

# Cape Winelands District Municipality

## IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT POLICY

For the 1<sup>st</sup> Quarter - 1<sup>st</sup> January 2023 to 31<sup>st</sup> March 2023

### BACKGROUND

This report is in compliance with Reg. 6(3) of the Supply Chain Management Regulations<sup>1</sup> 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 06 February 2023. It is fully compliant with National Treasury's prescripts. It has been advertised numerously and is available on Council's website.

On 4 November 2022, the Minister of Finance promulgated the Preferential Procurement Regulations, 2022 (2022 Regulations) in terms of the Preferential Procurement Policy Framework Act 5 of 2000 (PPPFA). The Preferential Policy Framework of the Cape Winelands District Municipality was tabled and adopted by Council on 06 February 2023.

### 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

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

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.

**(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
JANUARY 2023	1	1	1	1
FEBRUARY 2023	4	15	4	4
MARCH 2023	6	17	4	6
<b>TOTAL</b>	<b>11</b>	<b>33</b>	<b>9</b>	<b>11</b>

Bid Evaluation Committee	No. of Meetings	No. of Items	No. of Agendas	No. of Minutes
JANUARY 2023	2	5	2	2
FEBRUARY 2023	3	13	3	3
MARCH 2023	2	7	2	2
<b>TOTAL</b>	<b>7</b>	<b>25</b>	<b>7</b>	<b>7</b>

Bid Adjudication Committee	No. of Meetings	No. of Items	No. of Agendas	No. of Minutes
JANUARY 2023	1	6	1	1
FEBRUARY 2023	2	9	2	2
MARCH 2023	1	5	1	1
<b>TOTAL</b>	<b>4</b>	<b>20</b>	<b>4</b>	<b>4</b>

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

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

**Tenders Awarded** Above R200,000: The following table details the number of tenders that were awarded in the quarter under review:

Evaluated & Awarded	
JANUARY 2023	6
FEBRUARY 2023	9
MARCH 2023	5
<b>TOTAL</b>	<b>20</b>

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.

**Effects of covid-19 pandemic on supply chain**

Circular 105 (Withdrawal of MFMA Circular 102: Procurement in response to national state of Disaster regarding COVID-19 pandemic), was issued in August 2021. From effective date of this Circular, procurement of all goods, services and works, must be conducted in accordance with existing procurement procedures in terms of the Municipal Finance Management Act, 2003, its regulations and circulars made thereunder, the Preferential Procurement Policy Framework, 2000 and its regulations made thereunder as well as the institutional supply chain management policies.

The Municipality regularly reports on procurement transactions related COVID 19 and adheres to the deadlines provided.

**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 –

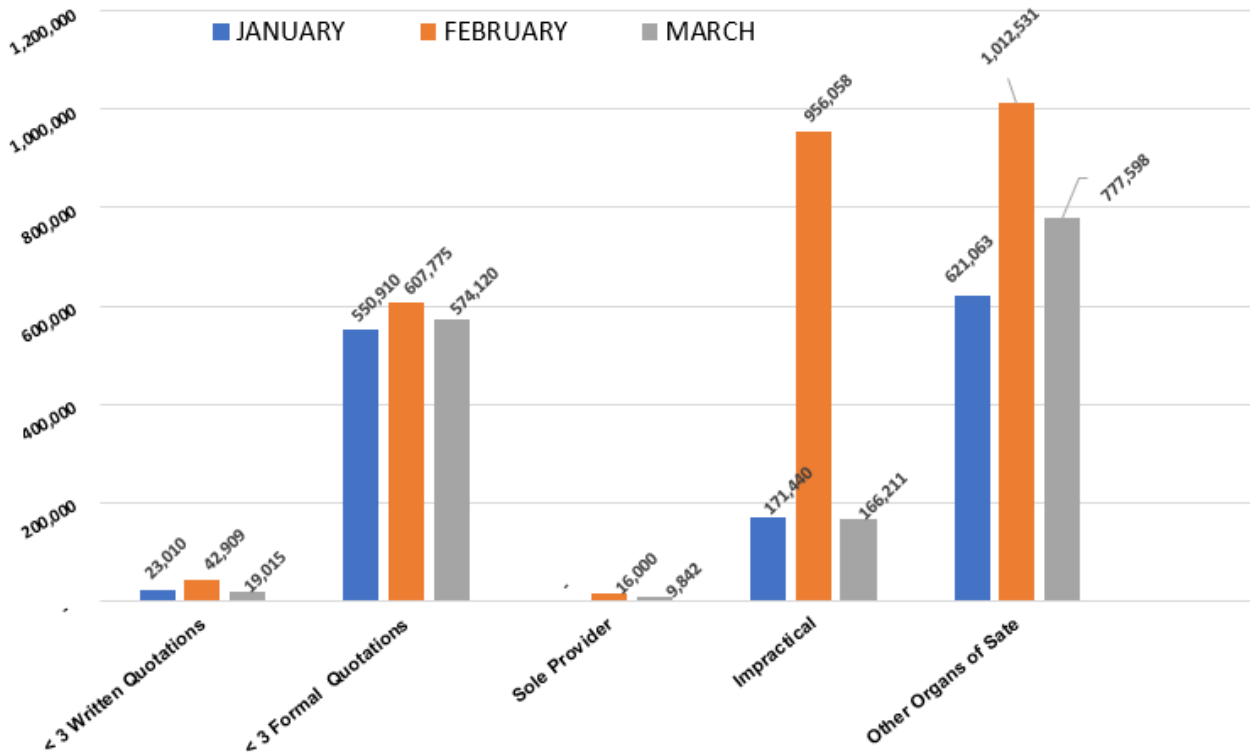
- in an emergency
- if such goods or services are produced or available for a single provider only;
- For the acquisition of special works of art or historical objects where specifications are difficult to compile;
- Acquisition of animals for zoos and/or nature and game reserves; or
- In any other exceptional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

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 January to March 2023	REG. 18(o) < 3 Written Quotations		REG. 17(1)(o) < 3 Written Quotations		DEV- REG. 38(1) (a)(v) Impractical		Other Organs of State		DEV- REG. 38(1) (a)(ii) Sole Supplier		TOTALS	
	#	Value	#	Value	#	Value	#	Value	#	Value	#	Value
AUDITOR GENERAL							2	911,122			2	911,122
BREAKFAST/LUNCH/SUPPER-OTHER	7	29,615	6	128,850							13	158,465
BUILDINGS - MAINTENANCE	1	2,600									1	2,600
COLLECTIVE AGREEMENTS							7	11,829			7	11,829
CONSULTANTS - PROFESSIONAL SERVICES	1	9,200	3	61,410	4	58,808					8	129,418
GARNISHING ORDERS							10	6,680			10	6,680
IT RELATED GOODS & SERVICES			4	212,149							4	212,149
LICENSING - VEHICLES							106	32,394			106	32,394
MEDIA: NEWS PAPERS/MAGAZINES/ETC.							9	1,126			9	1,126
PHOTOCOPY MACHINES					1	14,406					1	14,406
RENTAL - OTHER	2	5,700	1	29,850							3	35,550
SERVICES - ELECTRICAL							13	594,431			13	594,431
SERVICES - RATES & TAXES							8	106,009			8	106,009
SERVICES - REFUSE REMOVAL							8	20,506			8	20,506
SERVICES - SEWERAGE							8	22,651			8	22,651
SERVICES - TELEPHONE							2	637,054			2	637,054
SERVICES - WATER							10	53,045			10	53,045
SOFTWARE (SPECIFIC)			1	60,703							1	60,703
REGISTRATION FEES: SEMINARS/ETC.									4	25,842	4	25,842
MISCELLANEOUS	4	21,609	1	97,419							5	119,028
EQUIPMENT - OTHER			1	199,962							1	199,962
REPAIRS: OTHER (ELECTRONIC/MECH/ETC.)			1	50,000							1	50,000
STOCK ITEMS - STORES			13	107,076							13	107,076
TRANSLATION SERVICES	4	11,210									4	11,210
INTERNET CONNECTION			3	44,295							3	44,295
COMPUTER - SERVERS/MAIN FRAME					7	937,250					7	937,250
LEGAL SERVICES					1	26,085					1	26,085
SABC & OTHER RADIO & TV ADVERTISING			4	121,576			1	6,095			5	127,671
RENTAL - SPECIALISED EQUIPMENT					9	257,161					9	257,161
LICENSING - OTHER			1	96,133							1	96,133
EQUIPMENT - ELECTRONIC/RADIO/ETC.	1	5,000									1	5,000
TRAINING (SPECIFIC)			6	367,887							6	367,887
SLAs WITH ORGANS OF STATE							1	8,250			1	8,250
MEDICAL TREATMENT			1	128,800							1	128,800
OFFICE FURNITURE			2	26,694							2	26,694
<b>Grand Total</b>	<b>20</b>	<b>84,934</b>	<b>48</b>	<b>1,732,805</b>	<b>22</b>	<b>1,293,709</b>	<b>185</b>	<b>2,411,192</b>	<b>4</b>	<b>25,842</b>	<b>279</b>	<b>5,548,482</b>

### Breakdown of monthly transactions.



**(c) Disposal management**

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

**(d) 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.

**(e) 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.

**(g) OTHER MATTERS****Advertisements in the media**

Advertisement costs of R126 822 were incurred in the procurement process for this financial year in relation to R 87 354 in the previous financial year.

**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.

**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. However, 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 Municipality 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
2 <sup>nd</sup> Quart 2022/2023	3 <sup>rd</sup> Quart 2022/2023		2 <sup>nd</sup> Quart 2022/2023	3 <sup>rd</sup> Quart 2022/2023	
1719	588	<R2000-NO PROCUREMENT:	494,904.28	398,163.87	Acquisitions less than R 2,000
657	297	3rd PARTY PAYMENT:	24,232,679.57	20,746,490.03	Contribution payments / S&Ts / etc.
183	52	COUNCIL POLICY/SUBSIDY:	2,159,128.00	4,025,772.23	Study Bursaries / Grants / etc.
422	197	SEC.110(2)(a) OTHER ORGAN OF STATE	5,766,440.41	4,091,824.32	Goods and /or Services acquired from Other Organs of State/Municipalities.
9	0	DEV-REG.36(1)(a)(ii) Sole Prov./Agents	163,824.93	0	Sole Providers for products/services
53	18	DEV-REG.36(1)(a)(v) Impractical	789,592.40	2,300,779.33	Exceptional case where it is Impractical to follow bidding process - e.g., Software license renewals/support on systems)
39	0	DEV-REG.36(1)(a)(i) Emergency	4,061,710.20	0	Transactions where no procurement process were followed (Emergency – Emergency procurement iro Covid-19 pandemic)
39	22	PETTY CASH:	1,625.58	2,223.14	Transactions of small value as per Petty Cash Policy
1018	191	QUOTATION PROCESS:	3,509,563.39	1,357,908.45	Acquisitions made in terms of a full quotation process up to R 200,000 - minimum three quotes
27	14	REG.16(c) < 3 WQ	42,443.89	67,012.71	Acquisitions where it was not possible to obtain at least three quotations up to R 10,000
147	36	REG.17(1)(c) < 3 FWPQ	2,384,266.31	1, 240,338.65	Acquisitions where it was not possible to obtain at least three quotations between R 10,000 - R 200,000
93	45	STATUTORY PAYMENTS:	10,452,343.97	10,619,471.02	Prescriptive payments made in terms of legislation
1772	1549	TENDER PROCESS:	40,567,812.44	70,212,591.03	Acquisitions made in terms of a full tender process on amounts above R 200,000
<b>6178</b>	<b>3009</b>	<b>TOTAL:</b>	<b>94,626,335.37</b>	<b>115,062,574.78</b>	