

# Cape Winelands District Municipality

## IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT POLICY

For the 3<sup>rd</sup> Quarter - 1<sup>st</sup> January 2019 to 31st March 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 dates for each project were determined with Council's approval of the final budget.

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

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**

Bid Specification Committee	No. of Meetings	No. of Items	No. of Agendas	No. of Minutes
JANUARY 2019	1	4	1	1
FEBRUARY 2019	1	5	1	1
MARCH 2019	1	3	1	1
<b>TOTAL</b>	<b>3</b>	<b>12</b>	<b>3</b>	<b>3</b>

Bid Evaluation Committee	No. of Meetings	No. of Items	No. of Agendas	No. of Minutes
JANUARY 2019	0	0	0	0
FEBRUARY 2019	1	6	1	1
MARCH 2019	1	3	1	1
<b>TOTAL</b>	<b>2</b>	<b>9</b>	<b>2</b>	<b>2</b>

Bid Adjudication Committee	No. of Meetings	No. of Items	No. of Agendas	No. of Minutes
JANUARY 2019	0	0	0	0
FEBRUARY 2019	1	6	1	1
MARCH 2019	0	0	0	0
<b>TOTAL</b>	<b>1</b>	<b>6</b>	<b>1</b>	<b>1</b>

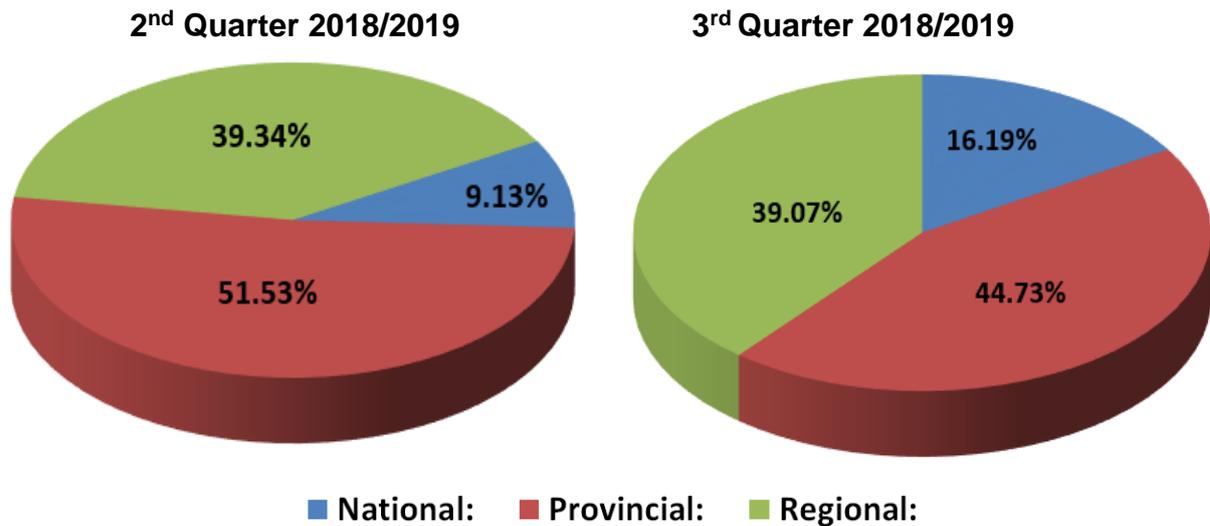
**Formal written price quotations (R 30,001 - R 200,000):** The following table details the number of formal written price quotations that were awarded in the quarter under review:

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

Evaluated & Awarded	
JANUARY 2019	5
FEBRUARY 2019	7
MARCH 2019	0
<b>TOTAL</b>	<b>12</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.

**Geographical expenditure:**



**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's 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. The scoring is done by an accredited institution. 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 QSEs (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	
		2 <sup>nd</sup> Quarter 2018/2019	3 <sup>rd</sup> Quarter 2018/2019	2 <sup>nd</sup> Quarter 2018/2019	3 <sup>rd</sup> Quarter 2018/2019	2 <sup>nd</sup> Quarter 2018/2019	3 <sup>rd</sup> Quarter 2018/2019
Level 1	10/20	50	51	9 324 857.25	7,170,093.16	22.44%	15.29%
Level 2	9/18	12	13	2 948 173.38	1,679,188.61	7.09%	3.58%
Level 3	6/14	12	8	1 107 930.33	252,091.70	2.67%	0.54%
Level 4	5/12	29	25	3 824 975.46	6,370,926.45	9.20%	13.58%
Level 5	4/8	3	2	264 271.94	158,519.97	0.64%	0.34%
Level 6	3/6	2	3	122 371.94	109,083.66	0.29%	0.23%
Level 7	2/4	2	3	121 498.69	62,385.04	0.29%	0.13%
Level 8	1/2	8	7	2 462 327.66	6,811,881.10	5.93%	14.52%
No Status		190	163	21 378 949.94	24,289,285.82	51.45%	51.79%
<b>Totals</b>		<b>308</b>	<b>275</b>	<b>41 555 356.59</b>	<b>46,903,455.51</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 335 811.79 compared to the previous quarter's figure of R 3,077,995.12. This represents a decrease of 89.09%. It is 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 acquisitioning 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 67,012.77 and regulation 17(1)(c) to R1,006,259.95 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.

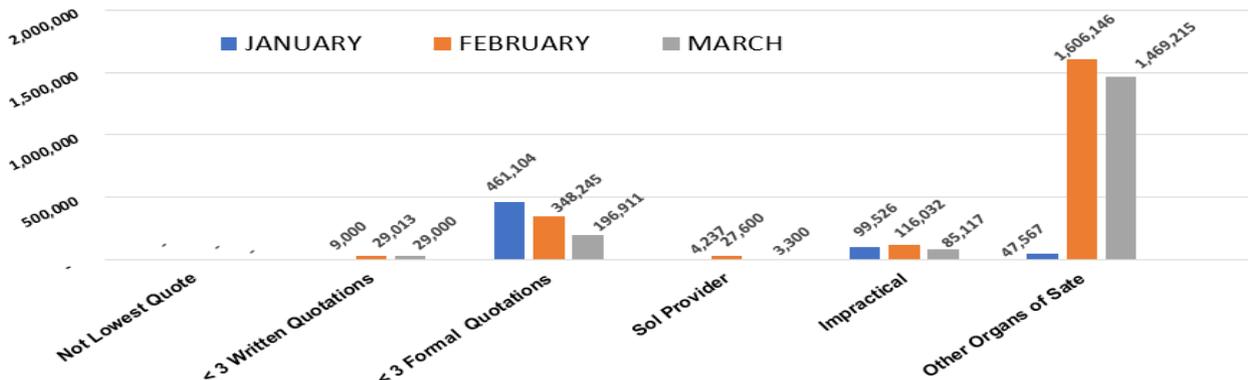
The Auditor-General changed his opinion and no longer perceives that instances of this nature constitutes a regulation 36(1)(a) deviation. It must also be noted that 71.64%, 48 of the 67 instances under review, were advertised on the municipality's notice boards and webpage. It represents 82.47% of the 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 January to March 2018	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					2	2 915					2	2 915
AUDITOR GENERAL							3	45 510			3	45 510
BREAKFAST/LUNCH/SUPPER-OTHER			2	77 650	3	10 330					5	87 980
BUILDINGS - MAINTENANCE			2	134 645							2	134 645
CELL PHONE - SERVICE CHARGES					8	2 689					8	2 689
CLEANING SERVICES			11	47 104							11	47 104
COLLECTIVE AGREEMENTS							4	4 708			4	4 708
COMMUNICATION CENTRE					2	4 197					2	4 197
CONSULTANTS - PROFESSIONAL SERVICES	2	3 600	10	251 045	3	90 312					15	344 956
EDUCATIONAL/SOCIAL/RECREATION	1	2 683	1	11 880					1	27 600	3	42 163
FUEL - DIESEL							11	13 905			11	13 905
GARNISHING ORDERS							20	16 030			20	16 030
HOTEL BOOKINGS - LOCAL			1	12 305							1	12 305
IT RELATED GOODS & SERVICES							4	152 336	1	4 237	5	156 573
LICENSING - RADIOS							6	7 909			6	7 909
LICENSING - VEHICLES							28	2 610			28	2 610
MEDIA: NEWS PAPERS/MAGAZINES/Etc.							6	1 518			6	1 518
PHOTOCOPY MACHINES					2	117 434					2	117 434
PRINTING & PUBLICATIONS	1	2 277	11	220 791	3	17 875					15	240 942
REFRESHMENTS/ENTERTAINMENT			2	46 061							2	46 061
RENEWAL: SOFTWARE LICENSE			1	17 207							1	17 207
RENTAL - FIXED PROPERTY							4	13 597			4	13 597
RENTAL - OTHER	2	17 453	5	63 620							7	81 073
SERVICE LEVEL AGREEMENTS					10	45 060					10	45 060
SERVICES - ELECTRICAL							22	878 084			22	878 084
SERVICES - RATES & TAXES							12	352 088			12	352 088
SERVICES - REFUSE REMOVAL							14	28 342			14	28 342
SERVICES - SEWERAGE							18	33 849			18	33 849
SERVICES - TELEPHONE							4	1 320 347			4	1 320 347
SERVICES - WATER							20	244 890			20	244 890
SOFTWARE & SUPPORT					7	9 864					7	9 864
SOFTWARE (SPECIFIC)			1	35 496							1	35 496
TRAINING (SPECIFIC)			5	61 911							5	61 911
TRANSPORT: PUBLIC	7	41 000	1	1 650							8	42 650
SPECIALISED EQUIPMENT			1	24 895							1	24 895
SERVICES - SPECIFIC SUPPLIER							1	7 205			1	7 205
REGISTRATION FEES: SEMINARS/Etc.									1	3 300	1	3 300
Grand Total	13	67 013	54	1 006 260	40	300 675	177	3 122 928	3	35 137	287	4 532 012

**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 20 733.33 were incurred in the procurement process for this quarter in relation to R 60, 881.79 in the 2<sup>nd</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.

**AWARDS FOR THIS QUARTER:**

<b>CONTRACT NUMBER</b>	<b>AWARDED TO</b>	<b>DESCRIPTION</b>	<b>VALUE</b>
T 2018/017	LINGOMSO SANO (PTY) LTD	PAVING AT CWDM FIRE STATION, WORCESTER	307,741.15
T 2018/043	EVERGREEN CONSTRUCTION CC	CONSTRUCTION OF A MULTI-PURPOSE COURT AT PROSPECT PRIMARY SCHOOL, ASHTON	840,908.75
T 2018/044	JT MARITZ ELECTRICAL CC	INSTALLATIONS OF FLOODLIGHTS AT RURAL SPORT FACILITIES	340,765.70
<b>TOTAL: R</b>			<b>1 489 415.60</b>

## 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.

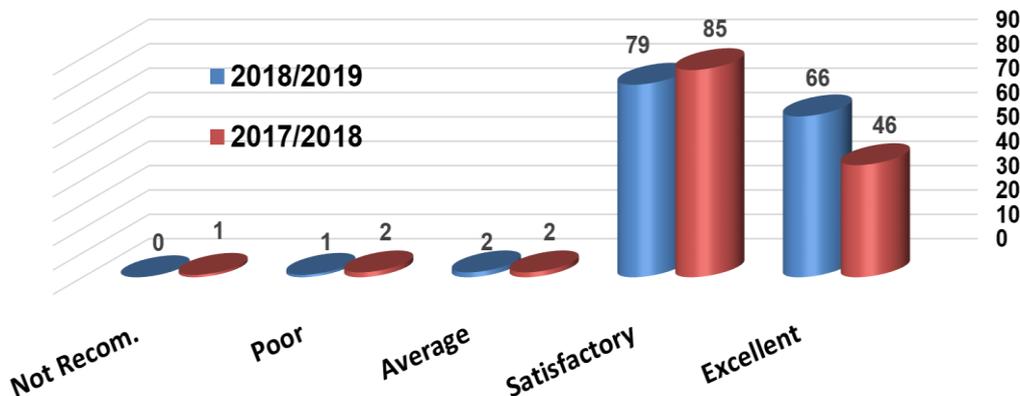
Tenders and Quotations are evaluated annually in the 1<sup>st</sup> Quarter for the previous year.

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:

SUPPLIER PERFORMANCE ASSESSMENT					
Performance area	Ranking				
<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.

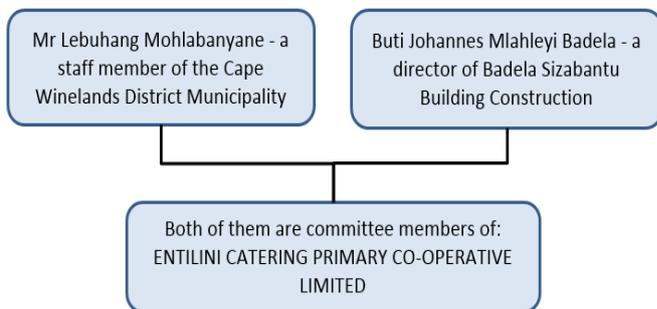
No instances of this nature were detected for the period under review.

**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.



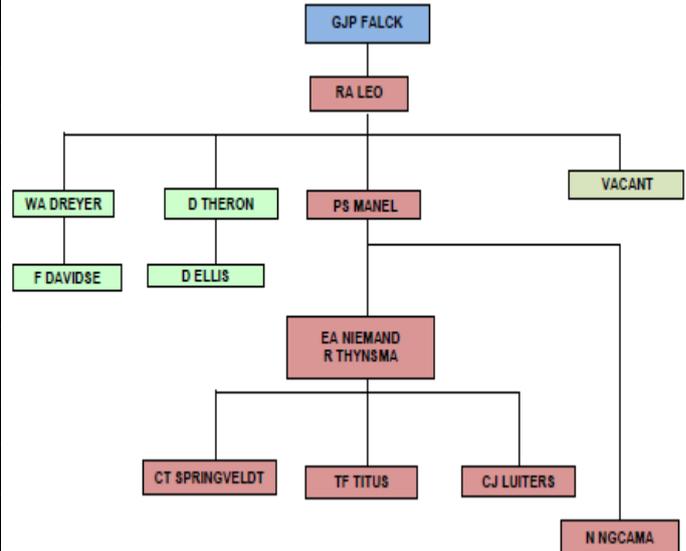
By association: (External )

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
Deputy Director: Supply Chain Management	GJP Falck
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.

### Statistics

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>
2 <sup>nd</sup> Quart 2018/2019	# of Suppliers	280	148	118	33	2
	Rand Value	37 955 993.46	18 090 720.13	13 456 901.62	3 971 413.65	5 075.41
	% of Total Rand Value	91.33%	43.53%	32.38%	9.56%	0.01%
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%

\* 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	3 <sup>rd</sup> Quart 2018/2019		2 <sup>nd</sup> Quart 2018/2019	3 <sup>rd</sup> Quart 2018/2019	
959	833	<R2000-NO PROCUREMENT:	502 593.86	479 387,57	Acquisitions less than R 2,000 - no procurement process is followed for small purchases.
312	327	3rd PARTY PAYMENT:	17 749 556.08	17 609 626,93	Transactions where procurement plays no role - contribution payments / S&Ts / etc.
22	25	COUNCIL POLICY/SUBSIDY:	758 582.00	1 313 585,00	Study Bursaries / Sponsorships / Donations / etc.
18	3	DEV-REG.36(1)(a)(ii)Sol	408 590.42	35 136,60	Transactions where no procurement process were followed (Sole Providers/Agents - Congresses & Seminars)
88	40	DEV-REG.36(1)(a)(v)Impr	2 669 404.70	300 675,19	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)
202	187	FWPQ - <R30.000 >3 WQ	1 446 102.83	1 368 823,10	Acquisitions made in terms of a full quotation process up to R 30,000 - minimum three quotes obtained.
35	48	FWPQ - >R30.000 <3 WQ	1 421 918.26	885 163,41	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)
51	17	FWPQ - >R30.000 >3 WQ	290 507.69	1 047 760,09	Acquisitions made in terms of a full quotation process R 30,000 to R 200,000 - minimum three quotes obtained.
24	13	REG.16(c) < 3 WQ	61 571.49	67 012,77	Acquisitions where it was not possible to obtain at least three quotations up to R 10,000
24	6	REG.17(1)(c) < 3 FWPQ	386 268.19	121 096,54	Acquisitions where it was not possible to obtain at least three quotations between R 10,000 – R 30,000
175	178	Sec.110(2)(a) Organs of State	6 482 496.69	3 122 927,70	Goods and /or Services acquired from Other Organs of State/Municipalities. (No procurement process)
34	37	STATUTORY PAYMENTS:	8 639 308.65	8 896 098,61	Prescriptive payments made in terms of legislation - licensing / taxes / contribution payments / etc.
3626	3240	TENDER PROCESS:	35 503 621.02	44 300 344,35	Acquisitions made in terms of a full tender process on amounts above R 200,000
1	-	PETTY CASH:	335.50	-	Mainly small out of pocket refunds. (No procurement process)
<b>5571</b>	<b>4954</b>	<b>TOTAL:</b>	<b>76 320 857.38</b>	<b>79 547 637,86</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 3 624 289.28 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	T2018/044	INSTALLATIONS OF FLOODLIGHTS AT RURAL SPORT FACILITIES	2019/02/08	JT MARITZ ELECTRICAL CC	3	80	14	340 765.70	-
2	Q2018/063	RECRUITMENT OF WARD BASED RISK ASSESSMENT FACILITATORS AND FIELDWORKERS	2019/01/17	AW MANAGEMENT CONSULTING (PTY) LTD	0	80	0	196 500.00	-
3	Q2018/075	SUPPLY AND DELIVERY OF MATH SETS AND SCIENTIFIC CALCULATORS	2019/02/11	BIDVEST OFFICE (PTY) LTD T/A BIDVEST WALTONS	2	80	18	61 780.60	-
4	T 2018/070	SUPPLY, DELIVERY, INSTALLATION, SUPPORT AND MAINTENANCE OF CORE SWITCHES AND NETAPP STORAGE SYSTEM	2019/02/08	BYTES SYSTEMS INTERGRATION A DIV. OF ALTRON TMT (PTY) LTD	2	80	18	485 804.85	-
5	Q2018/080	PRODUCTION SUPPORT COVERAGE VMWARE VSPHERE 6 STANDARD FOR 1 PROCESSOR – RENEWAL AND REINSTATING	2019/02/19	DATA TEGRA (PTY) LTD	2	80	18	35 495.57	-
6	T 2018/043	CONSTRUCTION OF A MULTI-PURPOSE COURT AT PROSPECT PRIMARY SCHOOL, ASHTON	2019/02/08	EVERGREEN CONSTRUCTION CC	4	74	12	840 908.75	-
7	Q2018/017	CWDM WATER STORAGE TANK INSTALLATIONS	2019/01/25	IBHUNGA CLEANING & BRICK PAVING & PAINTING (PTY) LTD	1	80	20	143 409.26	-
8	T 2018/017	PAVING AT CWDM FIRE STATION, WORCESTER	2019/02/08	LINGOMSO SANO (PTY) LTD	1	80	20	307 741.15	-
9	Q2018/067	DESIGN, PRINTING AND DELIVERING OF INVESTMENT / TOURISM EVENTS Z-CARD	2019/01/17	LYNNE STOKES PROMOTIONS	2	80	18	42 090.00	588,43
10	Q2018/076	RENEWAL OF ADOPE CLOUD ALL APPS	2019/02/11	MANTELLA IT SUPPORT SERVICES (PTY) LTD	1	79	20	65 665.00	-

	<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>
11	Q2018/020	UPGRADE KITCHEN AT CWDM OFFICES, DU TOIT STREET, STELLENBOSCH	2019/01/23	MEYER ELECTRICAL AND CONSTRUCTION	1	80	20	69 365.70	-
12	Q2018/011	BUILDING REPAIR WORK TO STORE EBP WORCESTER	2019/02/13	MEYER ELECTRICAL AND CONSTRUCTION	1	80	20	111 904.20	-
13	T 2018/072	A MENTORSHIP DEVELOPMENT PROGRAMME FOR THE CAPE WINELANDS DISTRICT MUNICIPALITY'S ENTREPRENEURIAL SEED FUND AND SMALL SCALE FARMER SUPPORT PROGRAMMES BENEFICIARIES	2019/02/08	NLT INVESTMENT (PTY) LTD	1	80	20	549 936.00	-
14	Q2018/065	SUPPLY AN DELIVERY OF HAZARDOUS (HAZMAT) MATERIALS EQUIPMENT	2019/02/11	QUENCH ATLANTIC (PTY) LTD T/A VANGUARD FIRE AND SAFETY CAPE	0	80	0	195 672.50	-
15	Q2018/072	HIRING OF PORTABLE TOILETS FOR THE PERIOD 01 FEBRUARY 2019 TO 30 JUNE 2019	2019/02/13	SANITECH A DIV OF WACO AFRICA (PTY) LTD (AWARD MADE PER COST UNIT)	2	80	18	4 320.00	-
16	Q2018/018	MANUFACTURING AND ERECTION OF CAR SHADE PORTS AT THE CWDM OFFICE IN BIRD STREET, STELLENBOSCH	2019/01/23	TEMMO'S SHADE PORTS AND CLEANING SERVICES	1	80	20	61 250.00	-
17	Q2018/082	STEEL TRUCK PORT CWDM FIRE STATION, WORCESTER	2019/02/19	ZABS ENTERPRISES (PTY) LTD	1	80	20	111 680.00	-

**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	2 <sup>nd</sup> Quarter 2018/2019	3 <sup>rd</sup> Quarter 2018/2019
AE HUMAN T/A ASTRA CATERING	CHILD	LENACHE BURGER-HEALTH PRACT	-	5,445.00
AJEE CONSULTANCY CC	SPOUSE	HUSBAND IS IN SA POLICE FORCE	12,260.00	47,010.00
AMERICA BUSDIENS	CHILD	VH AMERICA - CWDM WORKSHOP	6,050.00	-
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	1,140.00	2,280.00
GIBB (PTY) LTD	OTHER FAMILY	VARIOUS FAMILY MEMBERS	-	55,200.00
JAH GUIDE DAVIDS AGRICULTURE (PTY) LTD	SPOUSE	SAPS - WIFE OF DIRECTOR	325,465.81	308,805.34
M & N BAKWERKE CC	BROTHER/SISTER	E NIEMAND - SCM STELLENBOSCH	1,317.97	8,141.20
MASIQHAME TRADING 77 CC	CHILD	DEPT. OF AGRICULT. & FORISTRY	21,877.55	27,938.60
NCC ENVIRONMENTAL SERVICES (PTY) LTD	SPOUSE	WIFE WORK AT CITY OF CAPE TOWN	126,275.75	163,047.00
PIETERSEN AND BURNS INVESTMENTS (PTY) LTD T/A	BROTHER/SISTER	DEPT OF HEALTH	-	15,155.85
PISTON POWER CHEMICALS CC	SPOUSE	WORK FOR DEPT. OF EDUCATION	94,656.50	125,764.00
PRICE CATERING AND CLEANING (PTY) LTD	CHILD	C PRICE - CAPE WINELANDS DM	67,600.00	41,690.00
ROBERTSON SHELL TRUST	SPOUSE	WCED- MR DB AUGUSTYN	30,505.76	37,202.28
SMEC SOUTH AFRICA (PTY) LTD	SPOUSE	YVONNE PHOSA - MEC: ECON.DEV.	293,189.52	817,038.20
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

**R                    1 068 639.49                    2 173 633.49**

**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>2<sup>nd</sup> Quarter 2018/2019</b>	<b>3<sup>rd</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.