

# Cape Winelands District Municipality

## IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT POLICY

For the 4<sup>th</sup> Quarter - 1<sup>st</sup> April 2019 to 30<sup>th</sup> June 2019

### 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 on the 25 May 2017 to comply with relevant legislation. It is fully compliant with National Treasury's prescripts. It has been advertised numerously and is available on Council's web page.

### 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 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.

Furthermore, the required specifications must ensure that needs are met.

In order to further enhance the demand planning process, an annual procurement plan has been designed for implementation during the coming financial year. The final target

---

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

dates for each project were determined with Council's approval of the final budget. Senior managers are accountable to ensure that the procurement process commences as per the target dates. Information is available in the financial system.

Specifications are unbiased and advertised in order to promote the five pillars of procurement as set out in the Constitution. It ultimately ensures that the needs are addressed effectively.

### **(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 press 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"**.

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

#### **TENDERS: > R200,000**

<b>Bid Specification Committee</b>	<b>No. of Meetings</b>	<b>No. of Items</b>	<b>No. of Agendas</b>	<b>No. of Minutes</b>
APRIL 2019	8	46	8	8
MAY 2019	4	12	4	4
JUNE 2019	0	0	0	0
<b>TOTAL</b>	12	58	12	12

<b>Bid Evaluation Committee</b>	<b>No. of Meetings</b>	<b>No. of Items</b>	<b>No. of Agendas</b>	<b>No. of Minutes</b>
APRIL 2019	0	0	0	0
MAY 2019	3	8	3	3
JUNE 2019	3	7	3	3
<b>TOTAL</b>	6	15	6	6

Bid Adjudication Committee	No. of Meetings	No. of Items	No. of Agendas	No. of Minutes
APRIL 2019	1	2	1	1
MAY 2019	3	8	3	3
JUNE 2019	4	6	4	4
<b>TOTAL</b>	<b>8</b>	<b>16</b>	<b>8</b>	<b>8</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**

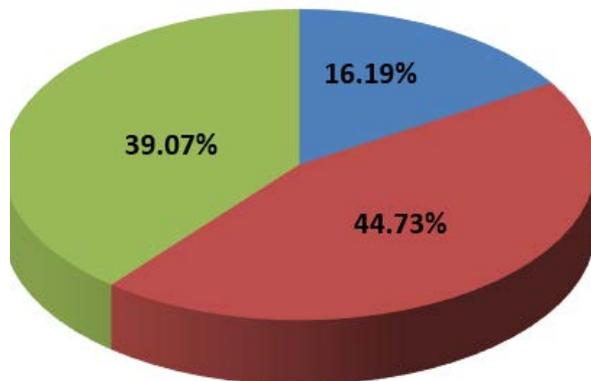
Evaluated & Awarded	
APRIL 2019	6
MAY 2019	7
JUNE 2019	2
<b>TOTAL</b>	<b>15</b>

Municipalities must report to National Treasury on all acquisitions in excess of R 100,000 on a monthly basis. Information is captured and approved directly on their CRA System. **Annexure "A2"** is a list of awards made.

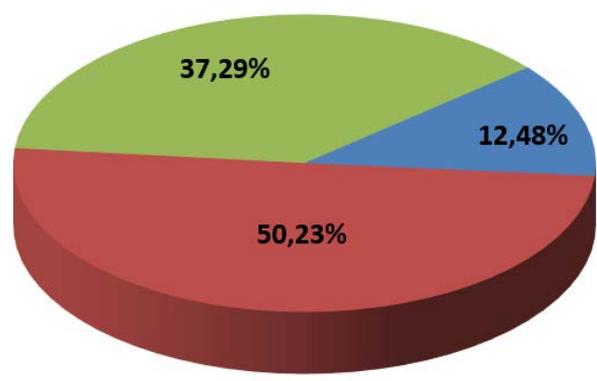
## B-BBEE COMPLIANCE PERFORMANCE

### Geographical expenditure:

**3<sup>rd</sup> Quarter 2018/2019**



**4<sup>th</sup> Quarter 2018/2019**



■ National: ■ Provincial: ■ Regional:

### Awards made to companies according to their Broad-Based Black Economic Empowerment (B-BBEE) level of contribution

As from 1<sup>st</sup> April 2017, the new Preferential Procurement Regulations, 2017 came into effect. The threshold value between the 80/20 and the 90/10 applications increased from R 1m to R 50m. It is also now prescriptive on issues such as cancellation, sub-contracting and market-related pricing.

The B-BBEE status level of contribution means the B-BBEE status received by a measured 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 Economic Empowerment Act. An accredited institution does the scoring. Auditors are no longer allowed to issue certificates. The scorecard contains elements such as ownership, management control, employment equity, skills development, procurement, enterprise development and socio economic development. A score is then calculated as prescribed by B-BBEE Act and the Codes of Good Practice, which places the supplier on a certain B-BBEE level. Each level earns a supplier a certain number of B-BBEE points which they can claim when bidding for goods and services above a value of R 30 000 (incl. VAT).

New regulations passed on 06 May 2015 now provides that EMEs (Exempted Micro Enterprises) and OSEs (Qualifying Small Enterprises) can obtain eligibility by producing their own B-BBEE certificates in the form of an affidavit.

### Break down of procurement to illustrate values spent with B-BBEE compliant suppliers:

B-BBEE status: Level & Value		Number of Qualifying Suppliers		Value spent		% of Total	
		3 <sup>rd</sup> Quarter 2018/2019	4 <sup>th</sup> Quarter 2018/2019	3 <sup>rd</sup> Quarter 2018/2019	4 <sup>th</sup> Quarter 2018/2019	3 <sup>rd</sup> Quarter 2018/2019	4 <sup>th</sup> Quarter 2018/2019
Level 1	10/20	51	63	7,170,093.16	11,144,981.60	22.44%	32,06%
Level 2	9/18	13	17	1,679,188.61	3,591,554.67	7.09%	10,33%
Level 3	6/14	8	6	252,091.70	881,196.06	2.67%	2,53%
Level 4	5/12	25	26	6,370,926.45	2,287,849.70	9.20%	6,58%
Level 5	4/8	2	3	158,519.97	207,493.47	0.64%	0,60%
Level 6	3/6	3	1	109,083.66	90,848.00	0.29%	0,26%
Level 7	2/4	3	2	62,385.04	7,979.00	0.29%	0,02%
Level 8	1/2	7	5	6,811,881.10	2,555,543.87	5.93%	7,35%
No Status		163	186	24,289,285.82	13,994,943.87	51.45%	40.26%
<b>Totals</b>		<b>275</b>	<b>309</b>	<b>41 555 356.59</b>	<b>34,762,390.24</b>	<b>100.00%</b>	<b>100.00%</b>

### Appeals by aggrieved bidders

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

### Deviations from normal procurement processes

#### (i) Regulation 36(1)(a) Deviations (Sole provider, impractical, impossible, etc.)

Regulation 36 refers to acquisitions made in exceptional cases when it is impractical or impossible to follow the official procurement processes. Typical circumstances may be for emergency cases, if such goods or services are produced or available from a single provider only, such as agents, special works of art or historical objects where specifications are difficult to compile, or the acquisition of animals for zoos.

For the quarter under review, the total deviations approved by the Accounting Officer and or his delegated authority amounted to R 932 800.82 compared to the previous quarter's figure of R 335 811.79. This represents an increase of 117.77%. It's noted that deviation values fluctuate during each period and will not necessarily reflect the same patterns. However, long-term contracts for e.g. software licencing, are now included in the totals. The table and chart on page five indicates the volumes and values of instances, per category (emergency, sole supplier/agent and impractical, etc.), for this quarter.

#### (ii) Regulation 16(c) and 17(1)(c) Deviations (< 3 Quotations)

In the acquisition process it is not always possible to obtain three responsive quotations. If it is in respect of written quotations, regulation 16(c) for a value R 2001 to R 10,000 complies, namely; the reasons must be recorded and reported quarterly to the accounting officer or another official designated by the accounting officer. For formal written price quotations, regulation 17(1)(c) for a value R 10,001 to R 200,000 complies, namely; 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.

For the quarter under review, regulation 16(c) deviations amounted to R 113,191.53 and regulation 17(1)(c) to R1,311,862.54 respectively. The table and chart on page five indicates the volumes and values of instances where it was not possible to obtain at least three responsive quotations.

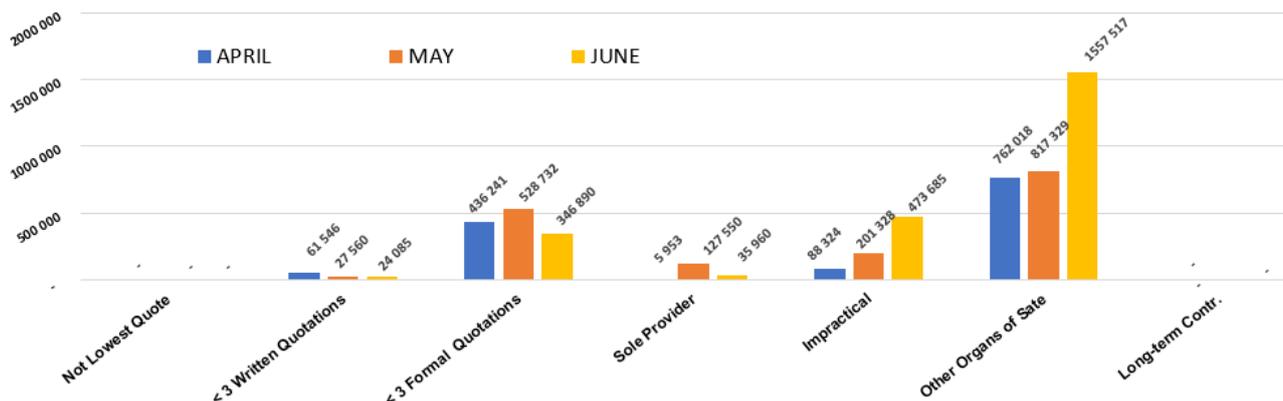
The Auditor-General changed his opinion and no longer perceives that instances of this nature constitutes a regulation 36(1)(a) deviation. It must also be noted that 53.19%, 25 of the 47 instances under review, were advertised on the municipality's notice boards and webpage. It represents 80.61% of the monetary value.

**(iii) Summary of deviations from the normal procurement processes.**

The following deviations from the normal processes occurred in the quarter under review. Full details thereof can be scrutinised in the quarterly report submitted to Council.

Commodity Description April to June 2019	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
AGENTS: SPECIALISED EQUIPMENT					3	11 212					3	11 212
BREAKFAST/LUNCH/SUPPER-OTHER	4	11 300	5	153 263							9	164 563
BUILDINGS - MAINTENANCE			2	214 079							2	214 079
CELL PHONE - SERVICE CHARGES					6	2 037					6	2 037
CLEANING SERVICES			5	14 931							5	14 931
COLLECTIVE AGREEMENTS							1	4 623			1	4 623
COMMUNICATION CENTRE					3	3 986					3	3 986
CONSULTANTS - PROFESSIONAL SERVICES			3	143 842	3	44 072					6	187 914
EDUCATIONAL/SOCIAL/RECREATION	1	5 695	1	29 800							2	35 495
EQUIPMENT - OTHER			2	57 600							2	57 600
GARNISHING ORDERS							24	18 630			24	18 630
HOTEL BOOKINGS - LOCAL							2	14 850			2	14 850
LEGAL SERVICES					3	27 474					3	27 474
LICENSING - RADIOS							9	24 334			9	24 334
LICENSING - VEHICLES							65	12 854			65	12 854
MEDIA: NEWS PAPERS/MAGAZINES/Etc.							9	503	2	5 953	11	6 456
MISCELLANEOUS	8	28 896	6	213 686					1	4 440	15	247 022
PHOTOCOPY MACHINES					4	368 472					4	368 472
PRINTING & PUBLICATIONS					8	279 729					8	279 729
PROTECTIVE CLOTHING			1	11 644							1	11 644
RENTAL - OTHER	1	2 800	1	12 644			1	1 980			3	17 424
RENTAL: PORTABLE CHEMICAL TOILETS			2	482							2	482
REPAIRS: OTHER (ELECTRONIC/MECH/Etc.)					2	4 888					2	4 888
SERVICES - ELECTRICAL							24	1 092 463			24	1 092 463
SERVICES - RATES & TAXES							13	421 548			13	421 548
SERVICES - REFUSE REMOVAL							16	29 618			16	29 618
SERVICES - SEWERAGE							16	32 394			16	32 394
SERVICES - TELEPHONE							4	1 345 124			4	1 345 124
SERVICES - WATER							20	137 832			20	137 832
SOFTWARE & SUPPORT					3	9 364					3	9 364
STATIONERY - OTHER			1	45 506							1	45 506
TRAINING (SPECIFIC)			8	295 135							8	295 135
TRANSPORT: PUBLIC	12	64 500	8	99 700							20	164 200
RENTAL - SPECIALISED EQUIPMENT			2	19 551							2	19 551
TOURISM PROJECTS / EXPOS									3	123 110	3	123 110
REGISTRATION FEES: SEMINARS/Etc.									5	35 960	5	35 960
MEDIA: NEWS PAPERS/MAGAZINES/Etc.							2	112			2	112
VISA FEES FOR INTERNATIONAL TRAVEL					8	12 104					8	12 104
Grand Total	26	113 192	47	1 311 863	43	763 338	206	3 136 864	11	169 463	333	5 494 719

**Breakdown of monthly transactions.**



**(c) Logistics management**

The system of logistics management must ensure the following:

- (i) Monitoring of spending patterns on types or classes of goods and services incorporating, where practical, the coding of items to ensure that each item has a unique number;
- (ii) Setting of inventory levels that includes minimum and maximum levels and lead times wherever goods are placed in stock;
- (iii) Placing of orders for all acquisitions other than those from petty cash;
- (iv) Before payment is approved, certification by the responsible officer that the goods and services has been received or rendered on time and is in accordance with the order, the general conditions of contract and specifications where applicable and that the price charged is as quoted in terms of a contract;
- (v) Appropriate standards of internal control and warehouse management to ensure that goods placed in stores are secure and only used for the purpose for which they were purchased;
- (vi) Monitor and review of the supplier/vendor performance to ensure compliance with specifications and contract conditions for particular goods or services. (See page 8)

**(d) Disposal management**

The system of disposal management must ensure the following:

- (i) Immovable property is sold only at market related prices except when the public interest or the plight of the poor demands otherwise;
- (ii) movable assets are sold either by way of written price quotations, a competitive bidding process, auction or at market related prices, whichever is the most advantageous;
- (iii) Immovable property is let at market related rates except when the public interest or the plight of the poor demands otherwise;
- (iv) All fees, charges, rates, tariffs, scales of fees or other charges relating to the letting of immovable property are annually reviewed; and
- (v) Where assets are traded in for other assets, the highest possible trade-in price is negotiated.

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

**(e) Performance management**

The SCM policy requires that an internal monitoring system be established and implemented in order to determine, on the basis of retrospective analysis, whether the SCM processes were followed and whether the objectives of the SCM policy were achieved.

Various assessments by Provincial Treasury's SCM section, of which the last evaluation was in September 2018, and external consultants has indicated that the municipality's processes and procedures are in line with legislative requirements. Specific attention is given to *inter alia*, the following aspects;

- (i) Compliance with chapter 11 of the Municipal Finance Management Act (Act 56 of 2003);
- (ii) Adherence to bid committee structures as stipulated in the Supply Chain Management regulations of 2005 and the Cape Winelands District Municipality's Supply Chain Management Policy;
- (iii) The applicable sections relating to points scoring and the evaluation of bids in terms of the Preferential Procurement Policy Framework Act (Act 5 of 2000 and regulations);
- (iv) Compliance with the code of conduct for Supply Chain Practitioners and Bid Committee Members; and
- (v) To propose improvements to the bid committee system and process.

**(f) Other matters****Advertisements in the press**

Advertising costs of R 152 145.72 were incurred in the procurement process for this quarter in relation to R 20 733.33 in the 3<sup>rd</sup> quarter of 2018/2019.

**CIDB – Construction Industry Development Board**

Municipalities are required to advertise, register and maintain all contracts of a construction nature in excess of R 200,000 on the CIDB website. No CIDB related awards were made in this quarter.

**Tenders and quotations evaluated on performance**

Suppliers are evaluated on work performed or goods supplied for functionality, quality and performance. To evaluate the supplier, a document is prepared and issued to the relevant official who initiated the acquisition.

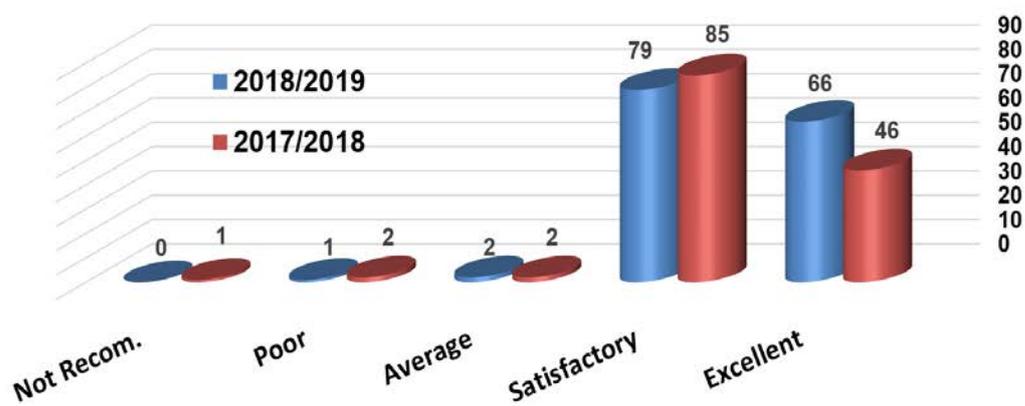
Tenders and Quotations are evaluated annually in the 1<sup>st</sup> Quarter for the previous year.

Financial Period:	Tenders		Quotations	
	September 2017/2018	September 2018/2019	September 2017/2018	September 2018/2019
COMMUNITY DEVELOPMENTAL SERVICES	11	23	20	17
CORPORATE SERVICES	16	15	10	5
FINANCE	2	8	2	5
LOCAL ECONOMIC DEVELOPMENT	2	3	3	0
ENGINEERING	26	29	30	30
GOVERNANCE	0	0	0	0
MUNICIPAL MANAGER OFFICE	1	0	1	3
RURAL & SOCIAL DEVELOPMENT	2	0	10	10
<b>Grand Total</b>	<b>60</b>	<b>78</b>	<b>76</b>	<b>70</b>

The evaluation is objective and based on five performance areas as indicated in the evaluation matrix on page nine.

The contract manager is responsible for the evaluation, but in the event that the supplier is rated lower than 18 points out of a possible of 25 (72%), he/she must be consulted and when agreed on the final rating, sign the evaluation document as proof of consultation. At this point any corrective measures are attended to.

#### Number and performance of suppliers evaluated:



#### Performance per category – improvement/deterioration on previous quarter:

Perf. Level	Category	September 2017/2018		September 2018/2019		Movement (Evaluation must be objective per category in relation to the total)	
		# of Evaluations	% of Category	# of Evaluations	% of Category		
1	Not Recom.	1	0.74%	0	0.00%	0.74%	Improvement
2	Poor	2	1.47%	1	0.68%	0.79%	Improvement
3	Average	2	1.47%	2	1.35%	0.12%	Improvement
4	Satisfactory	85	62.50%	79	53.38%	9.12%	Deterioration
5	Excellent	46	33.82%	66	44.59%	10.77%	Improvement
<b>Total:</b>		<b>136</b>		<b>148</b>			

Emanating from the prescribed procurement process, the municipality does not work with the same suppliers every year. Although there may be repetition of some, new suppliers are constantly entering into the process. Therefore, performance comparisons are measured on percentage per performance category rather than on the individual

supplier. The two top levels should follow a natural cause and attention must be focused on the lower three.

**EVALUATION MATRIX:**

<b>SUPPLIER PERFORMANCE ASSESSMENT</b>					
<b>Performance area</b>	<b>Ranking</b>				
<b>Project management and control</b>	<ul style="list-style-type: none"> <li>➤ Non-existent or inadequate project management</li> <li>➤ No evidence of formal controls in place</li> </ul>	<ul style="list-style-type: none"> <li>➤ Project manager identified</li> <li>➤ Simple project plan in place, no evidence of update/use</li> <li>➤ Reliance on individuals rather than process</li> <li>➤ Haphazard controls</li> </ul>	<ul style="list-style-type: none"> <li>➤ Project manager and team identified</li> <li>➤ Project plan in place but limited evidence of update/use</li> <li>➤ Project team managed through meetings – no use of tools</li> <li>➤ Inconsistent change control</li> </ul>	<ul style="list-style-type: none"> <li>➤ Project manager has formal ownership of project and team</li> <li>➤ Single point of accountability for decisions</li> <li>➤ Formal project management processes followed</li> <li>➤ Rigorous change control</li> </ul>	<ul style="list-style-type: none"> <li>➤ Full and accountable project management process</li> <li>➤ Detailed and controlled processes</li> <li>➤ Full visibility of progress, issues and changes</li> </ul>
<b>Score</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>Communications</b>	<ul style="list-style-type: none"> <li>➤ Difficult to contact or obtain a response</li> <li>➤ Evidence of poor internal communications</li> <li>➤ Response regularly inadequate</li> </ul>	<ul style="list-style-type: none"> <li>➤ Regular communications but often incomplete</li> <li>➤ Response to queries inconsistent</li> <li>➤ Reactive</li> </ul>	<ul style="list-style-type: none"> <li>➤ Fairly rapid response to queries</li> <li>➤ Generally complete responses, but clarification often required</li> </ul>	<ul style="list-style-type: none"> <li>➤ Effective communications and relationships</li> <li>➤ Generally proactive and complete responses</li> <li>➤ Little clarification required</li> </ul>	<ul style="list-style-type: none"> <li>➤ Excellent, open relationship</li> <li>➤ Complete response to queries</li> <li>➤ Pro-active and anticipates issues</li> </ul>
<b>Score</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>Flexibility</b>	<ul style="list-style-type: none"> <li>➤ Inflexible and reliant on contract</li> </ul>	<ul style="list-style-type: none"> <li>➤ Some willingness to be flexible, but only short-term</li> </ul>	<ul style="list-style-type: none"> <li>➤ Willing to be flexible around project demands over medium term</li> </ul>	<ul style="list-style-type: none"> <li>➤ High degree of flexibility around project and contract matters</li> </ul>	<ul style="list-style-type: none"> <li>➤ Completely open and flexible – joint partnering arrangement focused on project</li> </ul>
<b>Score</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>Capability</b>	<ul style="list-style-type: none"> <li>➤ Inadequate capability</li> <li>➤ Consistently missing critical deadlines or milestones</li> <li>➤ Multiple design or production errors</li> </ul>	<ul style="list-style-type: none"> <li>➤ Poor capability</li> <li>➤ Some missing of critical deadlines or milestones</li> <li>➤ Design or production errors not satisfactory</li> </ul>	<ul style="list-style-type: none"> <li>➤ Satisfactory capability</li> <li>➤ Almost no missing of critical milestones or deadlines</li> <li>➤ Design or production errors not critical</li> </ul>	<ul style="list-style-type: none"> <li>➤ Good capability</li> <li>➤ No missing of critical milestones or deadlines</li> <li>➤ Virtually no design or production errors</li> </ul>	<ul style="list-style-type: none"> <li>➤ Excellent capability</li> <li>➤ No missing of any project milestones or deadlines</li> <li>➤ No design or production errors</li> </ul>
<b>Score</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>Delivery</b>	<ul style="list-style-type: none"> <li>➤ Frequently capacity constrained resulting in significant schedule problems</li> <li>➤ Expediting regularly required</li> </ul>	<ul style="list-style-type: none"> <li>➤ Some capacity constraints with some impact on schedule</li> <li>➤ Some expediting required</li> </ul>	<ul style="list-style-type: none"> <li>➤ Generally unconstrained and able to meet schedule</li> <li>➤ Limited expediting required</li> </ul>	<ul style="list-style-type: none"> <li>➤ Regular deliveries on schedule</li> <li>➤ Limited capacity to reschedule to meet project changes</li> <li>➤ Little or no expediting required</li> </ul>	<ul style="list-style-type: none"> <li>➤ Established track record of deliveries</li> <li>➤ Capacity to reschedule to meet project changes</li> <li>➤ No expediting required</li> </ul>
<b>Score</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>

NB: Where the specific category does not apply to the relevant evaluation or supplier, a rating of four (4) must be applied.

**Evaluation Matrix:** 01-05 = NOT RECOMMENDED; 06-10 = POOR; 11-15 = AVERAGE; 16-20 = SATISFACTORY; 21-25 = EXCELLENT

**Improvement and/or deterioration of supplier performance.**

Officials are not encouraged to give higher points just to achieve an artificial high-performance level and thereby avoid confrontation with the underperforming supplier. To achieve better results officials are encouraged to engage with poor performing suppliers, also during the execution of the contract, to capacitate better performance. Proper contract management will reduce unnecessary performance problems.

If it is found that a specific supplier does not meet the municipality's standard of service expectations, corrective measures must be taken, preferably while the project is in process, to guarantee a positive outcome.

Suppliers who do not meet the level of performance are given the opportunity to improve on their capacity, systems and procedures and, after a period of exclusion from the procurement process, can demonstrate that they indeed improved and are capable to deliver on the expected performance levels.

## Disclosures

### 1. Transactions concluded with - *“People in the Service of the State”*

The Supply Chain Management Regulation 44 prohibits awards to persons in the service of the state and may not make any award to a person;

- (a) who is in the service of the state;
- (b) if that person is not a natural person, of which any director, manager, principal shareholder or stakeholder is a person in the service of the state; or
- (c) who is an advisor or consultant contracted with the municipality or municipal entity.

Awards made to such entities must be investigated, and recommended to Council, by the Municipal Public Accounts Committee (MPAC) for further action as it may find applicable.

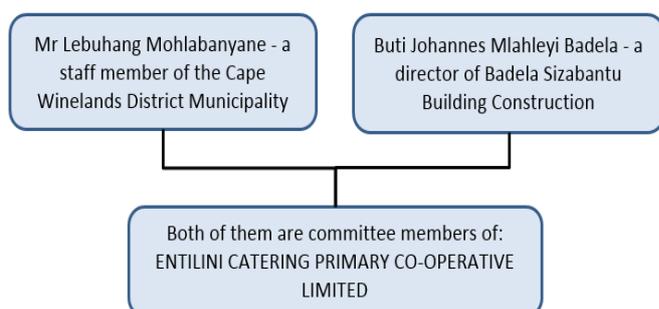
No instances of this nature were detected for the period under review.

### 2. Transactions concluded with - *“Close family members of persons in the service of the state”*

Supply Chain Management Regulation 45 does not prohibit awards to persons who have close family members working in the service of the state, but municipalities must disclose all amounts dispensed in excess of R 2,000. See **Annexure “A3”**.

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

In addition to regulation 45, a councillor or staff member of a municipality who, or whose partner or business associate acquired or stands to acquire any direct benefit from a contract concluded with the municipality must declare it. In layman’s terms, it can be referred to as an indirect or third-party relationship/association. See the illustration below and **Annexure “A4”** for identified instances.



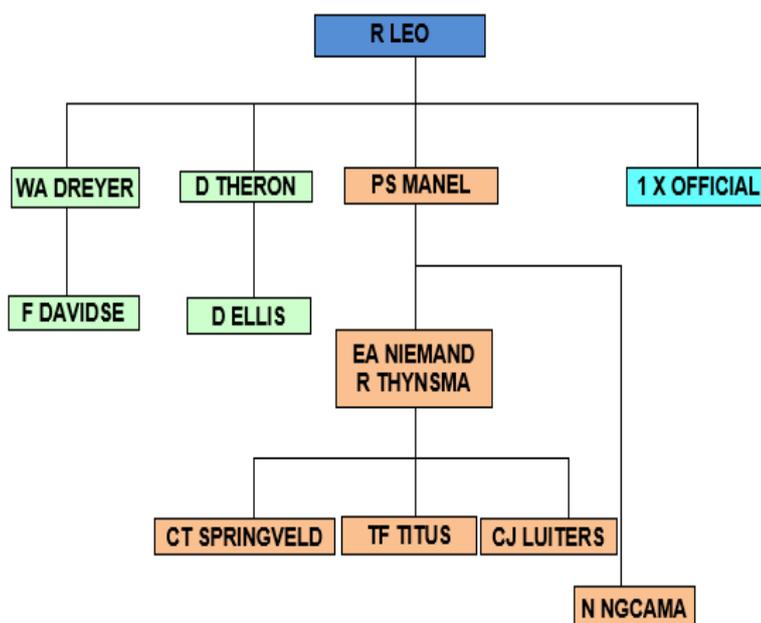
By association: (External )

An association is established when two or more individuals are connected through the same common purpose, e.g. committee members. If one of the members is a councillor or official and another member is a supplier of the municipality, an association is established, and must be declared by that councillor or official.

## Staff component

The following officials are currently directly involved with the Supply Chain Management processes.

POST NAME	EMPLOYEE
Manager: Supply Chain Management	RA Leo
Senior Buyer	PS Manel
Senior Supply Chain Management Officer	R Thuynsma
Principal Clerk: Procurement	CJ Luiters
Procurement Clerk	N Ngcama
Senior Storekeeper/Buyer	D Theron
Storekeeper/Buyer	D Ellis
Senior Storekeeper/Buyer	WA Dreyer
Storekeeper/Buyer	F Davidse
Senior Administrator: Quotations & Tenders	EA Niemand
Chief Clerk: Supplier/Database Administration	CT Springveldt
Chief Clerk: Supplier/Database Administration	TL Titus
Contract Management Officer	Vacant



## Supplier database

National Treasury's Web-Based Central Supplier Database (CSD) was implemented through Circular No. 81 dated 18 March 2016 which came into effect on 1st July 2016. Council adopted this circular as per C.14.6 of 28 April 2016. Provincial Treasury is rolling out the program and facilitates communication with National Treasury.

As this report is written there are still unresolved issues on which National Treasury must issue instructions as to compliancy. The CSD is designed on National and Provincial legislation which is not the same as that of Local Government. For municipalities to comply with its legislation, some issues must still be addressed. National Treasury indicated in the circular that the following aspects are work-in-progress and further information will be provided once systems have been upgraded after consultation with relevant stakeholders:

- BBBEE Status
- CIDB
- Municipal Account status (Company & Directors/Owners)
- Declaration of Interest (Directors/Owners)

For the interim it is therefore the responsibility of the municipality to continue with verification of any listing criteria which are not currently validated in the CSD system, for instance, proof of municipal accounts and declarations.

One aspect that National Treasury did not address in its circular is the "declaration of interest" by owners/partners/members/directors/shareholders which municipalities must obtain. The CSD do record all individuals that are listed on the Companies and

Intellectual Property Commission's (CIPC – Registrar of Companies) database and verify their status in respect of "Restricted Suppliers" and "People in the service of the state". National Treasury collects details of all officials in government departments and municipalities and verifies it against individuals on the CSD. However, not all parastatals may be covered to date.

Currently, the system providers (SAMRAS) in conjunction with National Treasury are busy to develop a "seamless" integration process where data can be updated directly from the CSD into the municipality's system. Details have not been rolled out. Considering the fact that National Treasury does not take any responsibility for data that they obtain from other parastatals, SARS, CIPC, etc., the municipality should not allow any data to be populated into its Supplier database.

National Treasury rolled out this CSD as a "ONE-AND-ONLY" database for the whole of the country. It confuses suppliers because municipalities still require documents to do its own accreditation.

A very important point to take notice of is that National Treasury made registration on the CSD mandatory with the following clause in its circular:

*"With effect from 1 July 2016, Municipalities and Municipal Entities must use the CSD supplier number starting with (MAAA) which is auto generated by the Central Database System after successful registration and validation of the prospective provider as mandatory requirement as part of listing criteria for accrediting prospective providers in line with Section 14(1)(b) of the Municipal Supply Chain Management Regulations".*

It implies that the municipality must still maintain a Supplier Database and accredit its suppliers. No SOP (Standardised Operating Procedure) has been issued to give more clarity on the issue and it can therefore be argued that the municipality only needs to obtain the CSD registration number to comply, and then its business as usual.

Notwithstanding all the discrepancies, the municipality adopted the circular and must manage all requirements of the current legislation. The Supply Chain Management Policy has been amended in terms of Council Resolution C.14.6 of 28 April 2016. No other Financial Policies are affected by the implementation of the circular.

To ensure that the municipality complies the following actions have been taken and/or are on-going:

- Training has been provided to all relevant officials;
- Suppliers was informed by e-mail and paper post of the requirements in January 2016 and repeated in April 2016;
- Notice has been circulated in three languages in the 2015/2016 third quarter of the Grapevine;
- All out going SCM correspondence includes a notice to this effect;
- Suppliers are requested to submit the mandatory CSD registration number when submitting bids;
- CSD registration numbers are recorded on the municipality's supplier database as prescribed; and
- Other avenues of promotion are continually investigated. (e.g. sms notifications)

To date 1,579 CSD registration numbers have been recorded and the Supply Chain Management Unit is confident that it is able to manage and comply with the requirements.

National Treasury also rolled out eTENDER which is a central portal where all spheres of government must advertise its tenders. This also brings its own challenges.

### **B-BEE COMPLIANCE PERFORMANCE INFORMATION**

Although the preference for SMMEs, HDIs, Woman, Youth and Disability has fallen away with the implementation of the new scorecards (B-BBEE), the information will still be captured for statistical purposes and reported on as far as possible.

Awards made to these groups:

	<b>GROUP:</b>	<b>(i) SMMEs</b>	<b>(ii) BEEs</b>	<b>(iii) WOMEN</b>	<b>(iv) YOUTH</b>	<b>(v) DISABLED</b>
3 <sup>rd</sup> Quart 2018/2019	# of Suppliers	258	137	116	25	0
	Rand Value	45 485 945.51	20 567 441.49	14 049 420.17	2 541 843.90	0.00
	% of Total Rand Value	96.98%	43.85%	29.95%	5.42%	0.00%
4 <sup>th</sup> Quart 2018/2019	# of Suppliers	290	168	127	24	1
	Rand Value	33 743 164.78	19 223 598.62	10 307 960.24	2 652 534.00	418.00
	% of Total Rand Value	97.07%	55.30%	29.65%	7.63%	0.0012%

\* When looking at amounts and percentages it must be remembered that SMMEs may also be BEEs/woman/etc.

- (i) Small, Medium and Micro Enterprises
- (ii) Black Economic Empowerment
- (iii) Woman Empowerment
- (iv) Youth Empowerment
- (v) Disabled Individuals

**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: (Full detail is available on request)

Number of Transactions		Type of Procurement	Amount		Description
3 <sup>rd</sup> Quart 2018/2019	4 <sup>th</sup> Quart 2018/2019		3 <sup>rd</sup> Quart 2018/2019	4 <sup>th</sup> Quart 2018/2019	
833	867	<R2000-NO PROCUREMENT:	479 387,57	582 816,95	Acquisitions less than R 2,000 - no procurement process is followed for small purchases.
327	320	3rd PARTY PAYMENT:	17 609 626,93	18 930 953,30	Transactions where procurement plays no role - contribution payments / S&Ts / etc.
25	23	COUNCIL POLICY/SUBSIDY:	1 313 585,00	1 467 190,00	Study Bursaries / Sponsorships / Donations / etc.
3	11	DEV-REG.36(1)(a)(ii)Sol	35 136,60	169 462,67	Transactions where no procurement process were followed (Sole Providers/Agents - Congresses & Seminars)
40	43	DEV-REG.36(1)(a)(v)Impr	300 675,19	763 338,15	Transactions where no procurement process were followed (Impractical to obtain quotations - e.g. Long-term contracts for systems such as financial-, document-, salary- and HR Systems)
187	267	FWPQ - <R30.000 >3 WQ	1 368 823,10	1 522 828,07	Acquisitions made in terms of a full quotation process up to R 30,000 - minimum three quotes obtained.
48	25	FWPQ - >R30.000 <3 WQ	885 163,41	1 057 525,20	Acquisitions where it was not possible to obtain at least three quotations between R 30,000 – R 200,000 (Process was open on Web Page and Notice Boards)
17	21	FWPQ - >R30.000 >3 WQ	1 047 760,09	828 429,40	Acquisitions made in terms of a full quotation process R 30,000 to R 200,000 - minimum three quotes obtained.
13	26	REG.16(c) < 3 WQ	67 012,77	113 191,53	Acquisitions where it was not possible to obtain at least three quotations up to R 10,000
6	22	REG.17(1)(c) < 3 FWPQ	121 096,54	254 337,34	Acquisitions where it was not possible to obtain at least three quotations between R 10,000 – R 30,000
178	206	Sec.110(2)(a) Organs of State	3 122 927,70	3 136 863,91	Goods and /or Services acquired from Other Organs of State/Municipalities. (No procurement process)
37	39	STATUTORY PAYMENTS:	8 896 098,61	11 223 429,55	Prescriptive payments made in terms of legislation - licensing / taxes / contribution payments / etc.
3240	3251	TENDER PROCESS:	44 300 344,35	25 913 725,34	Acquisitions made in terms of a full tender process on amounts above R 200,000
-	1	PETTY CASH:	-	433,79	Mainly small out of pocket refunds. (No procurement process)
<b>4 954</b>	<b>5 122</b>	<b>TOTAL:</b>	<b>79 547 637.86</b>	<b>65 964 525.19</b>	

**NATIONAL TREASURY****ANNEXURE “A2”**

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

The following quotations and tenders were reported for the period. A total cumulative amount of R **10 725 448.06** was awarded. However, it must be noted that some “availability tenders” are shared between suppliers. The total of the tender is listed for each because it is not known upfront what amount will actually be procured from individual suppliers.

	Contract Number	Type of goods/service acquired	Contract Date	Supplier	B-BBEE contribution	PRICE Points (90/80)	B-BBEE Points (20/10)	Contract Value ZAR	Premium Paid
1	T2018/075B	INTERNAL TRAINING INTERVENTIONS FOR CAPE WINELANDS OFFICALS FOR A THREE (3) YEAR PERIOD	2019-04-03	ACS Training	2	80	18	80 780,00	-
2	T2018/075A	INTERNAL TRAINING INTERVENTIONS FOR CAPE WINELANDS OFFICALS FOR A THREE (3) YEAR PERIOD	2019-04-03	Poplar Trading 116CC T/A Tariq Jamodien & Associates	1	80	20	12 635,00	-
3	T2018/077	APPOINTMENT OF A SPECIALIST TRANSPORT PLANNING SERVICE PROVIDER: THE ASSESSMENT OF THE FUNCTIONALITY OF THE EXISTING REGISTERED MINIBUS TAXI ROUTES IN DRAKENSTEIN MUNICIPAL AREA AND THE SUBSEQUENT RE-STRUCTURING AND RATIONALISATION OF THESE ROUTES	2019-04-03	SMEC South Africa (Pty) Ltd	1	80	20	1 154 749,50	-
4	Q2018/078	K53 DRIVERS LICENCE TRAINING INTERVENTION (12 MONTHS) (PRICE PER LEARNER)	03-04-2019	Rabe Bestuurskool	4	80	12	5 520,00	-
5	Q2018/083A	SUPPLY AND DELIVERY OF FIRE FIGHTING PUMPS:Portable Single Stage Fire Pump	03-04-2019	Fire Stuff 365 CC t/a Fire 24/7	4	80	12	21 941,04	-
6	Q2018/083B	SUPPLY AND DELIVERY OF FIRE FIGHTING PUMPS:Portable 2 Stage Fire Pump	03-04-2019	Umqondo Projects (Pty) Ltd	1	80	20	59 861,31	2 376.35
7	Q2018/083C	SUPPLY AND DELIVERY OF FIRE FIGHTING PUMPS:Portable 3 Stage Fire Pump	03-04-2019	Umqondo Projects (Pty) Ltd	1	80	20	69 581,68	4 214.23
8	Q2018/083D	SUPPLY AND DELIVERY OF FIRE FIGHTING PUMPS:Twin stage wide impeller pump	03-04-2019	Umqondo Projects (Pty) Ltd	1	80	20	19 620,60	-
9	Q2018/083E	SUPPLY AND DELIVERY OF FIRE FIGHTING PUMPS:Floating pump	03-04-2019	Marce Projects	2	80	18	23 575,00	-

	Contract Number	Type of goods/service acquired	Contract Date	Supplier	B-BBEE contribution	PRICE Points (90/80)	B-BBEE Points (20/10)	Contract Value ZAR	Premium Paid
10	Q2018/085	SUPPLY, PACKAGING AND DELIVERY OF PRE-PACKED CATERING FOR THE GOLDEN GAMES EVENT, WORCESTER	03-04-2019	Mvambane Trading CC	1	80	20	107 700,00	-
11	T2018/080	PROVISION OF PASSIVE MONITORING EQUIPMENT AND THE ANALYSIS OF PASSIVE AIR SAMPLES FOR THE PERIOD 01 MAY 2019 TO 30 APRIL 2022	15-05-2019	Chemtech Laboratory Services CC	4	80	12	100 000,00	-
12	T2018/081A	SUPPLY, DELIVERY, INSTALLATION AND COMMISSIONING OF THREE (3) DIGITAL COLOUR COPIER/MULTIFUNCTIONAL DEVICES	15-05-2019	Konica Minolta SA a div of Bidvest Office (Pty) Ltd	3	80	14	1 120 759,82	-
13	T2018/081B	SUPPLY, DELIVERY, INSTALLATION AND COMMISSIONING OF THREE (3) DIGITAL COLOUR COPIER/MULTIFUNCTIONAL DEVICES	15-05-2019	Mantella IT Support Services	1	80	20	281 124,92	-
14	T2018/084	SUPPLY AND DELIVERY OF DESKTOP COMPUTERS	15-05-2019	Virtualize (Pty) Ltd	1	80	20	930 218,40	-
15	T2019/001	REVIEW OF AND TECHNICAL SUPPORT FOR GRAP FINANCIAL STATEMENTS, ACCOUNTING SERVICES AND ANNUAL PERFORMANCE REPORT (APR) FOR THE PERIOD 01 JULY 2019 TO 30 JUNE 2022	15-05-2019	Ernst and Young Advisory Services (Pty) Ltd	1	80	20	9 800,00	-
18	T2018/087	SUPPLY, DELIVERY AND INSTALLATION OF A LARGE FORMAT PRINTER	21-05-2019	Madge Computers (Pty) Ltd	2	80	18	320 770,89	-
19	T2018/086A	SUPPLY AND DELIVERY OF LAPTOPS AND TABLETS	21-05-2019	Mantella IT Support Services	1	80	20	482 994,05	-
20	T2018/086B	SUPPLY AND DELIVERY OF LAPTOPS AND TABLETS	21-05-2019	Ikando (Pty) Ltd t/a IT Master	1	80	20	124 840,32	-
21	T2018/085	MUNICIPAL MAINTENANCE MATURITY ASSESSMENT	24-05-2019	Aurecon South Africa (Pty) Ltd	1	80	20	983 340,80	-
22	Q2018/094	DELIVERING GOODS AND SERVICES FOR A MALL ACTIVATION EXPO	22-05-2019	J COOKSON H/A LANGEBERG BESTUURSKOOL	1	80	20	178 250,00	-
23	T2019/017	GROUP LIFE INSURANCE SCHEME FOR THE PERIOD FROM 01 JULY 2019 UNTIL 30 JUNE 2022	13-06-2019	Verso Financial Services (Pty) Ltd	2	80	18	1 528 681,24	-
24	T2019/012	T 2019/012: XHOSA TRANSLATION SERVICES FOR THE PERIOD 01 JULY 2019 TO 30 JUNE 2022	20-06-2019	Masiqhame Trading 77 CC	1	80	20	500 000,00	-
25	T2019/013	T 2019/013: AFRIKAANS AND ENGLISH TRANSLATION SERVICES FOR THE PERIOD 01 JULY 2019 TO 30 JUNE 2022	20-06-2019	Arina Wilson	4	80	12	500 000,00	-

	<b>Contract Number</b>	<b>Type of goods/service acquired</b>	<b>Contract Date</b>	<b>Supplier</b>	<b>B-BBEE contribution</b>	<b>PRICE Points (90/80)</b>	<b>B-BBEE Points (20/10)</b>	<b>Contract Value ZAR</b>	<b>Premium Paid</b>
26	T2019/010	T 2019/010: FOOD AND WATER MICROBIOLOGICAL SAMPLE ANALYSES FOR THE PERIOD ENDING TO 30 JUNE 2020	25-06-2019	Swift Siliker (Pty) Ltd T/a Merieux Nutrisciences	8	80	2	1 630 000,00	-
27	Q2018/100	SUPPLY AND DELIVERY OF FIRE PAINT	11-06-2019	MATU CONSTRUCTION AND PROJECTS	1	80	20	196 548,00	-
28	Q2018/101A	ACCESS CONTROL SERVICES AND SECURITY AND PATROL SERVICES FOR THE PERIOD FROM 01 JULY 2019 TO 31 JULY 2019	28-06-2019	LTS SECURITY PTY LTD	2	80	18	196 548,00	-
29	Q2018/101B	ACCESS CONTROL SERVICES AND SECURITY AND PATROL SERVICES FOR THE PERIOD FROM 01 JULY 2019 TO 31 JULY 2019	28-06-2019	FARMGUARD SECURITY SERVICES	1	80	20	79 016,91	-

**Transactions concluded with - "Close family members of persons in the service of the state"**

Disclosures: In terms of Regulation 45 awards to close family members of persons in the service of the state must be included in the notes to the annual financial statements of a municipality or municipal entity if more than R2 000, to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve months.

Supplier's Name	Relationship	Capacity	3 <sup>rd</sup> Quarter 2018/2019	4 <sup>th</sup> Quarter 2018/2019
AE HUMAN T/A ASTRA CATERING	CHILD	LENACHE BURGER-HEALTH PRACT	5,445.00	-
AE HUMAN TRADING (PTY) LTD	CHILD	L BURGER-EHP CWDM/HUSBAND BVM	-	208,601.00
AJEE CONSULTANCY CC	SPOUSE	HUSBAND IS IN SA POLICE FORCE	47,010.00	18,485.00
AMERICA BUSDIENS	CHILD	VH AMERICA - CWDM WORKSHOP	-	15,450.00
AURECON SOUTH AFRICA (PTY) LTD	SPOUSE	VARIOUS RELATIONS TO OWNERS	-	88,300.63
BELANI CONSULTANCY AGENCIES (PTY) LTD	PARENT	OF QHAWE MBOVU AT SAPD	30,000.00	-
FAURE AND FAURE INCORPORATED	SPOUSE	LW FORTUIN- JUSTICE DEPARTMENT	2,280.00	2,280.00
GIBB (PTY) LTD	OTHER FAMILY	VARIOUS FAMILY MEMBERS	55,200.00	308,200.00
J WALTERS T/A J C TRAVEL	SPOUSE	TEACHER: WCED	-	27,300.00
JAH GUIDE DAVIDS AGRICULTURE (PTY) LTD	SPOUSE	SAPS - WIFE OF DIRECTOR	308,805.34	725,354.58
LADYBUGS INNOVATIVE MARKETING (PTY) LTD	SPOUSE	POOLE HUSBAND WORK DEPT CORREC	-	164,437.53
M & N BAKWERKE CC	BROTHER/SISTER	E NIEMAND - SCM STELLENBOSCH	8,141.20	22,512.52
MASIQHAME TRADING 77 CC	CHILD	DEPT. OF AGRICULT. & FORISTRY	27,938.60	75,119.35
NCC ENVIRONMENTAL SERVICES (PTY) LTD	SPOUSE	WIFE WORK AT CITY OF CAPE TOWN	163,047.00	616,221.75
PIETERSEN AND BURNS INVESTMENTS (PTY) LTD T/A	BROTHER/SISTER	DEPT OF HEALTH	15,155.85	3,335.00
PISTON POWER CHEMICALS CC	SPOUSE	WORK FOR DEPT. OF EDUCATION	125,764.00	218,695.50
PRICE CATERING AND CLEANING (PTY) LTD	CHILD	C PRICE - CAPE WINELANDS DM	41,690.00	162,630.00
ROBERTSON SHELL TRUST	SPOUSE	WCED- MR DB AUGUSTYN	37,202.28	43,645.44
SMEC SOUTH AFRICA (PTY) LTD	SPOUSE	YVONNE PHOSA - MEC: ECON.DEV.	817,038.20	1,011,989.48
SMS ICT CHOICE (PTY) LTD	SPOUSE	N MAQULA - DEPT OF HUMAN SETTTL	167,525.02	-
TEMMO'S SHADE PORTS AND CLEANING SERVICES (PT	BROTHER/SISTER	T LEBESANA - TRANSNET	318,441.00	-
THE BUSINESS ZONE 932 CC T/A JLM24 SERVICE	SPOUSE	PERIODIC EXAMINATIONS: WCED	2,950.00	2,500.00

R **2 173 633.49** R **3 715 075.78**

**DISCLOSURE OF BENEFITS IN TERMS OF THE LOCAL GOVERNMENT: MUNICIPAL SYSTEMS ACT 32 of 2000**

In terms of **Schedule 1. 5(2)** A councillor who, or whose spouse, partner, business associate or close family member, acquired or stands to acquire any direct benefit from a contract concluded with the municipality, must disclose full particulars of the benefit of which the councillor is aware at the first meeting of the municipal council at which it is possible for the councillor to make the disclosure; and

In terms of **Schedule 2. 5(1)** A staff member of a municipality who, or whose spouse, partner, business associate or close family member, acquired or stands to acquire any direct benefit from a contract concluded with the municipality, must disclose in writing full particulars of the benefit to the council.

**IN ADDITION TO REGULATION 45 ABOVE - THE FOLLOWING PAYMENTS WERE IDENTIFIED:**

<b>Beneficiary's Name</b>	<b>Relationship</b>	<b>Associate</b>	<b>3<sup>rd</sup> Quarter 2018/2019</b>	<b>4<sup>th</sup> Quarter 2018/2019</b>
No instances of this nature could be identified			0.00	0.00
			<b>R 0.00</b>	<b>0.00</b>

Necessary internal controls are implemented to consider the possibility, and to assess the likelihood, that a relationship between the key management and councillors of the Municipality and related parties of suppliers with whom the Municipality does business with would be able to influence a contract concluded by the Municipality in their mutual dealings, as envisaged in Schedules 1 par.5(2) and 2 par. 5(1) of the Municipal Systems Act.