administer such property for the benefit of another person.

“Trustee”: - : means any person, including the founder of a trust, to whom property is bequeathed in order for such property to be administered for the benefit of another person.

“Unsolicited Bid” :- means an offer submitted by any person at its own initiative without having been invited by Ulundi Local Municipality to do so.

“Ulundi Local Municipality” – means the Municipality of Ulundi District or any person (s) or committee delegated with the authority to act on its behalf.

“Ulundi Local Municipality Municipal Manager”:- means the Municipal Manager as defined in the Municipal Finance Management Act.

2. POLICY STATEMENT

2.1. Section 111 of the Municipal Finance Management Act requires each Municipality and municipal entity to adopt and implement a Supply Chain Management Policy, which gives effect to the requirements of the Act.

2.2. Section 2 (1) of the Preferential Procurement Policy Framework Act, 2000, requires the Municipality as an organ of state to determine its Preferential Procurement Policy and to implement it within the prescribed framework.

2.3. This policy must at all times, be read with all the relevant pieces of legislation (as amended).

3. GOALS

3.1. The goal this Policy is to provide a mechanism to ensure sound, sustainable and accountable Supply Chain Management within Ulundi Local Municipality, whilst promoting black economic empowerment, which includes general principles for achieving the following socio-economic objectives:

- (i) to stimulate and promote local economic development in a targeted and focused manner;
- (ii) to promote resource efficiency and reduce the negative environmental impact of daily operations of Ulundi Local Municipality;
- (iii) to facilitate creation of employment and business opportunities for the people of Ulundi with particular reference to Broad-Based Black Economic Empowerment (BBBEE);
- (iv) to promote the competitiveness of local businesses;
- (v) to increase the small business sector access, in general, to procurement business opportunities created by the Council;

4. POLICY OBJECTIVES

4.1. The objectives of this Policy are :

- (i) to give effect to Section 217 of the Constitution of the Republic of South Africa by implementing a system that is fair, equitable, transparent, competitive and cost effective;
- (ii) to comply with all applicable provisions of the Municipal Finance Management Act (MFMA) including the Municipal Supply Chain Management Regulations published under GN868 in Government Gazette 27636, dated 30 May 2005 and any National Treasury Guidelines issued in terms of the MFMA.
- (iii) To ensure consistency with all other applicable legislations and any regulations pertaining thereto, including but limited to:
 - (a) the Constitutional of the Republic of South Africa;
 - (b) the Municipal Finance Management Act;
 - (c) the Preferential Procurement Policy Framework Act of 2000 (PPPFA);
 - (d) the Broad-Based Black Economic Empowerment Act;
 - (e) the Construction Industry Development Board Act;
 - (f) the Local Government: Municipal Systems Act;

4.2. This Policy will also strive to ensure that the objectives for uniformity in Supply Chain Management systems between organs of state, in all spheres, are not undermined and that consistency with national economic policy on the promotion of investments and doing business with the public sector is maintained.

4.3. This Policy shall apply when the Municipality:

- (i) Procures goods or services;
- (ii) Disposes of goods no longer required:

- (iii) Selects contractors to provide assistance in the provision of municipal services otherwise than in circumstances where Chapter 8 of the Municipal Systems Act applies; or
- (iv) Selects external mechanisms referred to in Section 80 (1) (b) of the Municipal Systems Act for the provision of municipal services in circumstances contemplated in Section 83 of the same Act.

5. OVERSIGHT

- 5.1. Council maintains an oversight role to ensure that the Municipal Management implements this Supply Chain Management Policy.
- 5.2. The Mayor must provide general political guidance over the fiscal and financial affairs of Ulundi Local Municipality and must monitor and oversee the exercise of responsibilities assigned to the Municipal Manager and Chief Financial Officer in terms of the Municipal Finance Management Act.
- 5.3. Section 117 of the MFMA prohibits any Municipal Councillor from being a member of a bid committee or any other committee evaluating or approving quotations or bids nor may a Municipal Councillor attend any such meetings as an observer.
- 5.4. For the purposes of such oversight, the Municipal Manager shall, within ten (10) days of the end of each quarter, submit a report on the implementation of this Policy to the Mayor and, within 30 days of the end of each financial year, shall submit a similar such report to Council.
- 5.5. In addition, if any serious and material problems arise in relation to the implementation of this Policy, the Municipal Manager shall immediately report to Council accordingly.
- 5.6. All the reports referred to Section 5.4 and 5.5 above, shall be made public in accordance with the requirements of Section 21(1) (a) of the Local Government : Municipal Systems Act (“Municipal Sytems Act”)

6. COMPLIANCE WITH ETHICAL STANDARDS

6.1. In order to create an environment where business can be conducted with integrity and in a fair and reasonable manner, this Policy will strive to ensure that the Municipal Manager and all representatives of ULundi involved in Supply Chain Management activities shall act with integrity and in accordance with the highest ethical standards.

6.2. All Supply Chain Management representatives shall adhere to the code of conduct of municipal staff contained in Schedule 2 of the Local Government: Municipal Systems Act (*the Systems Act*) and Code of Ethical Standards.

7. GENERAL PROVISIONS AND APPLICATION OF POLICY

7.1. Commencement and Review

- (i) This Policy is effective from the date on which it is adopted by Council.
- (ii) The Accounting Officer must **annually** review the implementation of this Policy and
- (iii) If she/he considers it necessary, submit proposals for the amendment of the Policy to the Council for approval.

7.2. Application of Policy

- (i) This Policy applies to:
 - (a) the procuring of goods or services, including construction works and consultant services;
 - (b) the disposal by Ulundi Local Municipality of goods no longer needed;
 - (c) the selection of contractors to provide assistance in the provision of the municipal services; or

- (d) the selection of external mechanisms referred to in Section 80 (1) (b) of the Municipal Systems Act for the provision of municipal services in circumstances contemplated in Section 83 of that Act.
- (ii) Unless specifically stated otherwise, this Policy does not apply Ulundi Local Municipality contracts with another organ of state for:
 - (a) The provision of goods or services to Ulundi Local Municipality;
 - (b) The provision of a municipal services; or
 - (c) The procurement of goods and services under a contract secured by that other organ of state, provided that the relevant supplier has agreed to such procurement.
 - (d) A report shall nevertheless be submitted to the Bid Adjudication Committee seeking authority to contract with another organ of state.
- (iii) The Policy provides for the following Supply Chain Management systems:
 - (a) Demand management system;
 - (b) Acquisition management system;
 - (c) Logistics management system;
 - (d) Disposal management system;
 - (e) Risk management system;
 - (f) Performance management system.
- (iv) These systems must be adhered to in all Supply Chain Management activities undertaken by Ulundi Local Municipality.

7.3. Delegations

- (i) To the extent that it may be necessary, Council authorises the Municipal Manager to delegate or sub-delegate to a staff member any power conferred on the Municipal Manager in terms of the MFMA and the Supply Chain Management Regulations relating to Supply Chain Management.

- (ii) No decision-making in terms of any Supply Chain Management powers and duties may be delegated to an advisor or consultant.

7.4. Competency

- (i) The Municipal Manager shall ensure that all persons involved in the implementation of this Policy meet the prescribed competency levels, and where necessary, shall provide relevant training.
- (ii) The training of officials involved in implementing this Policy shall be in accordance with any National Treasury guidelines on Supply Chain Management training.

7.5. *Supply Chain Management Unit*

- (i) Ulundi has established a Supply Chain Management Unit to assist the Municipal Manager to implement this Policy.

7.6. *Communication with Ulundi Local Municipality*

- (i) All correspondence with regard to this Policy shall be addressed to the Chief Financial Officer.

7.7. *Availability of Supply Chain Management Policy*

- (i) A copy of this Policy and other relevant documentation shall be made available on Ulundi Local Municipality's website.

8. DELEGATION OF AUTHORITY

- 8.1. The Council hereby delegates all powers and duties to the Accounting Officer which are necessary to enable the Accounting Officer:

- (i) To discharge the supply chain management responsibilities conferred on the Accounting Officer in terms of this Policy;
- (ii) To maximise administrative and operational efficiency in the implementation of this Policy;
- (iii) To comply with his or her responsibilities in terms of Section 115 and other applicable provisions of the Act;
- (iv) The Accounting Officer may not sub-delegate any supply chain management powers and duties to a person who is not an official of the Municipality or to a Committee which is not exclusively composed of officials of the Municipality.

8.2. The following procurement thresholds shall be applicable for the execution of all Ulundi Local Municipality procurement activities:

Procurement limits	Method	Required Procedure
Level 0: R 0 – R 1,000	Petty Cash	<ul style="list-style-type: none"> ▪ Slips and invoices supporting expenditure shall be required ▪ Verbal quotation should be obtained to determine petty cash amount ▪ Accounting Officer may procure requirements without inviting competitive bids or price quotations by means of petty cash.
Level 1 R 1, 000 – R 2,000 (VAT included)	Verbal or written Quotations	<ul style="list-style-type: none"> ▪ Three (3) verbal or written quotations on the municipal letterhead shall be obtained. ▪ Order to be placed with successful service provider ▪ Suppliers must be registered on Ulundi Local Municipality approved Suppliers Database.
Level 2 R2,001- R10,000 (VAT included) Movable goods and services	Written Quotations	<ul style="list-style-type: none"> ▪ Accounting Officer must procure requirements by obtaining at least three (3) written quotations from, where applicable, a list of prospective suppliers. ▪ Written price quotations <i>may</i> be obtained for any procurement of a transaction value lower than R10 000. ▪ Suppliers must be registered on Ulundi Local Municipality approved Supplies Database

Level 3 R10,001- R200,000 (VAT Included) Movable/Immovable property, goods and services	Written Quotations Competitive Bids	<ul style="list-style-type: none"> ▪ Accounting Officer should invite and accept written price quotations for requirements up to an estimated value of R200, 000 from as many suppliers as possible that are registered on Ulundi Local Municipality list of prospective suppliers. ▪ If it is not possible to obtain at least three (3) written price quotations, the reasons should be recorded and approved by the Accounting Officer or his / her delegate.
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Procurement Limits	Method	Required procedure
Level 4 R 200 001- above Unlimited monetary value (VAT included)		<ul style="list-style-type: none"> ▪ Accounting Officers should invite competitive bids for all procurement above R 200,000. ▪ Competitive bids should be advertised in at least the Government Tender Bulletin or in other appropriate media should an Accounting Officer deem it necessary to ensure greater exposure to potential bidders. The responsibility for advertisement costs will be that of the relevant Accounting Officer. ▪ Should it be impractical to invite competitive bids for specific procurement e.g. in <i>urgent or emergency cases</i> or in the case of a <i>sole supplier</i>, the Accounting Officer may procure the required goods or services by other means, such as price quotations or negotiations. ▪ The reasons for deviating from inviting competitive bids should be recorded and approved by the Accounting Officer or his / her delegate. ▪ Accounting Officer of the Municipality shall report within ten (10) working days to the National Treasury, Provincial Treasury and the Auditor-General all cases where goods and services above the value of R1 million (VAT inclusive). ▪ The report issued shall include the description of the goods or services, the name/s of the supplier/s, the amount/s involved and the reasons for deviating from the prescribed competitive bidding process. ▪ Goods, works or services may not deliberately be split into parts or items of lesser value merely for the sake of procuring the goods, works or services otherwise than through the prescribed procurement process. ▪ Suppliers must be registered on Ulundi Local Municipality approved Suppliers Database.

9. DEMAND MANAGEMENT SYSTEMS

9.1. *Introduction*

- (i) Demand management provides for an effective system to ensure that the resources required to support the strategic operational commitments of Ulundi Local Municipality are delivered at the correct time, at the right price and at the right location, and that the quantity and quality satisfy the needs of Ulundi Local Municipality.

- (ii) Ulundi Local Municipality's Integrated Development Plan (IDP) is a comprehensive strategy document setting out how Ulundi Local Municipality intends to tackle its development challenges in a financial year. It is on the basis of the IDP that the resources of the municipality will be allocated and on which the budget is based.

- (iii) In order to achieve effective demand management, the Chief Financial Officer shall continuously ensure:
 - (a) That efficient and effective provisioning and procurement systems and practices are implemented to enable Ulundi Local Municipality to deliver the required quantity and quality of services to the communities.

 - (b) The establishment of uniformity in policies, procedures, documents and contract options and the implementation of sound systems of control and accountability.

 - (c) The development of a world-class professional Supply Chain Management system which results in continuing improvement in affordability and value for money, based on total cost of ownership and quality of procurement as competition amongst suppliers is enhanced.

 - (d) In dealing with suppliers and potential suppliers that Ulundi Local Municipality shall respond promptly, courteously and efficiently to enquiries, suggestions and complaints.

9.2. Major Activities

- (i) Demand management lies at the beginning of the supply chain and the major activities associated with identifying demand are:
 - (a) Establishing requirements;
 - (b) Determining needs; and
 - (c) Deciding on appropriate procurement strategies.

- (ii) Demand management accordingly shall involve the following activities:
 - (a) Understanding the future needs;
 - (b) Identifying critical delivery dates;
 - (c) Identifying the frequency of the need;
 - (d) Linking the requirement to the budget;
 - (e) Conducting expenditure analyses based on past expenditure;
 - (f) Determining requirements,
 - (g) Conducting commodity analyses in order to check for alternatives and conducting industry analyses.

10. ACQUISITIONAL MANAGEMENT SYSTEM

10.1. Introduction

- (a) That goods and services, including construction works and consultant services are procured by Ulundi Local Municipality only in accordance with the authorised procedures incorporated herein;
- (b) That expenditure on goods and services, including construction works and consultant services is incurred in terms of an approved budget;
- (c) That the threshold values of the different procurement procedures are complied with;
- (d) That bid documentation, evaluation and adjudication criteria, and general conditions of contract are in accordance with the requirements of relevant legislation including, the Preferential Procurement Policy Framework Act, and any conditions of the Construction Industry Development Board Act; and
- (e) That procurement guidelines issued by the National Treasury are taken into account.

10.2. Application

- (i) This acquisition management system contains the general conditions and procedures which are applicable, as amended from time to time, to all procurement, contracts, and orders for Ulundi Local Municipality.

10.3. Municipal Supplier Database

- (i) The Municipal Manager shall ensure that the Municipality's suppliers' data base is updated at least quarterly and/or at least once per year shall, through newspapers commonly circulating locally, the website of Ulundi Local Municipality, and any other appropriate ways, invite prospective suppliers of goods and services, construction works and consultant services to apply for listing as an accredited prospective supplier.
- (ii) Prospective suppliers shall however be allowed to submit applications and amendments for listing on the database at any time.
- (iii) **The listing criteria for accredited prospective suppliers are:**
 - (a) Name of supplier/ service provider;
 - (b) Street address;
 - (c) Postal address;
 - (d) Contact person in Sales Department;
 - (e) Finance Department's telephone number;
 - (f) Finance Department's fax number;
 - (g) Finance Department's cell number;
 - (h) Finance Department's email address;
 - (i) Contact person in Accounts Department;
 - (j) Accounts Department's telephone number;
 - (k) Accounts Department's fax number;
 - (l) Accounts Department's email address;
 - (m) Vat registration yes/no;
 - (n) Vat registration number;
 - (o) Bank details;
 - (p) Type of industry;
 - (q) Valid certification for specialised services;
 - (r) Valid tax clearance certificate;
 - (s) CIDB registration if applicable;
 - (t) Valid certification in respect of Exempted Micro Enterprises or 8-BBEE Status Level of Contributor.
- (iv) The Municipal Manager shall disallow the listing of any prospective supplier on Ulundi Local Municipality's supplier database who does not comply with the accreditation requirements based on standards, set by any relevant control bodies that govern or regulate the category of service or industry.

- (v) The Municipal Manager shall disallow the listing of any prospective supplier whose name appears on the National Treasury's List of Restricted Suppliers and/or Register for Tender Defaulters and who is therefore prohibited from doing business with the public sector.

- (vi) For quotations (up to and including R200,000) bidders are required to be registered on Ulundi Local Municipality 's supplier database prior to the acceptance of their quotation (the issue of an official order) in respect of the goods or services required.

- (vii) Where bids exceed R200,000 bidders who are not registered on Ulundi Local Municipality's Supplier Database are not precluded from submitting bids, but must however be registered prior to the evaluation of bids in order for their bids to be responsive.

- (viii) All parties to a Joint Venture or Consortium must comply with the requirements of clauses 10.3 (vi) and 10.3 (vii) above.

10.4. Combating Abuse of Supply Chain Management

- (i) The Municipal Manager shall take all reasonable steps to prevent abuse of the Supply Chain Management system and to investigate any allegations against an official or other role player, of fraud, corruption, favouritism, unfair, irregular or unlawful practices or failure to comply with the Supply Chain Management system and when justified in terms of administrative law:
 - (a) shall take appropriate steps against such official or other role player; or
 - (b) shall report any alleged criminal conduct to the South African Police Service;
 - (c) may reject a recommendation for the award of a contract if the recommended bidder or person submitting a quote, or any of its directors, has committed a corrupt or fraudulent act in competing for the particular contract;

(d) must invalidate recommendations or decisions that were unlawfully or improperly made, taken or influenced, including recommendations or decisions that were made, taken or in any way influenced by:

1) Councillors in contravention of item 5 or 6 of the Code of Conduct for Councillors in schedule 1 of the Municipal Systems Act; or

2) Municipal officials in contravention of item 4 or 5 of the Code of Conduct for Municipal Staff Members set out in schedule 2 of the Systems Act.

(ii) May cancel a contract awarded to a person if :

(a) The person committed a corrupt or fraudulent act during the procurement process or the execution of the contract; or

(b) An official or other role player committed any corrupt or fraudulent act during the procurement process or in the execution of the contract that benefited that person.

(iii) The Municipal Manager may reject the bid or quote of any person if that person or any of its directors has:

(a) failed to pay municipal rates and taxes or municipal service charges and such rates, taxes and charges as are in arrears for more than three months;

(b) failed, during the last five years, to perform satisfactorily on a previous contract with Ulundi Local Municipality or any other organ of state after written notice was given to that bidder that performance was unsatisfactory;

(c) abused the Supply Chain Management system of Ulundi Local Municipality or has committed any improper conduct in relation to this system;

(c) been convicted of fraud or corruption during the past five years;

(d) wilfully neglected, reneged on or failed to comply with any government, (t) municipal or other public sector contract during the past five years; or (g) been listed on the National Treasury's Register for Tender Defaulters in terms of the Prevention and Combating of Corrupt Activities Act, 12 of

2004 or has been listed on the List of Restricted Suppliers and who is therefore prohibited from doing business with the public sector.

- (iv) The Ulundi Local Municipal Manager shall inform the National and Provincial Treasury of any actions taken in terms of clauses 10.4 (i) and 10.3 (iii) above.

10.5. *Appointment of Observer*

(a) Where appropriate, the Municipal Manager may appoint a neutral or independent observer in order to ensure fairness and transparency in the application of this acquisition management system.

(b) The appointed official shall sit in any Bid Committee or any other Committees evaluating and approving quotations or bids as an independent observer.

10.6. *Contracts Having Budgetary Implications beyond Three Financial Years*

- (i) Ulundi Local Municipality may not enter into any contract that will impose financial obligations beyond the three years covered in the annual budget for that financial year, unless the requirements of Section 33 of the Municipal Finance Management Act have been fully complied with.

10.7. *Proudly South African Campaign*

- (i) Ulundi Local Municipality supports the Proudly South African Campaign and may, where appropriate, aside from stipulating minimum local content thresholds determined by the Department of Trade and Industry in respect of designated sectors, determine minimum thresholds in respect of other sectors as well.

10.8. *Specialised Forms of Procurement*

- (i) Acquisition of Goods or Services from other Organs of State or Public Entities:

(a) In the case of goods or services procured from another organ of state or public entity (including the Department of Water Affairs, Eskom or any other such entities), such procurement shall be made public, giving details of the nature of the goods or services to be procured and the name/s of the supplier/s.

(ii) Acquisition of Goods and Services under Contracts secured by other Organs of State:

(a) The Municipal Manager may procure goods or services under a contract secured by another organ of state, but only if:

- (1) the contract has been secured by that other organ of state by means of a competitive bidding process applicable to that organ of state;
- (2) the municipality or entity has no reason to believe that such contract was not validly procured;
- (3) there are demonstrable discounts or benefits for the municipality or entity to do so; and
- (4) That other organ of state and the provider have consented to such procurement in writing.

(iii) Acquisition of Banking Services:

(a) Subject to Section 85 of the Municipal Finance Management Act, any contract for the provision of banking services:

- 1) shall be procured through a competitive bidding process;
- 2) shall be consistent with Section 7 of the Municipal Finance Management Act; and
- 3) May not be for a period longer than five years.

(b) The process for procuring a contract for banking services must commence at least nine months before the end of an existing contract.

- (c) The closing date for the submission of bids for banking services may not be less than 60 days from the date on which the advertisement is placed in a newspaper commonly circulating locally.
- (d) Bids shall be restricted to banks registered in terms of the Banks Act, 94 of 1990;

(iv) Acquisition of IT Related Goods or Services:

- (a) If the transaction value of IT related goods or services exceeds R50 million in any financial year, or if the transaction value of a single contract (whether for one or more years) **exceeds** R50 million, the Ulundi Local Municipal Manager **must notify** the State Information Technology Agency (SITA) together with a motivation of the IT needs of Ulundi Local Municipality.
- (b) If a SITA comment on the submission and Ulundi Local Municipality disagrees with such comment, the comments and the reasons for rejecting or not following such comments must be submitted to the Council, the Provincial and National Treasury, and the Auditor-General prior to awarding the bid.
- (c) Notwithstanding the above, the Municipal Manager may request the SITA to assist with the acquisition of IT related goods or services in which case the parties must enter into a written agreement to regulate the services provided by, and the payments to be made to, the SITA.

(v) Acquisition of Goods Necessitating Special Safety Arrangements:

- (a) Goods, other than water, which necessitate special safety arrangements (for example, flammable products, poisons), may not be acquired in excess of immediate requirements unless there is sound financial justification therefore.
- (b) Where the storage of goods, other than water in bulk is justified, the Municipal Manager may authorise such storage and the decision must

be based on sound reason including total cost of ownership and cost advantages for the Municipality

(vi) Public-Private Partnerships :

- (a) Part 2 of chapter 11 of the MFMA applies to the procurement of public-private partnership agreements. Section 33 also applies if the agreement will have multi-year budgetary implications for Ulundi Local Municipality within the meaning of that section.

(vii) Publications in the Media

- (a) In respect of any contract relating to the publication of official and legal notices and advertisements in the media by or on behalf of Ulundi Local Municipality, there is no requirement for a competitive bidding process to be followed.

(viii) Community Based Vendors

- (a) The Chief Financial Officer may request quotations directly from Community Based Vendors in a specific area or from a specific community for the procurement of goods and services for amounts less than R30,000 (including construction works).
- (b) Such requests shall specify the goal of the Municipality which is to support community-based vendors and to promote economic development within the specific area or community.
- (c) Such request for such quotations shall require the interested vendors to submit proof of ownership or proof of residing in the specific area or community as per the 2022 Preferential Procurement Regulations.

10.9 Range of Procurement Processes

10.9.1. Goods and services, including construction works and consultant services shall be procured through the range of procurement processes set out below.

(i) Competitive Bids:

- (a) Where the estimated transaction value exceeds R200, 000, or for any contract exceeding one year in duration (which includes any defects liability period, if applicable).
- (ii) Term Bids:
 - (a) For the supply of goods and services or construction works that is of an ad hoc or repetitive nature for a predetermined period of time.
- (iii) Formal Written Price Quotations:
 - (a) Where the estimated transaction value exceeds R30, 000 and is less than or equal R200, 000.
- (iv) Verbal/Written Price Quotations:
 - (a) Where the estimated transaction value exceeds R2, 000 and is less than or equal to R10, 000.
- (v) Petty Cash Purchase
 - (a) Head of Department may delegate the power to authorise petty cash purchases to the Deputy Director
 - (b) Only a maximum of 4 petty cash purchases (limited to R200 each) per month may be allowed;
 - (c) All purchases must comply with the requirements of the Petty Cash Policy;
 - (d) A monthly reconciliation report from each Unit must be provided to the Chief Financial Officer:
 - (e) The total amount of petty cash purchases for that month; and
 - (f) Receipts and appropriate documents for each purchase.
- (vi) Appointment of Consultants and service providers:

- (a) Where the estimated value of fees exceeds R200 000 or where the duration of the appointment will exceed one year, a competitive bidding process shall apply.
- (b) Where the estimated value of fees is less than or equal to R200 000 and the duration of the appointment will be less than one year, a selection process as described in this Policy, as amended from time to time, shall be applied.

(vii) Reduction in the Threshold Values :

(a) The Municipal Manager may:

1) lower, but not increase, the different threshold values specified in the acquisition management system of this Policy; or

2) direct that:

2.1. Verbal quotations be obtained for any specific procurement of a transaction value lower than R2,000;

2.2. Verbal /formal written price quotations be obtained for any specific procurement of a transaction value lower than R10,000; and

2.3.A competitive bidding process be followed for any specific procurement of a transaction value lower than R200,000.

(viii) Parcelling

- (a) The provision of goods, services or construction works may not deliberately be split into parts, or items of a lesser value, merely to avoid complying with the requirements of the different range of procurement processes described in this policy.

10.10. General Conditions Applicable to Bids and Quotations

- (i) The Ulundi shall not consider a bid or quote unless the bidder who submitted the bid or quote has furnished the Municipality with that bidder's:

- (a) Full name;
- (b) Identification number or company or other registration number; and
- (c) Tax reference number; and
- (d) VAT registration number, if any;

- (e) Certificate of attendance at a compulsory site inspection, where applicable;

- (f) has submitted an original and valid tax clearance certificate certifying that the provider's tax matters are in order; and

- (g) has indicated whether
 - (1) the provider is in the service of the state, or has been in the service of the state in the previous twelve months;
 - (2) if the provider is not a natural person, whether any of the directors, managers, principal shareholders or stakeholders is in the service of the state, or has been in the service of the state in the previous twelve months; or
 - (3) Whether a spouse, child or parent of the provider or of a director, manager, shareholder or stakeholder referred to is in the service of the state, or has been in the service of the state in the previous twelve months.

- (ii) Irrespective of the procurement process, Ulundi Local Municipality may not make any award above R10, 000, to a person whose tax matters have not been declared by the SARS to be in order.

- (iii) Before making an award Ulundi Local Municipality must check with SARS if the person's tax matters are in order and, if SARS does not respond within seven days such person's tax matters may be presumed to be in order.

- (iv) Irrespective of the procurement process followed, Ulundi Local Municipality is prohibited from making an award to a person:
 - (a) who is in the service of the state;

- (b) if the person is not a natural person, of which any director, manager or principal shareholder or stakeholder is in the service of the state;
- (c) Who is an advisor or consultant contracted with Ulundi Local Municipality?

- (v) The Municipal Manager shall ensure that the notes to the annual financial statements of Ulundi Local Municipality disclose particulars of any award above R2,000 to a person who is a spouse, child or parent of a person in the service of the state, or who has been in the service of the state in the previous twelve months, including:
 - (a) the name of the person;
 - (b) the capacity in which the person is in the service of the state: and
 - (c) The amount of the award.

11. COMPETITIVE BIDS

11.1. *General*

- (i) Competitive bids must be called for any procurement of goods or services, construction works, or consultant services above a transaction value of R200,000, or for any contract exceeding one year in duration.

- (ii) When determining transaction values, a requirement for goods or services, construction works or consultant services consisting of different parts or items must as far as possible be treated and dealt with as a single transaction.

11.2. *Bid Specifications*

- (i) Bid specifications must be drafted in an unbiased manner to allow all potential suppliers to offer their goods or services.

- (ii) Bid specifications must take account of any accepted standards such as those issued by South African National Standards, the International Standards Organisation, or any authority accredited or recognised by the South African National Accreditation System with which the equipment or material or workmanship should comply.

- (iii) Bid specifications shall, where possible, be described in terms of performance required rather than in terms of descriptive characteristics for design.
- (iv) Bid specifications may not create trade barriers in contract requirements in the forms of specifications, plans, drawings, designs, testing and test methods, packaging, marking or labelling of conformity certification.
- (v) Bid specifications may not make any reference to any particular trade mark, name, patent, design, type, specific origin or producer, unless there is no other sufficiently precise or intelligible way of describing the characteristics of the work, in which case such reference must be accompanied by the words "or equivalent".
- (vi) Bid specifications must be approved by the Municipal Manager or his delegated authority prior to publication of the invitation for bids.
- (vii) Where specifications are based on standard documents available to bidders, a reference to those documents is sufficient.

11.3. *Bid Specification Committee*

- (i) The Accounting Officer will appoint members to the bid specification committee to compile bid specification.
- (ii) Specifications should be:
 - (a) Prepared in an unbiased manner
 - (b) In sufficient detail to enable meaningful evaluation of quotes and tenders (c) take into account any accepted standards such as those issued by Standards South Africa, the International Standards Association or an authority recognised by the SA National Accreditation.
 - (c) Where possible be described in terms of performance rather than descriptive characteristics.

- (d) May not create trade barriers in contract requirement in the forms of specification, plans, drawings, design, testing and methods, packing, marking or labelling of conformity certificate.
- (f) May not refer to any particular trademark, name, patent, design, type, specific origin or producer unless there is no other sufficiently precise or intelligible way of describing the work and then should be accompanied by the word 'equivalent'
- (g) Must indicate the specific goals for which a point may be awarded
- (h) Are to be approved by the Accounting officer prior to advertisement of the bid.

(iii) The Bid Specification Committee will be composed as follows:

- (a) One or more officials of the municipality, preferably the manager responsible for the function involved
- (b) Where appropriate external specialist advisor.

11.4. *Compilation of Bid Documents*

(i) All bid documentation must include provision for the following matters:

- (a) The requirement for bids to be submitted in Rand;
- (b) The requirement for bidders to furnish their tax reference number, VAT registration number, and their identification or company registration number;
- (c) For procurement in excess of R10,000 provide an indication from the SARS that the bidders tax matters are in order;
- (d) Require the bidder to disclose if the bidder or their family has any declared interest in terms of Section 20 (f) of the Regulations;
- (e) The requirement for site meeting or briefing sessions, if applicable;
- (f) Evaluation and adjudication criteria including any criteria stated in Preferential Procurement Policy Framework Act and the Broad- Based Economic Empowerment Act and applicable regulations;

- (g) Screening process and security clearance procedures for contractors on tenders above R500 000;
 - (h) Where the value of the transaction is expected to exceed R10 million, must furnish the documents and information required by section 20 (g) of the Regulations;
 - (i) The requirement for compulsory disclosure of any conflict of interest a prospective contractor may have and the exclusion of that contractor from those tenders or bids;
 - (j) The requirement for exclusion of persons under Section 112(1) (I) of the MFMA including those persons convicted of fraud or corruption, who have failed to honour a government;
 - (k) Stipulates that disputes will be settled by means of Ulundi Municipal Bids Appeal Tribunal;
 - (l) Contract management process and procedures including provision for the Accounting Officer to cancel the contract for unsatisfactory performance;
 - (m) Other matters and documentation as may be required by the Municipal Finance Management Act, The Supply Chain Framework, the municipality's Supply Chain Management Policy and procedures and any National Treasury Supply Chain Management guidelines;
 - (n) General conditions of contracts; and
 - (o) The requirement of the Construction Industry Development Board in the case of a bid relating to construction, upgrading or refurbishment of buildings or infrastructure.
- (ii) In line with the 2022 Preferential Procurement Regulations, the tender document must stipulate :
- (a) The applicable preference points systems.

- (b) if applicable, the specific goal in the invitation to submit the tender for which a point may be awarded and the number of points that will be awarded to each goal, and require proof of the claim for such goal;
- (c) if it is unclear whether the 80/20 or 90/10 preference point system applies, the tender document must stipulate in the case of –
 - 1) 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
 - 2) any other invitation for tender, that either the 80/20 or 90/10 preference point system will apply and that the lowest acceptable will be used to determine the applicable preference point system.

11.5. *Bids exceeding R 10 million*

- (i) If the estimated value of the transaction exceeds R10 million, the bid documentation must require the bidders to furnish:
 - (a) if the bidder is required by law to prepare annual financial statements for auditing, copy of their audited annual financial statements:
 - 1. For the past three years, or
 - 2. Since their establishment if established during the past three years,
 - (b) A certificate signed by the bidder certifying that the bidder has no undisputed commitments for municipal services towards a municipality or other service provider in respect of which payment is overdue for more than 30 days,

- (c) Particulars of any contracts awarded to the bidder by an organ of state during the past five years, including particulars of any material non-compliance or dispute concerning the execution of such contract, and
- (d) A statement indicating whether any portion of the goods or services are expected to be sourced from outside the Republic and, if so, what portion and whether any portion of payment from Ulundi Local Municipality is expected to be transferred out of the Republic.

11.6. *Alternative Bids*

- (i) Bid documentation may state that alternative bids can be submitted provided that a bid free of qualifications and strictly in accordance with the bid documents is also submitted.
- (ii) An alternative bid shall be submitted on a separate complete set of bid documents and shall be clearly marked "Alternative Bid" to distinguish it from the unqualified bid referred to above.
- (iii) Bid documentation shall state that Ulundi Local Municipality will not be bound to consider alternative bids.

11.7. *Public Invitation for Competitive Bids*

- (i) On completion of the bid specification process Ulundi Local Municipality shall publicly invite bids.
- (ii) Bid invitation shall be by notice published in the media.
- (iii) The notice shall, as soon as possible after the publication contemplated above, be posted on official notice boards designated by the Municipal Manager.

- (iv) The notice may require payment of a non-refundable bid fee by bidders wanting to collect bid documents. This bid fee shall be determined by the Chief Financial Officer from time to time.

- (v) The notice contemplated by clause (viii) 1.2 above shall specify:
 - (a) the title of the proposed contract and the bid or contract reference number;
 - (b) such particulars of the contract as Ulundi Local Municipality deems fit;
 - (c) the date, time and location of any site inspection, if applicable;
 - (d) the place where the bid documentation is available for collection and the times between which bid documentation may be collected;
 - (e) that bids may only be submitted on the bid documentation provided by Ulundi Local Municipality;
 - (f) the deposit payable, if any;
 - (g) the place where bids must be submitted;
 - (h) the closing date and time for submission of bids; and
 - (i) The required CIDB contractor grading for construction work.

- (vi) The notice shall further state that all bids for the contract must be submitted in a sealed envelope on which it is clearly stated that such envelope contains a bid and the contract title and contract or bid reference number for which the bid is being submitted.

- (vii) Bid documentation shall be available for collection until the closing date of bids.

11.8. *Issuing of Bid Documents*

- (i) Bid documents and any subsequent notices may only be issued by officials designated by the Chief Financial Officer from time to time.
- (ii) Details of all prospective bidders who have been issued with bid documents must be recorded by the issuing office but shall remain **confidential** for the duration of the bid period.
- (iii) Details of prospective bidders must, wherever possible, include the full name of the person drawing documents, a contact person, a contact telephone and fax number and a postal and email address.

11.9. *Site Inspections/Bid Clarification Meetings*

- (i) Site inspections/clarification meetings in respect of bids exceeding R200 000 will, in general, not be compulsory. In exceptional circumstances however, a site inspection/clarification meeting may be made compulsory with the approval of the Chief Financial Officer.
- (ii) If site inspections/clarification meetings are to be held, full details must be included in the bid notice, including whether or not the site inspection/clarification meeting is compulsory.
- (iii) Where site inspections/clarification meetings are made compulsory, the date for the site inspection/clarification meeting shall be at least 5 (five) days after the bid has been advertised, and a certificate of attendance signed by the Responsible Agent must be submitted with the bid.
- (iv) If at a site meeting/clarification meeting, any additional information is provided or clarification of vague points is given, such additional information

or clarification must be conveyed to all bidders in accordance with subparagraphs 11.9 (i) to (iii) of this Policy.

11.10. *Two-Bidding Process*

- (i) In a two-stage (prequalification) bidding process, bidders are first invited to prequalify in terms of predetermined criteria, without being required to submit detailed technical proposals (where applicable) or a financial offer.
- (ii) In the second stage, all bidders that qualify in terms of the predetermined criteria will be shortlisted and invited to submit final technical proposals (where applicable) and/or a financial offer.
- (iii) This process may be applied to bids for large complex projects of a specialist or long term nature or where there are legislative, design, technological and/or safety reasons to restrict bidding to firms who have proven their capability and qualification to meet the specific requirements of the bid, including projects where it may be undesirable to prepare complete detailed technical specifications or long term projects with a duration exceeding three years.
- (iv) The notice inviting bidders to pre-qualify must comply with the provisions of public invitation for competitive bids.
- (v) Once bidders have pre-qualified for a particular project, they shall be given not less than 7 (seven) days to submit a final technical proposal (where applicable) and/or a financial offer.

11.11. *Two Envelope Systems*

- (i) A two envelope system differs from a two-stage (prequalification) bidding process in that a technical proposal and the financial offer are submitted in separate envelopes at the same place and time. The financial offers will only be opened once the technical proposals have been evaluated.

11.12. *Validity Periods*

- (i) The period for which bids are to remain valid and binding must be indicated in the bid documents.
- (ii) The validity period is calculated from the bid closure date and bids shall remain in force and binding until the end of the final day of that period.
- (iii) This period of validity may be extended by the Chief Financial Officer, provided that the original validity period has not expired, and that all bidders are given an opportunity to extend such period. Any such extension shall be agreed to by a bidder in writing.
- (iv) Bidders who fail to respond to such a request before the validity of their bid expires, or who decline such a request shall not be considered further in the bid evaluation process.
- (v) The Chief Financial Officer must ensure that all bidders are requested to extend the validity period of their bids where necessary in order to ensure that the bids remain valid throughout the 14 day appeal period.
- (vi) In the event that an appeal is received, the validity period is deemed to be extended until finalisation of the appeal.

11.13. *Contract Price Adjustment*

- (i) For all contract periods equal to or exceeding one year, an appropriate contract price adjustment formula must be specified in the bid documents.

- (ii) In general, if contract periods do not exceed one year, the bid shall be a fixed price bid and not subject to contract price adjustment.
- (iii) However, if as a result of any extension of time granted, the duration of a fixed price contract exceeds one year, the contract will automatically be subject to contract price adjustment for that period by which the extended contract period exceeds such one year. An appropriate contract price adjustment formula must be specified in the bid documents.
- (iv) Notwithstanding clause 10.10.1(xvii)(1.4), if the bid validity period is extended, then contract price adjustment may be applied.

11.14. *Contracts providing for Compensation Based on Turnover*

- (i) If a service provider acts on behalf of Ulundi Local Municipality to provide any service or act as a collector of fees, service charges or taxes and the compensation payable to the service provider is fixed as an agreed percentage of turnover for the service or the amount collected, the contract between the service provider and Ulundi Local Municipality must stipulate;
- (ii) a cap on the compensation payable to the service provider; and
- (iii) That such compensation must be performance based.

11.15. *Provisional Sums and Prime Cost or Sub-contract Allowances*

- i. Where monetary allowances in excess of R200,000 in respect of provisional sums or prime cost items have been included in the bid documents, and where the work or

items to which the sums relate are to be executed/supplied by sub• contractors/suppliers, then one of the following processes, as determined by the Bid Specification Committee, shall be followed in respect of these allowances:

- (a) An **open competitive bidding process** in which bid documents are prepared by the Responsible Agent in consultation with and to the approval of the contractor, invitations to bid are advertised in the media, and whereby the **selected sub-contractor/suppliers** chosen by the Responsible Agent together with the contractor from the responses received. The contractor must satisfy him/herself that the selected sub• contractor/supplier can meet the requirements of the sub• contract/supply agreement, and assumes the risk for the performance of the sub-contractor /supplier. The contractor may, on reasonable grounds, elect not to employ a particular subcontractor/supplier.

- (b) A **two-stage selection process**, whereby the Responsible Agent will advertise (in the media) for expressions of interest from suitably qualified sub-contractors/suppliers. From the responses received, the Responsible Agent and the contractor, in conjunction, shall compile a list of at least three (unless less than three responses were received) suitable sub-contractors/suppliers who will then be asked to submit prices for the works/items required. The contractor will assume the risk for the performance of the **selected subcontractor/supplier** identified through this process.

- (c) A **nominated process**, whereby Ulundi Local Municipality instructs the contractor to appoint a particular (typically specialist) sub• contractor /supplier. In this process the sub-contractor /supplier is a **nominated subcontractor/supplier**, and the risk is transferred from the contractor to Ulundi Local Municipality. The use of this process must therefore be motivated to, and approved by, the Chief Financial Officer prior to its implementation. A preference point system (as described later in this policy) must be applied in all of the above selection processes.

- ii. When monetary allowances of less than R200, 000 have been included in the bid documents, and where the work or items to which the sums relate are to be executed/supplied by sub-contractors/suppliers, the contractor must be required to obtain a minimum of three written quotations for approval by the Responsible Agent.

11.16. **Samples**

- (i) Where samples are called for in the bid documents, samples (marked with the bid and item number as well as the bidder's name and address) shall be delivered separately (to the bid) to the addressee mentioned in the bid documents.
- (ii) Bids may not be included in parcels containing samples.
- (iii) If samples are not submitted as required in the bid documents or within any further time stipulated by the Chairperson of the Bid Evaluation Committee in writing, then the bid concerned may be declared non-responsive.
- (iv) Samples shall be supplied by a bidder at his/her own expense and risk. Ulundi Local Municipality shall not be obliged to pay for such samples or compensate for the loss thereof, unless otherwise specified in the bid documents, and shall reserve the right not to return such samples and to dispose of them at its own discretion.
- (v) If a bid is accepted for the supply of goods according to a sample submitted by the bidder, that sample will become the contract sample. All goods/materials supplied shall comply in all respects to that contract sample.

11.17. **Closing of Bids**

- (i) Bids shall close on the date and at the time stipulated in the notice.
- (ii) For bids (excluding quotations) for goods and services the bid closing date must be at least 14 (fourteen) days after publication of the notice.

- (iii) For bids (excluding quotations) for construction works the bid closing date must be at least 21 (twenty one) days after publication of the notice.
- (iv) Notwithstanding the above, if the estimated contract value exceeds R10 million, or if the contract is of a long term nature with a duration period exceeding one year, then the bid closing date must be at least 30 (thirty)days after publication of the notice.
- (v) For banking services, the bid closing date must be at least 60 (sixty) days after publication of the notice.
- (vi) For proposal calls using a two envelope system, the bid closing date must be at least 30 (thirty) days after publication of the notice.
- (vii) The bid closing date may be extended by the Chief Financial Officer if circumstances justify this action; provided that the closing date may not be extended unless a notice is published in the press prior to the original bid closing date. This notice shall also be posted on the official notice boards designated by the Municipal Manager, and a notice to all bidders to this effect shall be issued.
- (viii) The Municipal Manager may determine a closing date for the submission of bids which is less than any of the periods specified in subparagraph 11.17 above, but only if such shorter period can be justified on the grounds of urgency or emergency or any exceptional case where it is impractical or impossible to follow the official procurement process.

11.18. ***Communication with bidders before bid closing***

- (i) The Bid Specification Committee Chairperson may, if necessary, communicate with bidders prior to bids closing.
- (ii) Such communication shall be in the form of a notice issued to all bidders by the Chief Financial Officer by either e-mail, facsimile, or registered post as appropriate. A copy of the notice together with a transmission verification report/proof of posting shall be kept for record purposes. Notices should be issued at least one week prior to the bid closing date, where possible.
- (iii) Notwithstanding a request for acknowledgement of receipt of any notice issued, the bidder will be deemed to have received such notice if the procedures in subparagraph 11.18 (ii) have been complied with.

11.19. ***Submission of Bids***

- i. Bids must be submitted before the closing time, at the address and in accordance with the directives in the bid documents.
- ii. Each bid must be in writing using non-erasable ink and must be submitted on the official Form of Bid/Offer issued with the bid documents.
- iii. The bid must be submitted in a separate sealed envelope with the name and address of the bidder, the bid number and title, the bid box number (where applicable), and the closing date indicated on the envelope. The envelope may not contain documents relating to any bid other than that shown on the envelope. Only sealed bids will be accepted.
- iv. The onus shall be on the bidder to place the sealed envelope in the official, marked and locked bid box provided for this purpose, at the designated venue, not later than the closing date and time specified in the bid notice.
- v. No bids forwarded by telegram, facsimile or similar apparatus shall be considered. However, photostat copies of bids or facsimiles which are submitted in the prescribed manner will be considered, provided the original Forms of Bid/Offer can be shown to have been posted or couriered prior to the close of bids.

- vi. Electronic bids will not be accepted.
- vii. The bidder shall choose a *domicilium citandi et executandi* in the Republic and unless notice of the change thereof has duly been given in writing, it shall be the address stated in the bid.
- viii. (No person may amend or tamper with any bids or quotations after their submission.

11.20. ***Late Bids***

- (i) A bid is late if it is not placed in the relevant bid box by the closing time for such bid.
- (ii) A late bid shall not be admitted for consideration and shall be returned unopened (where feasible) to the bidder with the reason for the return thereof endorsed on the envelope.

11.21. ***Opening of Bids***

- (i) At the specified closing time on the closing date the applicable bid box shall be closed:
- (ii) The bid box shall be opened in public as soon as practical after the closing time.
- (iii) Immediately after the opening of the bid box, all bids shall be opened in public and checked for compliance.
- (iv) Immediately after the opening of the bid box, all bids shall be opened in public and checked for compliance.

11.22. ***Opening of Bids where a Two Envelope System (consisting of technical proposal and a financial proposal) is followed***

- (i) If a two envelope system is followed, only the technical proposal will be opened at the bid opening.

- (ii) The unopened envelope containing the financial proposal shall be stamped and endorsed with the opening official's signature, and be retained by him/her for safekeeping.
- (iii) All bidders who submitted responsive technical proposals must be invited to attend the opening of the financial offers/bids.
- (iv) Envelopes containing financial offers/bids corresponding to non-responsive technical proposals shall be returned unopened along with the notification of the decision of the Bid Adjudication Committee in this regard.
- (v) After being recorded in the bid opening record, the bids/technical proposals shall be handed over to the official responsible for the supervision of the processing thereof and that official acknowledge receipt thereof by signing the bid opening record.

11.23. **Invalid Bids**

- (i) Bids shall be invalid, and shall be endorsed and recorded as such in the bid opening record by the responsible official appointed by the Chief Financial Officer to open the bid, in the following instances:
 - (a) If the bid is not sealed;
 - (b) the bid, including the bid price amount, where applicable is not submitted on the official Form of Bid/Offer;
 - (c) if the bid is not completed in non-erasable ink;
 - (d) if the Form of Bid/Offer has not been signed;
 - (e) if the Form of Bid/Offer is signed, but the name of the bidder is not stated, or is indecipherable; or
 - (f) if in a two envelope system, the bidder fails to submit both a technical proposal and a separate sealed financial offer /bid.
- (ii) When bids are declared invalid at the bid opening, the bid sum of such bids shall not be read out. However, the name of the bidder and the reason

for the bid having been declared invalid shall be announced.

11.24. ***Bid Sum***

- (i) A bid will not necessarily be invalidated if the amount in words and the amount in figures do not correspond, in which case the amount in words shall be read out at the bid opening.
- (ii) All rates, with the exception of rates only bids, and proprietary information are confidential and shall not be disclosed.

11.25. ***Bid Evaluation***

11.25.1. Bid Evaluation Committee

- (i) An ad-hoc Bid Evaluation Committee shall be constituted for each project or procurement activity to evaluate bids received.
- (ii) The Bid Evaluation Committee shall be comprised of at least three Ulundi Local Municipality officials, an appointed Chairperson (who may be the same person as the Chairperson of the Bid Specification Committee), a responsible official and at least one Supply Chain Management Practitioner of Ulundi Local Municipality.
- (iii) Where appropriate, a representative of Internal Audit and/or Legal Services may form part of this committee, which may also include other internal specialists/experts as necessary. External specialists/experts may advise the Bid Evaluation Committee, as required.
- (iv) The Municipal Manager, or his delegated authority, shall, taking into account Section 117 of the MFMA, appoint the members of the Bid Evaluation Committees.
- (v) Bid Evaluation Committee meetings must be conducted in accordance with the applicable Terms of Reference, Rules of Order and Implementation Guidelines Regulating the Conduct

of Meetings of Bid Specification, Evaluation and Adjudication Committees.

11.25.2. Bid Evaluation process

- (i) The Responsible Agent shall carry out a preliminary evaluation of all valid bids received and shall submit a draft bid evaluation report to the Bid Evaluation Committee for consideration.
- (ii) Any evaluation of a bid shall consider the bids received and shall note for inclusion in the evaluation report, a bidder:
 - (a) whose bid was endorsed as being invalid by Ulundi Local Municipality official presiding over the bid opening;
 - (b) whose bid does not comply with the provisions for combating abuse of this Policy;
 - (c) who has failed to submit a certificate of independent bid determination, either with the bid, or within such time for submission stated in Ulundi Local Municipality's written request to do so?
 - (d) whose bid does not comply with the general conditions applicable to bids and quotations of this Policy;
 - (e) whose bid is not in compliance with the specification;
 - (f) whose bid does meet the minimum score for functionality, if applicable;
 - (g) whose bid is not in compliance with the terms and conditions of the bid documentation;
 - (h) who is not registered and verified on Ulundi Local Municipality's supplier database;
 - (i) who, in the case of construction works acquisitions, does not comply with the requirements of the Construction Industry Development Board Act regarding registration of contractors;
 - (j) who has failed to submit an original and valid tax clearance certificate from the South African Revenue Services (SARS) certifying that the taxes of the bidder are in order or that suitable arrangements have been made with SARS, and
 - (k) Who fails to comply with any applicable Bargaining Council agreements?
- (iii) Bids shall be evaluated according to the following as applicable:

- (a) bid price, excluding VAT (corrected if applicable and brought to a comparative price where necessary),
 - (b) the unit rates and prices,
 - (c) the bidder's ability to execute the contract, (d) any qualifications to the bid,
 - (d) the bid ranking obtained in respect of preferential procurement as required by this Policy,
 - (e) the financial standing of the bidder, including its ability to furnish the required institutional guarantee, where applicable,
 - (f) Any other criteria specified in the bid documents.
- (iv) No bidder may be recommended for an award unless the bidder has demonstrated that it has the necessary resources and skills required to fulfil its obligations in terms of the bid document.
- (v) The Bid Evaluation Committee shall check in respect of the recommended bidder whether municipal rates and taxes and municipal service charges are not in arrears.
- (vi) Additional information or clarification of bids may be called for if required but only in writing.
- (vii) Alternative bids may be considered, provided that a bid free of qualifications and strictly in accordance with the bid documents is also submitted. Ulundi Local Municipality shall not be bound to consider alternative bids.
- (viii) If a bidder requests in writing, after the closing of bids, that his/her bid be withdrawn, then such a request may be considered and reported in the bid evaluation report for decision by the Bid Adjudication Committee.
- (ix) Adjudication points calculated in terms of the preference point system described in this policy must be rounded off to the nearest two decimal places.
- (x) The responsive bid that scores the highest number of adjudication points must be recommended for acceptance unless objective criteria, in addition to those specific goals contemplated in section 2 of the PPPFA, justify the acceptance of another bid.

- (xi) If, after bids have been brought to a comparative price, two or more score equal total adjudication points, the recommended bidder shall be the one scoring the highest number of preference points for B•BBEE.
- (xii) When functionality is part of the evaluation process and two or more bids have scored equal points, including equal preference points for B-BBEE, the recommended bidder shall be the one scoring the highest score for functionality.
- (xiii) If two or more bids are equal in all respects, the Bid Evaluation Committee shall draw lots to decide on the recommendation for award, or may, in the case of goods and services, recommend splitting the award proportionately, where applicable.
- (xiv) All disclosures of a conflict of interest shall be considered by the Bid Evaluation Committee and shall be reported to the Bid Adjudication Committee.

11.25.3. Recommendation to Bid Adjudication Committee

- (i) The Bid Evaluation Committee shall, having considered the Responsible Agent's draft bid evaluation report, submit a report, including recommendations regarding the award of the bid or any other related matter, to the Bid Adjudication Committee for award.

11.26. Bid Adjudication

11.26.1. General

- (i) Ulundi Local Municipality shall not be obliged to accept any bid.
- (ii) For goods and services bids, Ulundi Local Municipality shall have the right to accept the whole bid or part of a bid or any item or part of an item or accept more than one bid.

11.26.2. Bid Adjudication Committee

- (i) The Bid Adjudication Committee shall comprise at least four senior managers, and shall include:
 - (a) the Chief Financial Officer or a Manager designated by the Chief Financial Officer;
 - (b) at least one senior Supply Chain Management Practitioner of Ulundi Local Municipality ;and
 - (c) a technical expert in the relevant field who is an official of Ulundi Local Municipality , if Ulundi Local Municipality has such an expert.

- (ii) The Ulundi Local Municipal Manager shall appoint the members and chairperson of the Bid Adjudication Committee. If the chairperson is absent from a meeting, the members of the committee who are present shall elect one of the committee members to preside at the meeting.

- (iii) Neither a member of a Bid Specification Committee, Bid Evaluation Committee, nor an advisor or person assisting such committees, may be a member of a Bid Adjudication Committee.

11.26.3. Adjudication and Award

- (i) The Bid Adjudication Committee shall consider the report and recommendations of the Bid Evaluation Committee and make a final award or make another recommendation to the Ulundi Local Municipal Manager on how to proceed with the relevant procurement.
- (ii) The Bid Adjudication Committee may make an award to a preferred bidder(s), subject to the Municipal Manager negotiating with the preferred bidder(s).

- (iii) The Municipal Manager may at any stage of the bidding process, refer any recommendation made by the Bid Evaluation or Bid Adjudication Committee back to that committee for reconsideration of the recommendation.

11.26.4. Approval of Bid not Recommended

- (i) If a Bid Adjudication Committee decide to award a bid other than one recommended by the Bid Evaluation Committee, the Bid Adjudication Committee must, prior to awarding the bid:
 - (a) Check in respect of the preferred bidder whether that bidder's municipal rates and taxes and municipal service charges are not in arrears;
 - (b) Check in respect of the preferred bidder that it has the necessary resources and skills required to fulfil its obligations in terms of the bid document.
 - (c) Notify the Municipal Manager.

- (ii) The Municipal Manager may:
 - (a) after due consideration of the reasons for the deviation ratify or reject the decision of the Bid Adjudication Committee referred to in subparagraph 11.26.3. above.

 - (b) If the decision of the Bid Adjudication Committee is rejected, refer the decision of the adjudication committee back to that committee for consideration.

 - (c) If a bid other than the one recommended in the normal course of implementing this Policy is approved, then the Municipal Manager must, in writing and within ten working days, notify the Auditor General, the Provincial Treasury and the National Treasury of the reasons for deviating from such recommendation.

11.26.5. Reconsideration of Recommendations

- (i) The Ulundi Local Municipal Manager may, at any stage of a bidding process, refer any recommendation made by the Bid Evaluation Committee or Bid Adjudication Committee back to that Committee for reconsideration of the recommendation.

11.26.6 *Right of Appeal*

- (i) In terms of Section 62 of the Municipal Systems Act, a person whose rights are affected by a decision taken by Ulundi Local Municipality, in terms of a delegated authority, in the implementation of its Supply Chain Management system, may appeal against that decision by giving written notice of the appeal and reasons to the Municipal Manager within 21 days of the date of receipt of the notification of the decision.
- (ii) Bid documents must state that any appeal must be submitted to the Municipal Manager at the address stated, and must contain the following:
 - (a) reasons and/or grounds for the appeal;
 - (b) the way in which the appellants rights have been affected; and
 - (c) The remedy sought by the appellant.
 - (d) No Bid shall be formally accepted either the expiry of the 21 day appeal period, or confirmation in writing before the expiry of the 21 day appeal period that none of the affected parties intend to appeal, or confirmation of the satisfactory resolution of any appeals.

11.26.7 *Notification of Decision*

- (i) If the Bid Adjudication Committee or other delegated official has resolved that a bid be accepted, the successful and unsuccessful bidders shall be notified in writing of this decision.
- (ii) The successful bidder shall, in addition, be advised of the 21 day appeal period, and be notified that no rights accrue to him/her until the bid is formally accepted in writing.

- (iii) Every notification of decision shall be faxed or sent via electronic mail to the address chosen by the bidder, with a copy of proof of transmission kept for record purposes, or shall be delivered by hand, in which case acknowledgement of receipt must be signed and dated on a copy of such notification and kept for record purposes.

11.26.8 *Negotiations with Preferred Bidders*

- (i) The Municipal Manager may negotiate the final terms of a contract with bidders identified through a competitive bidding process as preferred bidders provided that such negotiation:
 - (a) does not allow any preferred bidder a second or unfair opportunity;
 - (b) is not to the detriment of any other bidder; and
 - (c) Does not lead to a higher price than the bid as submitted.
- (ii) Minutes of such negotiations must be kept for record purposes.

11.26.9 *Cancellation and re-invitation of Bids*

- (i) A bid may be cancelled, prior to the award of the contract, if:
 - (a) due to changed circumstances, there is no longer a need for the goods, services or construction works requested;
 - (b) funds are no longer available to cover the total envisaged expenditure; or
 - (c) No acceptable bids are received.
- (ii) It is a requirement that in the event of:
 - (a) An **80/20** preference point system having been stipulated in the bid documents, and all bids received not **exceed a value of R1,000,000**; or

- (b) A **90/10** preference point system having been stipulated in the bid documents, and all bids received **are above a value of R1,000,000, then** the bid must be cancelled, and new bids must be invited.

- (iii) Bids cancelled in terms of the above clause 11.26.9 (ii) must be re-advertised, with the correct preference point system clearly stipulated in the bid documents.

- (iv) If it becomes necessary to cancel or re-advertise formal bids, then a report to this effect shall be submitted to the Bid Adjudication Committee for decision.

- (v) If a bid has been cancelled, then all bidders must be notified in writing.

- (vi) A decision to cancel a bid in terms of above clause must be published in the media in which the original bid invitation was advertised.

- (vii) It is not necessary to notify original bidders when calling for new bids, which will be advertised.

- (viii) Unless no valid bids have been received, no bid may be re-advertised before the Bid Adjudication Committee has resolved to cancel the original bid, and all bidders have been notified accordingly.

- (ix) In the case of bids for construction related works, and where the Bid Adjudication Committee resolved that there were no responsive bids received, then the bid may be re-advertised forthwith.

11.26.10. Increase in Contract Period Sum

- (i) Any increase in the contract period or contract sum that may become necessary as a result of exceptional circumstances, or which is considered to be in the public's interest, may be approved by the Bid

Adjudication Committee. Such approval must be obtained prior to the contract period expiring or contract sum being exceeded.

- (ii) Any unapproved increases in the contract sum that have become necessary as a result of exceptional circumstances, or which have been considered to be in the public's interest, must be explained in a report to the Bid Adjudication Committee requesting condonation and approval for such unapproved increase.

11.26.11. General

- (i) It is permissible to invite bids for the supply of goods and services or construction works that is of an ad-hoc or repetitive nature, for a predetermined period of time (commonly referred to as a term bid).
- (ii) The general acquisition procedure for term bids shall comply with procedures contained in the acquisition management system for competitive bids.
- (iii) Bid documentation, where applicable, shall state that the acceptance of term bids based on a schedule of rates will not necessarily guarantee the bidder any business with Ulundi Local Municipality.
- (iv) The practice of using term bids to circumvent the bid process in respect of what should be planned project work is not permissible.
- (v) Material for repairs and maintenance can be purchased on a term bid where circumstances warrant it.
- (vi) Additional items included in a term bid by any bidder which are clearly not an alternative to any of the items specified shall not be considered.

11.26.12. Evaluation and Adjudication of Term Bids

- (i) The process for considering term bids shall be in terms of the evaluation and adjudication procedures for conventional competitive bids.
- (ii) Subsequent to award, where different selections of items are required in terms of the same term bid and it is not possible or practical to separate orders for different items from different suppliers, service providers or contractors (in the case of construction works, for example), then a selection process will have to be carried out in respect of each application. Individual orders will then be placed (or contracts awarded) on the basis of the highest total evaluation points received, per application.
- (iii) If the selected supplier, contractor or service provider, in terms of the selection process specified in the term bid documentation, is unable to provide the required goods, services or construction works at the required time and confirms as such in writing then the bidder with the next highest evaluation points shall be selected. If after a contract is awarded, or an order is placed in terms of a term bid, the supplier, contractor or service provider fails to supply the goods or service required, then the remedies in terms of the contract shall apply.

12. FORMAL WRITTEN PRICE QUOTATIONS

12.1 General

- (i) Where Ulundi Local Municipality intends to enter into any contract which is for the supply of any goods or services, or the execution of any construction work which involves or is likely to involve a transaction value over R10,000 and up to R200,000, then a minimum of **three written quotes** shall be obtained from providers who are suitably qualified and experienced, having the necessary resources, and who are registered and verified on Ulundi Local Municipality's supplier database.
- (ii) Quotations may be obtained from providers who are not listed on Ulundi Local Municipality's supplier database, provided that such providers must meet the listing criteria referred to in this Policy.

- (iii) A preference point system, as described in the preferential procurement section of this Policy, must be applied to such quotations.
- (iv) Any request for a formal written quotation which is likely to be in excess of R30 000 must be advertised for at least 7 (seven) days on Ulundi Local Municipality's official website and an official notice board as applicable.
- (v) Notwithstanding subparagraph 12.1 (i), if quotations have been invited on Ulundi Local Municipality's official website, no additional quotes need to be obtained should the number of responses be less than three. An authority should be obtained from the delegated official to continue trading with the received quotations.
- (vi) If it is not possible to obtain at least three written quotations, the reasons must be recorded and approved by the Chief Financial Officer who must, within three days of the end of the month, report to the Chief Financial Officer on any approvals given during that month in this regard.
- (vii) The names of the potential providers and their written quotations must be recorded.

12.2. *Quotation Documentation*

- (i) All quotation documentation, where practicable, shall comply with the requirements of bid documentation contained in the acquisition management system for competitive bids.

12.3 Quotation Prices

- (i) In general, all quotations should be submitted on a fixed price basis (not subject to contract price adjustment). Only in exceptional circumstances may contract price adjustment be applied.

12.4 Submission of Quotations

- (i) Quotation documents issued by Ulundi Local Municipality shall clearly state the place where such documents must be submitted and the date and time by when they must be submitted.

12.5 Closing of Quotations

- (i) Quotations shall close on the date and at the time stipulated on the request for quotations.
- (ii) The closing date for quotations less than or equal to R30, 000 in value must be at least 2 (two) days after publication of the request for quotations.
- (iii) The closing date for quotations greater than R30, 000 in value must be at least 7 (seven) days after publication of the request for quotations.
- (iv) No quotations submitted after any stipulated closing date and time shall be considered.

13. WRITTEN PRICE QUOTATIONS

13.1. *General*

- (i) Where Ulundi Local Municipality intends to procure any goods or services, which involves a transaction value over R2, 000 and up to R10, 000, verbal/written price quotations shall be obtained from at least three different providers preferably from, but not limited to, providers whose names appear on the supplier database, provided that if quotations are obtained from providers who are not listed, such providers must meet the listing criteria referred to in this Policy.
- (ii) A preference point system, as described in the preferential procurement section of this Policy, must be applied to such quotations.
- (iii) If it is not possible to obtain at least three written quotations, the reasons must be recorded and approved by the Chief Financial Officer who must, within three

days of the end of the month, report to the Chief Financial Officer on any approvals given during that month in this regard.

- (iv) The names of the potential providers requested to provide quotations and their written quotations must be recorded.
- (v) All orders in respect of written price quotations shall be approved and released by the Ulundi Local Municipal Manager, or his delegated authority.

13.2. **Panel appointments**

- (i) At least three quotations must be obtained from the panel of appointed service providers for price evaluation.

13.3. **Petty Cash Purchases**

(i) General

- (a) Where there is a need to purchase any goods or services using a petty cash system, which involves a transaction value up to R2 000, Ulundi Local Municipality's Procedures and Guidelines for Petty Cash Purchases shall be adhered to.
- (b) The delegated official responsible for petty cash must compile monthly reconciliation report for the Chief Financial Officer, which must include the total amount of petty cash purchases for that month and receipts and appropriate documents for each purchase.

14. APPOINTMENT OF CONSULTANTS

14.1. *General*

- (i) In the procurement of consulting services cognisance should be taken of any National Treasury guidelines in this respect or of Construction Industry Development Board Guidelines in respect of services relating to the built environment and construction works.

14.2. **Procurement Process (over R200,000)**

- (i) Where the estimated value of the contract exceeds R200, 000, or where the duration of the appointment will exceed one year, Consulting Services must be procured through a competitive bidding process.
- (ii) In addition to any requirements prescribed by this Policy for competitive bidding, the bidders must furnish particulars of:
 - (a) All consultancy provided to an organ of the state in the past five years;
 - (b) Any similar consultancy services provided to an organ of the state in the last five years.
- (iii) The Accounting Officer must ensure that copyrights; patent rights; or ownership in any plant, machinery, system or process designed or devised by the Consultant in the course of the consultancy service is vested in the Municipality.

14.3. **Single-Source Selection**

- (i) National Treasury Guidelines provide for single-source selection in exceptional cases. The justification for single-source selection must be examined in the context of the overall interests of Ulundi Local Municipality and the project.
- (ii) Single-source selection may be appropriate only if it presents a clear advantage over competition:
 - (a) for services that represent a natural continuation of previous work carried out by the consultant, and continuity of downstream work is considered essential;
 - (b) where rapid selection is essential;
 - (c) for very small appointments;
 - (d) when only one consultant is qualified, or has experience of exceptional worth for the project.
- (iii) The reasons for single-source selection must be fully motivated in a report and approved by the Bid Adjudication Committee prior to conclusion of a contract, provided that if the award is for an amount of *R10,000,000* or less, such award shall be approved by the Chief Financial Officer.

15. DEVIATION FROM THE PROCUREMENT PROCESSES

15.1. General

- (i) The Accounting Officer may dispense with the official procurement processes established by this Policy, and procure any required goods or services through any convenient process, which may include direct negotiation, but only in respect of:
 - (a) Any contract relating to an emergency where it would not be in the interests of Ulundi Local Municipality to invite bids,
 - (b) Any goods or services which are available from a single provider only,
 - (c) The acquisition of animals for zoos, or nature and game reserve,
 - (d) The acquisition of special works of art or historical objects where specifications are difficult to compile;
 - (e) Any other exceptional circumstances where it is impractical or impossible to follow the official procurement process, including:
 - 1) Any purchase on behalf of Ulundi Local Municipality at a public auction sale;
 - 2) Any contract in respect of which compliance therewith would not be in the public interest;
 - 3) Ad-hoc repairs to plant and equipment where it is not possible to ascertain the nature or extent of the work required in order to call for bids; and
- (ii) The Accounting Officer may ratify any minor breaches of the procurement processes by an official or Committee acting in terms of delegated powers or duties which are purely of a technical nature;
- (iii) The Accounting Officer may condone a deviation from the procurement processes, provided that such deviation is limited to the specific circumstances.
- (iv) The Accounting Officer must record the reasons for any deviations in terms of above paragraphs of this Policy and must report them on the next meeting of the Council and include a note in the annual financial statements.

15.2. Emergency Dispensation

- (i) The conditions warranting Emergency dispensation should include the existence of one or more of the following:
 - (a) The possibility of human injury or death;
 - (b) The prevalence of human suffering or deprivation of rights;
 - (c) The possibility of damage to property, or suffering and death of livestock and animals;
 - (d) The interruption of essential services, including transportation and communication facilities or support services critical to the effective functioning of Ulundi Local Municipality as a whole;
 - (e) The possibility of serious damage occurring to the natural environment;
 - (f) The possibility that failure to take necessary action may result in Ulundi Local Municipality not being able to render an essential community service; and
 - (g) The possibility that the security of the state could be compromised.

- (ii) The prevailing situation, or imminent danger, should be of such a scale and nature that it could not readily be alleviated by interim measures, in order to allow time for the formal procurement process. Emergency dispensation shall not be granted in respect of circumstances other than those contemplated above.

- (iii) Where possible, in an emergency situation, three quotes in accordance with general acquisition management principles should be obtained and a report submitted, via the Bid Adjudication Committee, to Ulundi Local Municipal Manager for approval. However, where time is of the essence, the emergency shall be immediately addressed, and the process formalised in a report to the Ulundi Local Municipal Manager as soon as possible thereafter.

15.3. Unsolicited Bids

- (i) Ulundi Local Municipality is not obliged to consider any unsolicited bids received outside of the normal bidding process

- (ii) Ulundi Local Municipality may only consider an unsolicited bid if the following have been complied with:
 - (a) the product or service offered in terms of the bid is a demonstrably or proven unique innovative concept;
 - (b) the product or service offered will be exceptionally beneficial to, or have exceptional cost advantages for, Ulundi Local Municipality;
 - (c) the person or entity that made the bid is the sole provider of the product or service; and
 - (d) the reasons for not going through the normal bidding processes are found to be sound by the Accounting Officer. In this regard a report must be submitted to the Accounting Officer seeking approval to take the unsolicited bid process further.

- (iii) If the Accounting Officer considers the unsolicited bid worthy of pursuing, the decision to consider such bid shall be made public in accordance with Section 21A of the Municipal Systems Act together with:
 - (a) reasons as to why the bid should not be open to other competitors;
 - (b) an explanation of the potential benefits for Ulundi Local Municipality were it to accept the unsolicited bid; and
 - (c) An invitation to the public and other potential suppliers to submit their written comments within 30 (thirty) days of the notice being published.
- (iv) Details of the unsolicited bid, together with any written comments received pursuant to subparagraph 15.3 (iii) as well as any responses from the bidder, shall be submitted to the Provincial and National Treasury for comment.
- (v) The unsolicited bid shall then be submitted to the Bid Adjudication Committee, together with any written comments submitted by the public and any written comments or recommendations of the Provincial or National Treasury, for consideration.
- (vi) The Bid Adjudication Committee may award the bid in respect of any amount.
- (vii) Any meeting of the Bid Adjudication Committee to consider an unsolicited bid must be open to the public.
- (viii) If any recommendations of the Provincial or National Treasury are rejected or not followed, the Accounting Officer shall submit to the Auditor-General, the Provincial Treasury and the National Treasury the reasons for rejecting or not following those

recommendations.

- (ix) Such submission shall be made **within 7(seven) days** of the decision to award the unsolicited bid. No contract committing Ulundi Local Municipality to the bid may be entered into or signed **within 30 (thirty) days** of the submission.

15.4. Combating Abuse of Supply Chain Management System

- (i) The Accounting Officer must:
 - (a) Take all reasonable steps to prevent abuse of the supply chain management system
 - (b) Investigate any allegations against official or other role-players of fraud, corruption, favouritism, unfair or irregular practices or failure to comply with this Policy, and where justified, take appropriate steps against an official or other role-players, including reporting any alleged criminal conduct to the South Africa Police Services;
 - (c) Check the National Treasury's database **prior** to awarding any contract to ensure that no recommended bidder, or any of its Directors, is listed as a person prohibited from doing business with the public sector;
 - (d) Reject any bid from recommended bidder who municipal rates and taxes or municipal service charges owed by that bidder or any of its Directors, are in arrears for more than three (3) months;
 - (e) Also reject any bid from recommended bidder who, during the last five(5) years has failed to perform satisfactorily on a previous contract or any other organ of the state after written warning was given to that bidder that performance was unsatisfactory.
- (ii) The Accounting Officer must reject a recommendation for the award of a contract if the recommended bidder, or any of its Directors, has committed a corrupt or fraudulent act in competing for particular contract;
- (iii) The Accounting Officer must reject any bid/or cancel a contract awarded to a person if:

- (a) The person committed any corrupt or fraudulent act during the bidding process or execution of the contract, or
- (b) Official or other role players committed any corrupt or fraudulent act during a bidding process or the execution of the contract that benefited that person,
- (c) The bidder or any of its Directors have been convicted of fraud or corruption during the past five years,
- (d) The bidder or any of its Directors has been listed in the Register for Tender Defaulters in terms of Section 29 of the Prevention and Combating of Corrupt Activities Act (ActNo. 12 of 2004).

16. LOGISTIC MANAGEMENT SYSTEM

16.1. Introduction

- (i) Logistics management must provide for an effective system in order to provide for the setting of inventory levels, placing of orders, receiving and distribution of goods, stores and warehouse management, expediting orders, transport management, vendor performance, and maintenance and contract administration.
- (ii) The Accounting Officer must establish and implement an effective system of logistics management, which shall include:
 - (a) Monitoring of spending patterns on types or classes of goods and services, including assigning unique codes or sequence to ensure that each have a unique number.
 - (b) Setting of inventory levels that include minimum and maximum levels and lead times whenever goods are placed in stock.
 - (c) The placing of manual or electronic order for all acquisitions other than those from Petty Cash.
 - (d) Before payment is approved and made, certification by responsible Manager that the goods or services have been received or rendered on time and is in accordance with the order, general conditions of contract and specifications where applicable and that the price charged is as quoted in the terms of contract.

- (e) Appropriate standards of internal controls and Stores Management to ensure that goods placed in Stores are secured and only used for the purpose for which they were purchased.

16.2. **Placing of Orders**

- (i) Purchase orders will be created with reference to requisitions where the supply source is either bids or quotations.
- (ii) All purchase orders will be captured on Ulundi Local Municipality's Pastel Accounting system exclusive of VAT.
- (iii) Standing or long term orders will be used in cases where longer term arrangements, necessitating interim payments, are required.
- (iv) Where a service provider has failed to deliver the goods/services within thirty (30) days of receiving an order, an order will be cancelled and the next lowest supplier will be engaged.

16.3. **Receiving of Goods**

- (i) Goods received will be captured on the Pastel via a Goods Received Note with reference to the relevant purchase order. Where applicable, the Finance Department's Assets Section (for asset creation) and Insurance Section (for claims) will be informed of the purchase via Ulundi Local Municipality's Pastel system, at the end of the procurement process, in terms of other applicable policies.
- (ii) Deliveries of goods may not exceed the order quantity. Short deliveries will keep the purchase order open until the balance of the order is received or cancelled.

16.4 **Contract Administration**

- (i) Contract administration includes all administrative duties associated with a contract that has arisen through one of the acquisition/procurement processes described in this policy.

- (ii) All contracts must be administered by a contract manager, who will be an internal official assigned to ensure the effective administration of the contract. The contract manager will typically be the internal project manager assigned to the project as a whole, but may also be a cost centre owner or other responsible official.
- (iii) A contract manager must be assigned to each contract and, where possible should be involved from the earliest stages of the acquisition process.
- (iv) The contract manager's duties and powers shall be governed by the conditions of contract and the general law.
- (v) In administering a contract, the contract manager will be required to form opinions and make decisions which, while in Ulundi Local Municipality's best interests, must be fair to all parties concerned.
- (vi) Department Heads (Directors) shall be responsible for ensuring that contract managers:
 - (a) are assigned to all contracts within the Department Head's area of responsibility;
 - (b) Are adequately trained so that they can exercise the necessary level of responsibility in the performance of their duties.
- (vii) The Contract Manager shall:
 - (a) ensure that all the necessary formalities *in* signing up the contract and/or issuing the purchase order(s) are adhered to;
 - (b) ensure that contracts related to the procurement of goods and services are captured on Ulundi Local Municipality's Pastel Accounting system in the form of a price schedule;
 - (c) ensure that all original contract documentation is lodged with the Supply Chain Management Department for record purposes;
 - (d) monitor the performance of the contractor in order to ensure that all of the terms and conditions of the contract are met;
 - (e) where necessary, take appropriate action where a contractor is underperforming or is in default or breach of the contract;
 - (f) where appropriate, authorise payments due in terms of the contract by processing payment certificates (if applicable), and ensuring that the necessary Service Entry Sheets or Goods Received Notes are captured on Ulundi Local Municipality's Pastel Accounting system;

- (g) manage contract variation or change procedures;
- (h) administer disputes where necessary, in terms of this policy and the applicable Conditions of Contract;
- (i) conduct, as appropriate, post contract reviews;
- (j) maintain adequate records (paper and/or electronic) in sufficient detail on an appropriate contract file to provide an audit trail;
- (k) Act with care and diligence and observe all accounting and legal requirements.

17. *STOCKLOGISTICS*

17.1. Objectives

- (i) To maintain a system of control over receipt, custody, issue and security of stocks.

17.2. Functions

- (i) Stores keeping functions include:
 - a. Maintaining the Stores in a tidy manner.
 - b. Accepting goods and raising Goods Receipt Notes.
 - c. Correct positioning of stocks and issue of bin or tally cards.
 - d. Checking that bin card quantities agree with physical quantities all the time.
 - e. Issuing goods out on proper authority on receipt of approved requisitions and issuing Stores Voucher.
 - f. Advising on obsolete, damaged and slow-moving stocks, and
 - g. Raising requests for stock replenishment for common user items.

17.3. Valuation of stock

- (i) Stock is valued on the weighted average costing method per plant and is VAT exclusive.
- (ii) Input VAT is claimed upon purchase and output VAT is accounted for at the time of issue according to the accounting policy.

17.4. Setting stock inventory

- (a) Stock items shall be systematically replenished using the re-order point planning strategy.
- (b) Open reservations shall be taken into account during the replenishment run.

17.5. Issuing of Stock

- (a) Goods will be issued from stock with reference to reservations. Goods can be issued for consumption against internal orders, cost centres, projects and assets under construction.

17.6. Stock Replenishment

- (a) Purchase orders will be created, where applicable, with reference to replenishment requisitions in respect of term supply contracts for goods.
- (b) Replenishment requisition approvals will be systems based.
- (c) All replenishment will be effected via the Acquisition Management System.

17.7. Stores Management

- (a) The stores function shall be centralised within Finance Department and will operate under the jurisdiction of the Supply Chain Management Unit.
- (b) The Supply Chain Management Unit must ensure proper financial and budgetary control; uphold the principle of effective administration, proper stock holding and control, product standardisation, quality of products and a high standard of service levels.

18. DISPOSAL MANAGEMENT SYSTEM

18.1. Goal

- (i) To give effect to :
 - (a) Regulation 40 of the Supply Chain Management Regulations which requires an effective system for the disposal of letting of assets including unserviceable, redundant or obsolete assets, and

- (b) The Municipal Asset Transfer Regulations, subject to Sections 14 and 90 of the Municipal Finance Management Act (MFMA) and any other applicable legislation.

18.2. Disposal Management System

- (i) Subject to the provisions of the Municipal Asset Transfer Regulations:

- (a) moveable assets may be sold either by way of written price quotations, a competitive bidding process, auction or at market related prices, whichever is the most advantageous to Ulundi Local Municipality;

- (b) immovable property may:

- (1) be sold only at market related prices except when the public interest or the plight of the poor demands otherwise;

- (2) let only at market related rates except when the public interest or the plight of the poor demands otherwise and provided that all charges, rates, tariffs, scales of fees or other charges relating to the letting of immovable property are annually reviewed;

- (ii) In the case of firearms, the National Conventional Arms Control Committee must approve any sale or donation of firearms to any person within or outside the Republic.

- (iii) The criteria for the disposal or letting of assets, including unserviceable, redundant or obsolete assets includes:

- (a) An **Obsolescence Plan** must be determined for each asset to ensure that when the asset can no longer be maintained or used for its original purpose, there is a plan to replace it.

- (b) A **Renewal Plan** must be determined for assets that have reached the end of their useful lives.

- (iv) An Asset may be disposed of by:

- (a) Transferring the asset to another organ of the state at market related value/or where appropriate free of charge.
 - (b) Selling the asset in public auction.
 - (c) Destroying the asset.
- (v) The Accounting Officer must ensure that :
- (a) Immovable property is sold only at market related prices, except public interest demands otherwise.
 - (b) Movable properties are sold either by way of written price quotation, a competitive bid process, auction or market related prices, whichever is the most advantageous.

19. RISK MANAGEMENT SYSTEM

The risks the risks pertaining to Supply Chain Management should at all times comply with the criteria laid down in the risk management policies of Ulundi Local Municipality.

19.1. General

- (i) Risk Management shall provide for an effective system for the identification, consideration and avoidance of potential risks in Ulundi Local Municipality's Supply Chain Management System.
- (ii) Managing risk must be part of Ulundi Local Municipality's philosophy, practices and business plans and should not be viewed or practiced as a separate activity in isolation from line managers.
- (iii) Risk Management shall be an integral part of effective management practice.

19.2. Criteria for identification, consideration

- (i) Risk management function is delegated to the Chief Financial Officer, SCM Practitioners, Internal Audit function and the Audit /and Risk Committee.

19.3. The Risk Management Process

- (i) The risk management process shall be applied to all stages of Supply Chain Management, be it the conceptual stage, project definition, specification preparation, acquisition approval or implementation to completion.
- (ii) Risk management is an integral part of good management of acquisition activities and cannot be effectively performed in isolation from other aspects of acquisition management.
- (iii) Appropriate risk management conditions should therefore be incorporated in contracts.

19.4. *Key Principles*

- (i) The key principles on managing risk in Supply Chain Management include:
 - (a) Early and systematic identification of risk on a case-by-case basis, analysis and assessment of risks, including conflicts of interest and the development of plans for handling them;
 - (b) Allocation and acceptance of responsibility to the party best placed to manage risk;
 - (c) Management of risks in a pro-active manner and the provision of adequate cover for residual risks;
 - (d) Assignment of relative risks to the contracting parties through clear and unambiguous contract documentation;
 - (e) Acceptance of the cost of the risk where the cost of transferring the risk is greater than that of retaining it; and

- (f) Ensuring that the costs incurred in managing risks are commensurate with the importance of the purchase and the risks to Ulundi Local Municipality's operations.

20. PERFORMANCE MANAGEMENT SYSTEM

- 20.1. The Accounting Officer must establish and implement an internal monitoring system in order to determine the basis of a retrospective analysis whether the authorised Supply Chain Management processes were followed and whether the objectives of this Policy were achieved.

- 20.2. Performance management shall accordingly be characterised by a monitoring process and retrospective analysis to determine whether:
 - (i) value for money has been attained;
 - (ii) Proper processes have been followed;
 - (iii) Desired objectives have been achieved;
 - (iv) There is an opportunity to improve the process;
 - (v) Suppliers have been assessed and what that assessment is; and
 - (vi) There has been deviation from procedures and, if so, what are the reasons for that deviation.

- 20.3. The performance management system shall accordingly focus on, amongst others:
 - (i) achievement of goals;
 - (ii) compliance to norms and standards;
 - (iii) savings generated;
 - (iv) cost variances per item;
 - (v) non-compliance with contractual conditions and requirements; and
 - (vi) The cost efficiency of the procurement process itself.

21. CODE OF ETHICAL STANDARDS

- 21.1. General

- (i) A code of Ethical Standards as set out in the National's *Treasury's Code of Conduct for Supply Chain Management Practitioners and other role players involved in the supply chain management*, is hereby established for all Ulundi Local Municipality officials and other role players involved in the supply chain management system of the Municipality in order to promote:
- a) mutual trust and respect; and
 - b) an environment where business can be conducted with integrity and in a fair and reasonable manner.
- (ii) An official or other role player involved in the implementation of the Supply Chain Management policy:
- (a) must treat all providers and potential providers equitably;
 - (b) may not use his or her position for private gain or to improperly benefit another person;
 - (c) may not accept any reward, gift, favour, hospitality or other benefit directly or indirectly, including to any close family member, partner or associate of that person, of a value more than **R500**;
 - (d) must declare to the Accounting Officer details of any reward, gift, favour, hospitality or other benefit promised, offered or granted to that person or to any close family member, partner or associate of that person;
 - (e) Must declare to the Accounting Officer details of any private or business interest which that person, or any close family member, partner or associate, may have in any proposed procurement or disposal process of, or in any award of a contract by, Ulundi Local Municipality;
 - (f) Must immediately withdraw from participating in any manner whatsoever in a procurement or disposal process or in the award of a contract in which that person, or any close family member, partner or associate, has any private or business interest;
 - (g) Must be scrupulous in his or her use of property belonging to Ulundi Local Municipality;
 - (h) Must assist the Accounting Officer in combating fraud, corruption, favouritism and unfair and irregular practices in the Supply Chain Management system; and
 - (i) must report to the Municipal Manager any alleged irregular conduct in the Supply Chain Management system which that person may become aware of, including;

- (1) any alleged fraud, corruption, favouritism or unfair conduct;
 - (2) any alleged contravention of this policy; or
 - (3) Any alleged breach of this code of ethical standards.
- (j) All declarations must be recorded in a register which the Municipal Manager must keep for this purpose.
- (k) The Municipality has adopted the National Treasury's Code of Conduct for Supply Chain Management Practitioners and other Role Players involved in Supply Chain Management. This code of conduct is binding on all officials and other role players involved in the implementation of the Supply Chain Management Policy
- (l) A breach of the code of conduct adopted will be dealt with in accordance with Schedule 2 of the Municipal Systems Act.

21.2. *Inducements, Rewards, Gifts and Favours*

- (i) No person who is a provider or prospective provider of goods or services, or a recipient or prospective recipient of goods disposed or to be disposed of may either directly or through a representative or intermediary promise, offer or grant:
- (ii) Any inducement or reward to Ulundi Local Municipality for or in connection with the award of a contract; or
- (iii) Any reward, gift, favour or hospitality to any official or any other role player involved in the implementation of the Supply Chain Management policy.
- (iv) The Accounting Officer must promptly report any alleged contravention of sub-paragraph (1) above to the National Treasury for considering whether the offending person, and any representative or intermediary through which such person is alleged to have acted, should be listed in the National Treasury's database of persons prohibited from doing business with the public sector.

21.3. Sponsorships

- (i) The Accounting Officer must promptly disclose to the National Treasury and the relevant Provincial Treasury any sponsorship promised, offered or granted, whether directly or through a representative or intermediary, by any person who is:
 - (a) A provider or prospective provider of goods or services; or
 - (b) A recipient or prospective recipient of goods disposed or to be Disposed

21.4. Objections and Complaints

- (a) Persons aggrieved by decisions or actions taken in the implementation of this Supply Chain Management system, may lodge within 14 days of the decision or action, a written objection or complaint against the decision or action.

21.5. Resolution of Disputes, Objections, Complaints and Queries

- (i) ***The Accounting Officer shall*** appoint an independent and impartial person not directly involved in the supply chain to assist in the resolution of disputes between Ulundi Local Municipality and other persons regarding:
 - (a) any decisions or actions taken in the implementation of the Supply Chain Management system; or
 - (b) any matter arising from a contract awarded in the course of the Supply Chain Management system; or
 - (c) To deal with objections, complaints or queries regarding any such decisions or actions or any matters arising from such contract.
- (ii) The Accounting Officer, or another official designated by the Municipal Manager, is responsible for assisting the appointed person to perform his or her functions effectively.
- (iii) The person appointed must:
 - (a) strive to resolve promptly all disputes, objections, complaints; or
 - (b) queries received; and
 - (c) Submit monthly reports to the Municipal Manager on all disputes, objections, complaints or queries received, attended to or resolved.

- (iv) A dispute, objection, complaint or query may be referred to the relevant Provincial Treasury, if:
 - (a) the dispute, objection, complaint or query is not resolved within 60 days; or
 - (b) No response is forthcoming within 60 days.
- (v) If the Provincial Treasury does not or cannot resolve the matter, the dispute, objection, complaint or query may be referred to the National Treasury for resolution.
- (vi) The provisions above must not be read as affecting a person's rights to approach a court at any time.

21.6. Contract providing for compensation based turnover

- (i) Where the service provider, acting on behalf of the Municipality to provide service or act as a Collector of fees, service charges or taxes and the compensation payable to the service provider is fixed as a fixed percentage of turnover for the service or amount collected, the contract between the service provider and the Municipality must stipulate:
 - (a) A cap on the compensation payable to the service provider, and
 - (b) That such compensation must be performance based.

22. PREFERENTIAL PROCUREMENT

22.1. Introduction

- (i) The following procurement strategies are addressed in this section:
 - (a) the stipulation, in bid documentation, of minimum thresholds for local production and content in accordance with directives issued by the National Treasury and Department of Trade and Industry.
 - (b) the unbundling of large projects, where appropriate, into smaller contracts to ensure that a spread of opportunities is made available to suppliers, service providers and construction contractors of various sizes.

- (c) the use of functionality/quality, where appropriate, in procurement processes in order to ensure that goods supplied are fit for purpose, or that a minimum level of experience and competence in respect of service providers or construction contractors is attained.
 - (d) The increase of employment opportunities by encouraging the use of labour intensive technologies.
 - (e) The targeting of labour and/ or enterprises from specific areas within the boundaries of the Ulundi Municipal area.
- (ii) Preferential procurement is further enhanced by provisions aimed at improved access to information, simplification of documentation, reduced performance guarantee requirements, reduced retention, reduced payment cycles and good governance.

22.2. Objective

22.2.1. The aim of this section of Ulundi Local Municipality's Supply Chain Management Policy is to give effect to, and to ensure compliance with, all the applicable legislation and national directives or regulations in respect of the Preferential Procurement and promotion of B-BBEE.

22.3. Preferential Procurement System

22.3.1. The key principles of the system : :

- (i) The application of an **80/20** preference point system for procurement (quotations) with a Rand value of greater than R 30 000,00, but less than or equal to R 200 000.00;
- (ii) The application of an **80/20** preference point system for procurement (competitive bids) with a Rand value of greater than R 200 000,00 but less than or equal to R 50 000.00;
- (iii) The application of a **90/10** preference point system for procurement (competitive bids) with a **Rand value greater than R50 million (inclusive of VAT)**;

- (iv) Bids may be declared non-responsive, If they fail to achieve a minimum score for functionality (quality), if indicated in the bid documents.
- (v) The preference point system shall be used in the evaluation of responsive bids for the purposes of determining preferred and recommended bidders and for the adjudication thereof.
- (vi) Planning and Stipulation of Preference Point system :
 - (a) Prior to embarking on any procurement process the Responsible Agent must properly plan for, and, as far as possible, accurately estimate the cost of the goods, services or construction works for which bids are to be invited.
 - (b) The Responsible Agent shall determine the appropriate preference point system to be used in the evaluation and adjudication of bids, and shall ensure that such is clearly stipulated in the bid documentation.
- (vii) Evaluation of Bids on Functionality (Quality)
 - (a) Functionality (otherwise known as quality) may be included in the bid evaluation process as a qualifying (eligibility) criterion.
 - (b) If a bid is to be evaluated on functionality, this must be clearly stated in the invitation to submit a bid, and in the bid documentation.
 - (c) The evaluation criteria for measuring functionality must be objective.
 - (d) When evaluating bids on functionality the
 - i Evaluation of criteria for measuring functionality;
 - ii weight of each criterion
 - iii applicable values; and
 - iv Minimum qualifying score for functionality must be clearly
 - v stipulated in the bid document
 - (e) The norm for the minimum qualifying score for functionality shall be 60% of the total possible score. For more specialised or complex projects the minimum score may, at the discretion of the Bid Specification Committee, be increased to up to 70% of the total possible score. The setting of a minimum score any higher than 70% of the total possible

score must be motivated to, and approved by, the Chief Financial Officer prior to use.

- (g) If a bid fails to achieve the minimum qualifying score for functionality as indicated in the bid document, it must be regarded as non-responsive, and be rejected (not considered any further in the evaluation process).
- (h) Bids that have achieved the minimum score for functionality, and passed any other responsiveness tests, must be evaluated further in terms of the preference point system prescribed below.

(viii) Evaluation and Adjudication of Bids:

General

- (a) An 80/20 preference point system is stipulated for competitive bids with a Rand value of greater than R200,000, but less than or equal to R50 million, and a 90/10 preference point system of procurement with a Rand value of greater than R50 million.
- (b) This means that either 80 or 90 points, depending on the Rand value of the bid, will be awarded to the person who offers the lowest price, and proportionately fewer points are awarded to those with higher prices. Either 20 or 10 points are then available as preference points for Exempted Micro Enterprises or B-BBEE contributors, as applicable.

(ix) Cancellation and Re-invitation of Bids:

- (a) In the event that, in the application of the 80/20 preference point system as stipulated in the bid documents, all bids received exceed a value of R50 million, the bids must be cancelled.

- (b) If one or more of the acceptable bids received are within the prescribed threshold of R50 million, all bids received must be evaluated on the 80/20 preference point system.
- (c) In the event that, in the application of **the 90/10** preference point system as stipulated in the bid documents, all bids received are equal to, or below R50 million, the bids must be cancelled.
- (d) If one or more of the acceptable bids received are above the prescribed threshold of R50 million, all bids received must be evaluated on the 90/10 preference point system.
- (e) Bids cancelled in terms of clauses 22.3.1 (ix)(a) and (c), must be re-invited, with the correct preference point system clearly stipulated in the bid documents.
- (f) The following formula must be used to calculate the points for price in respect of bids (including price quotations) with a Rand value of greater than R30,000 and up to a Rand value of R50 million (all applicable taxes included):

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

- (x) The formulas

- (a) As envisaged in regulation 4, 5, 6 and 7 of the 2022 Preferential Procurement Policy, the following formulas must be used to calculate preferential points for price:

- 1) points out of 80 for price in respect of an invitation for a tender with a Rand value equal to or below R 50 million, inclusive of all applicable taxes:

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

Where :-

Ps = Points scored for comparative price of the bid under consideration

Pt = Price of tender under consideration; and

Pmin = Price of lowest acceptable tender

- A maximum of 20 points may be awarded to a tenderer for the specified goal for the tender;
- The points scored for the specific goal must be added to the points scored for price and the total must be rounded off to the nearest two decimal places.
- Subject to section 2 (1) (f) of the Act, the contract must be awarded to the tenderer scoring the highest points.

2) points for price in respect of a tender for income-generating contracts, with a Rand value above R 50 million, inclusive of all applicable taxes:

$$P_s = 90 \left[1 - \frac{P_t - P_{min}}{P_t} \right]$$

Where:-

Ps = Points scored for price of tender for specific goal specified for the tenderer.

Pt = Price of lowest acceptable tender.

Pmin = Price of lowest acceptable tender

- A maximum of 10 points may be awarded to a tender for the goal specified for the tender;
- The points scored for the specific goal must be added to the points scored for price and the total must be rounded off to the next two decimal places

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

3) Points for price in respect of an invitation for tender for income-generating contracts, with Rand value equal to or below R 50 million, inclusive of all applicable taxes

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

Where

P_s = Points scored for price of tender under consideration;

P_t = Price of tender under consideration; and

P_{max} = Price of highest acceptable tender

- A maximum of 20 points may be awarded to a tenderer for the specific goal specified for the tender
- The points scored for the specified goal must be added to the points scored for the price and the total must be rounded off to the nearest two decimal places.
- Subject to section 2 (1) (f) of the Act , the contract must be awarded to the tenderer scoring the highest points.

4) Points for the price in respect of a tender for income-generating contracts, with a Rand value above R50 million inclusive of all applicable taxes.

$$P_s = 90 \left(1 + \frac{P_t - P_{max}}{P_{max}} \right)$$

Where :-

P_s = Points scored for price of tender under consideration;

P_t = Price of tender under consideration; and

P_{max} = Price of highest acceptable tender.

- A maximum of 10 points may be awarded to a tenderer for specific goal specified for the tender;
- The points scored for the specific goal must be added to the points scored for price and the total must be rounded off to the nearest two decimal places.
- Subject to section 2 (1)(f) of the Act, the contract must be awarded to the tenderer scoring the highest points.

(xi) The nomenclature used in the formula above may be varied to comply with prescribed standard bid documentation, provided the formula itself is not varied.

(xii) Points for preference must be awarded to Exempted Micro Enterprises or to bidders having attained a B-BBEE status level of contributor in accordance with the tables below.

B-BBEE Status Level of Contributor	Number of Points for preference
1	20
2	18
3	16
4	12
5	8
6	6
7	4
8	2
Non-compliant	0

(xiii) **Or, in respect of Exempted Micro Enterprises (EMEs)**

Black Ownership of EME	Deemed B-BBEE Status Level of Contributor	Number of Points for Preference
>50%	3	16
≤50%	4	12

- (a) The points for preference scored by a bidder in terms of above subparagraph must then be added to the points for price scored, in order to obtain the total number of adjudication points scored for each responsive bid.
- (b) The contract must be awarded to (and/or order placed with) the bidder that scores the highest total number of adjudication points. *The 90/10 Preference Point System for the Procurement (Acquisition) of Goods, Services or Construction Works with a Rand Value above R 1 million.*
- (c) The following formula must be used to calculate the points for price in respect of bids with a Rand value above R 1 million (all applicable taxes included):

$$P_s = 90 \left[1 - \frac{P_m}{P_t} \right]$$

Where

P_s = Points scored for comparative price of the bid under consideration:

P_t = Comparative price (corrected, if applicable, exclusive of VAT) of the bid under consideration, and

P_{min} = Comparative price (corrected, if applicable, exclusive of VAT) of lowest responsive bid

(xiv) ***B-BBEE Status Level Certificate*** :

- (a) In order to qualify for preference points referred to above, Exempted Micro Enterprises must have submitted, to Ulundi Local Municipality, a certificate issued by a Registered Auditor, Accounting Officer (as contemplated in Section 60(4) of the Close Corporation Act, 1984 (Act No. 69 of 1984)) or an Accredited Verification Agency, confirming their status as such.
- (b) Bidders other than Exempted Micro Enterprises must submit, to Ulundi Local Municipality, their original and valid B-BBEE status level verification

certificate, or a certified copy thereof, substantiating their B-BBEE status level of contributor.

- (c) The submission of such certificates must comply with the requirements of instructions and guidelines issued by the National Treasury and be in accordance with notices published by the Department of Trade and Industry in the Government Gazette.
- (d) Bidders who fail to submit the required certificates, or certified copies thereof, will be deemed to be non-compliant contributors.
- (e) Where specific sector charters have been gazetted in terms of the B-BBEE Act, bid documentation for procurement from within such sectors, must specify that only persons verified in terms of the particular sector charter (or Code of Good Practice), or Exempted Micro Enterprises, will qualify for a preference. A status level of contributor in respect of generic Codes of Good Practice will not, in such circumstances, qualify for any preference.
- (f) Where no specific sector charter has been gazetted, persons other than Exempted Micro Enterprises must be verified in terms of the gazetted generic Codes of Good Practice in order to qualify for a preference.
- (g) For the purposes of transparency, bidders shall, in respect of all competitive bids (over R200 000), be required to claim, in their bid submission, a preference in accordance with their B-BBEE status.
- (h) Notwithstanding what is contained in the bid submission, preference points will be allocated during the bid evaluation process in accordance with the verified B-BBEE status level (or deemed status level) of contributor.

(xv) Criteria for the breaking deadlock in scoring

(i) As envisaged in regulation 8; of the 2022 Preferential Procurement Regulations;

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

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

23. COMMENCEMENT

23.1. This Policy shall take effect on the _____.