

Cape Winelands District Municipality

IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT POLICY

For the 1st Quarter - 1st July 2022 to 30th September 2022

BACKGROUND

This report is in compliance with Reg. 6(3) of the Supply Chain Management Regulations¹ on the implementation of the Supply Chain Management Policy of the Cape Winelands District Municipality. The purpose of the report is to assist and strengthen the Executive Mayor's oversight role in the execution thereof. Furthermore, it must be made public in accordance with section 21A of the Municipal Systems Act.

POLICY

The Supply Chain Management Policy was initially adopted on 23 January 2006 and revised for a seventh time on 30 June 2022. It is fully compliant with National Treasury's prescripts. It has been advertised numerously and is available on Council's website.

ACTIONS/PROCEDURES GIVING EFFECT TO POLICY IMPLEMENTATION

The Constitution of the Republic of South Africa, 1996 addresses this issue in section 217. When an organ of state in the national, provincial or local sphere of government, or any other institution identified in national legislation, contracts for goods or services, it must do so in accordance with a system which is fair, equitable, transparent, competitive and cost-effective.

To give orderly effect to the above the Supply Chain Management processes are categorised in;

- (a) Demand management
- (b) Acquisition management
- (c) Logistics management
- (d) Disposal management
- (e) Performance management
- (f) Other matters

(a) Demand management

Demand management is the first step in the supply chain management process, and to a large degree the most critical one. The Municipality has integrated Demand Planning into the overall strategic management process in order to achieve a higher level of overall success within supply chain management. Demand management requires timely planning and a management process that will ensure that all goods and services which are required are quantified, budgeted for, and delivered in a timely and effective manner at the right locations and at the critical delivery dates. These goods and services must be of appropriate quality and quantity at a fair cost.

¹ Supply Chain Management Regulations: National Treasury General Notice 868, Gazette no. 27636 dated 30 May 2005.

The demand plan is reviewed monthly, revised and reported quarterly and analyzed by Contract Owners in consultation with Supply Chain Management for contract specific challenges.

(b) Acquisition management

The system of acquisition management must ensure the following:

- (i) That goods and services are only procured in accordance with authorised processes;
- (ii) That expenditure on goods and services is incurred in terms of an approved budget as per section 15 of the Municipal Finance Management Act (Act 56 of 2003);
- (iii) That the threshold values for different procurement processes are complied with;
- (iv) That bid documentation, evaluation and adjudication criteria and general conditions of a contract are in accordance with any applicable legislation; and
- (v) That any Treasury guidelines on acquisition management are properly taken into account.

The procurement process is centralised. This is essential to ensure that all requests for quotations are actioned by the Supply Chain Management Unit which controls and manage compliance with the different thresholds of procurement. It must also combat the deliberate splitting of orders into smaller parts merely to avoid complying with the thresholds. Requests for competitive bids (in excess of R 30,000) and awards made are advertised on the municipal notice boards, website and in the media if more than R 200,000.

To give effect to the above, a coding system, by range (SCM Regulation 12) of procurement and value, was developed to control, manage and report on acquisitions.

A summary of the different categories of acquisitions made for the period is attached as **Annexure "A1"**.

It must be noted that various unforeseen circumstances have led to certain delays in completion of processes.

Pre-specification meetings between the Contract Managers and Administrators are held by the SCM unit in order to address sub-standard tender specifications and to ensure that all legislative requirements are complied with:

Bid committees: The following table details the number of bid committee meetings held for the quarter under review:

TENDERS: > R200,000

Bid Specification Committee	No. of Meetings	No. of Items	No. of Agendas	No. of Minutes
JULY 2022	14	56	14	14
AUGUST 2022	9	28	9	9
SEPTEMBER 2022	8	19	7	7
TOTAL	31	103	30	30

Bid Evaluation Committee	No. of Meetings	No. of Items	No. of Agendas	No. of Minutes
JULY 2022	1	3	1	1
AUGUST 2022	3	14	3	3
SEPTEMBER 2022	5	15	5	5
TOTAL	9	32	9	9

Bid Adjudication Committee	No. of Meetings	No. of Items	No. of Agendas	No. of Minutes
JULY 2022	1	1	1	1
AUGUST 2022	3	9	3	3
SEPTEMBER 2022	1	8	1	1
TOTAL	5	18	5	5

Formal written price quotations (R 30,001 - R 200,000): The following table details the number of formal written price quotations that were awarded and those that were cancelled after advertisement in the quarter under review:

FORMAL WRITTEN PRICE QUOTATIONS: R30,001 - R200,000

	Evaluated & awarded	Advertised and cancelled
JULY 2022	11	0
AUGUST 2022	1	1
SEPTEMBER 2022	1	0
TOTAL	13	1

Tenders Awarded Above R200,000: The following table details the number of tenders that were awarded & those that were cancelled after advertisement in the quarter under review:

	Evaluated & awarded	Advertised and cancelled
JULY 2022	1	2
AUGUST 2022	8	3
SEPTEMBER 2022	6	0
TOTAL	15	5

Municipalities must report to National Treasury on all acquisitions in excess of R 100,000 on a monthly basis. The information is populated directly into their system.

It must be noted that some "availability tenders/quotations" are shared between suppliers and some tenders/quotations are awarded at "various rates" and the total value will be in accordance with the budgeted amounts.

Appeals by aggrieved bidders

No successful appeals were lodged by aggrieved bidders for the quarter under review.

Regulation 16(c) and 17(1)(c) transactions (< 3 quotations received)

Due to various reasons beyond the control of the Municipality, it is not always possible to obtain at least three responsive quotations during the acquisition process. In respect of written quotations (value R 2001 to R 10,000), regulation 16(c) will apply, and states that the reasons must be recorded and reported quarterly to the accounting officer or another official designated by the accounting officer. In respect of formal written price quotations value (R 10,001 to R 200,000), regulation 17(1)(c) will apply, and states that the reasons must be recorded and approved by the chief financial officer or an official

designated by the chief financial officer. In this instance the accounting officer must record the names of the potential providers and their written quotations.

All reports were submitted within 3 working days after the end of each month. The table and chart on page five (5) indicate the volumes and values of instances where it was not possible to obtain at least three responsive quotations.

Deviations from normal procurement processes:

Regulation 36(1) (a) Deviations

Regulation 36 allows the Accounting Officer to dispense with the official procurement processes established by the Policy and to procure any required goods or services through any convenient process, which may include direct negotiations, but only –

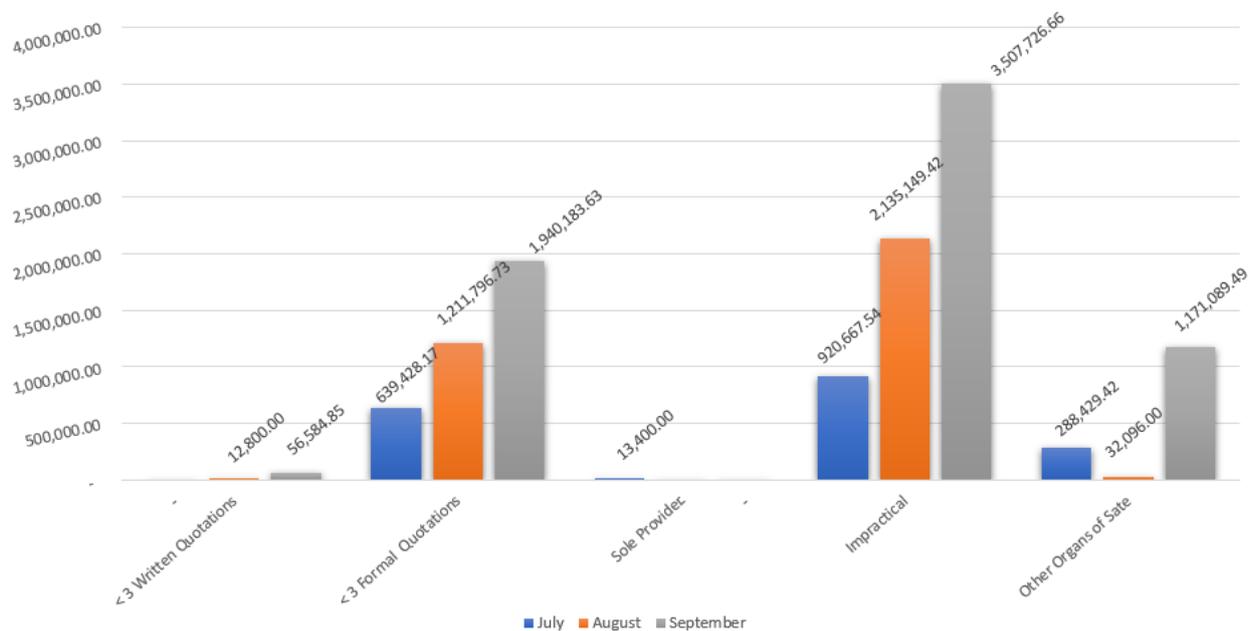
- in an emergency
- if such goods or services are produced or available for a single provider only;
- For the acquisition of special works of art or historical objects where specifications are difficult to compile;
- Acquisition of animals for zoos and/or nature and game reserves; or
- In any other exceptional case where it is impractical or impossible to follow the official procurement processes.

For the quarter under review, the total deviations approved by the Accounting Officer and or his delegated authority amounted to R R3 374 682 compared to the previous quarter's figure of R1 319 551. Deviation values fluctuate during each period and will not necessarily reflect the same patterns. The deviations contained in the quarterly reports are extracted from the financial system, these transactions are reviewed on an ongoing basis, final changes will be reported in the Annual Implementation Report.

ILLUSTRATED VALUES

Commodity Description July to September 2021	REG.16(c) < 3 Written Quotations		REG.17(1)(c) < 3 Written Quotations		DEV-REG.36(1) (a)(v) Impractical		Other Organs of State		DEV- REG.36(1) (a)(II) Sole Supplier		TOTALS	
	#	Value	#	Value	#	Value	#	Value	#	Value	#	Value
BREAKFAST/LUNCH/SUPPER-OTHER	7	36,220	6	193,925							13	230,145
COLLECTIVE AGREEMENTS							37	59,837			37	59,837
CONSULTANTS - CIVIL/ENGINEERING			5	54,720							5	54,720
CONSULTANTS - PROFESSIONAL SERVICES			12	146,343	16	975,002					28	1,121,345
EQUIPMENT - ELECTRONIC/RADIO/Etc.			1	195,884							1	195,884
GARNISHING ORDERS							9	5,550			9	5,550
LICENSING - VEHICLES							205	69,077			205	69,077
MEDIA: NEWS PAPERS/MAGAZINES/Etc.							2	561			2	561
MISCELLANEOUS	2	9,247	15	159,228							17	168,475
REGISTRATION FEES: SEMINARS/Etc.									2	13,400	2	13,400
RENEWAL: SOFTWARE LICENSE					4	298,080					4	298,080
RENTAL - OTHER	2	11,118									2	11,118
SERVICES - RATES & TAXES							3	62,783			3	62,783
SERVICES - TELEPHONE							2	575,175			2	575,175
SOFTWARE (SPECIFIC)			2	299,000	4	2,039,333					6	2,338,333
TRAINING (SPECIFIC)			5	135,440	2	11,040					7	147,480
REPAIRS: OTHER (ELECTRONIC/MECH/Etc.)			5	90,745							5	90,745
STOCK ITEMS - STORES			24	197,368							24	197,368
STATIONERY - OTHER			1	199,630							1	199,630
TRANSLATION SERVICES			5	121,804							5	121,804
INSURANCE/SECURITY					9	43,276					9	43,276
OFFICE FURNITURE			2	81,011							2	81,011
BUILDINGS - CONSTRUCTION			1	2,875							1	2,875
EQUIPMENT - ELECTRICAL APPLIANCES			4	61,211							4	61,211
RENTAL - SPECIALISED EQUIPMENT					1	28,573					1	28,573
AIR TICKETS - INTERNATIONAL					1	43,422					1	43,422
SOFTWARE & SUPPORT					1	69,000					1	69,000
SERVICES - WATER							5	35,937			5	35,937
SERVICES - REFUSE REMOVAL							4	11,724			4	11,724
SERVICES - SEWERAGE							4	12,875			4	12,875
SERVICES - ELECTRICAL							5	337,570			5	337,570
Grand Total	11	56,585	88	1,940,184	38	3,507,727	277	1,171,089	2	13,400	416	6,688,985

Breakdown of monthly transactions.



(c) Logistics management

The system of logistics management as implemented ensures efficient, effective forward and reverse flow and storage of goods and services and related information in order to meet Inter-departmental requirements.

(d) Disposal management

The municipality complies with section 14 of the MFMA which deals with the disposal of capital assets.

(e) Performance management

Various assessments by Provincial Treasury's SCM section, of which the last evaluation was in September 2021, and external consultants has indicated that the municipality's processes and procedures are in line with legislative requirements.

(f) OTHER MATTERS

Advertisements in the media

Advertisement costs of R R219 056 were incurred in the procurement process for this financial year in relation to R 64 948 in the previous quarter.

CIDB – Construction Industry Development Board

All contracts of a nature of construction advertised, registered, and maintained as required by the CIDB.

Procurement of goods and services under contracts secured by other organs of state:

There was no procurement of goods and services under contracts secured by other organs of state.

Tenders and quotations evaluated on performance

Reports are completed on a monthly basis by the Contract Owners/Managers on the performance of the vendors. Management is in the process of compiling a standard operating procedure to formalize the process.

Combating of abuse of Supply Chain Management System

There were no cases brought against any official or councilor regarding the abuse of SCM system. Effective segregation of duties and delegations were implemented.

DISCLOSURES

Transactions concluded with - "*People in the Service of the State*"

There were no awards made to persons in the service of the state.

Transactions concluded with - “Close family members of persons in the service of the state”

The awards made in excess of R 2,000 to persons who have close family members in the service of the state are disclosed in the Annual Financial Statements.

Benefits received in terms of the Local Government: Municipal Systems Act 32 of 2000 – Schedule 1 sec 5(2) & Schedule 2 sec 5(1)

The assessment of declaration of interest forms completed by staff members and councillors are still in progress; no disclosures are available at this stage. Final disclosure, if any, will be made in the 2022/2023 Annual Financial Statements.

STAFF COMPONENT

The Supply Chain Management Unit has 13 funded posts. The capacity is currently supplemented with students and the placement of interns on a rotational basis. The filling of vacancies within the SCM unit are currently prioritised.

DELEGATIONS

A system of delegations has been implemented by the Accounting Officer, in order to take all reasonable steps to ensure that proper mechanisms and separation of duties are in place in the supply chain management system place, to minimise the likelihood of fraud, corruption, favouritism and unfair and irregular practices.

The purpose of such delegations is to maximise the administrative and operational efficiency. The delegations also provide adequate checks and balances in the municipality’s Supply Chain Management function. According to Section 79 and 106 of the MFMA delegations and sub-delegations must be in writing.

SUPPLIER DATABASE

The municipality must maintain a Supplier Database and accredit its suppliers.

Suppliers are now familiar with National Treasury’s Central Supplier Database (CSD) and the requirements to be registered, hence enquiries and assistance to suppliers has reduced dramatically. However, the Municipalities are still available to assist any supplier who wish to be registered on the CSD. To date 2,346 CSD registration numbers have been recorded on the municipality’s supplier database.

ANNEXURE “A1”

EXPENDITURE PER PROCUREMENT CATEGORY

A report on total expenditure per department is submitted to the Accounting Officer within five days of the end of each month on that month's activities. Total acquisitions, per procurement category for the last quarter, are illustrated:

Number of Transactions		Type of Procurement	Amount		Description
4 th Quart 2021/2022	1 st Quart 2022/2023		4 th Quart 2021/2022	1 st Quart 2022/2023	
500	932	<R2000-NO PROCUREMENT:	313, 525.00	650,506.06	Acquisitions less than R 2,000
312	371	3rd PARTY PAYMENT:	20,941,417.04	21,349,534.42	Contribution payments / S&Ts / etc.
41	87	COUNCIL POLICY/SUBSIDY:	3,192,200.00	2,617,764.00	Study Bursaries / Grants / etc.
134	277	SEC.110(2)(a) OTHER ORGAN OF STATE	3,222,380.03	1,171,089.49	Goods and /or Services acquired from Other Organs of State/Municipalities.
0	2	DEV-REG.36(1)(a)(ii) Sole Prov./Agents	-	13,400.00	Sole Providers for products/services
29	38	DEV-REG.36(1)(a)(v) Impractical	2,332,007.08	3,507,726.66	Exceptional case where it is Impractical to follow bidding process - e.g., Software license renewals/support on systems)
5	23	PETTY CASH:	486.92	1,948.17	Transactions of small value as per Petty Cash Policy
183	527	QUOTATION PROCESS:	1, 730,503.10	3,087,385.73	Acquisitions made in terms of a full quotation process up to R 200,000 - minimum three quotes
13	11	REG.16(c) < 3 WQ	47,799.45	56,584.85	Acquisitions where it was not possible to obtain at least three quotations up to R 10,000
50	88	REG.17(1)(c) < 3 FWPQ	840,263.54	1,940,183.63	Acquisitions where it was not possible to obtain at least three quotations between R 10,000 - R 200,000
46	44	STATUTORY PAYMENTS:	12,220,250.70	10,826,105.09	Prescriptive payments made in terms of legislation
1396	963	TENDER PROCESS:	13,603,332.08	28,140,884.37	Acquisitions made in terms of a full tender process on amounts above R 200,000
2709	3363	TOTAL:	58,444,167.94	73,363,112.47	