

Cape Winelands District Municipality

IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT POLICY

For the 3rd Quarter - 1st January 2021 to 31st March 2021

BACKGROUND

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

POLICY

The Supply Chain Management Policy was initially adopted on 23 January 2006 and revised for a sixth time on 28 May 2020. It is fully compliant with National Treasury's prescripts. It has been advertised numerously and is available on Council's website.

ACTIONS/PROCEDURES GIVING EFFECT TO POLICY IMPLEMENTATION

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

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

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

(a) Demand management

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

(b) Acquisition management

The system of acquisition management must ensure the following:

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

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

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

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

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

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

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 2021 | 0 | 0 | 0 | 0 |
| FEBRUARY 2021 | 1 | 3 | 1 | 1 |
| MARCH 2021 | 7 | 28 | 7 | 7 |
| TOTAL | 8 | 31 | 8 | 8 |

| Bid Evaluation Committee | No. of Meetings | No. of Items | No. of Agendas | No. of Minutes |
|--------------------------|-----------------|--------------|----------------|----------------|
| JANUARY 2021 | 2 | 9 | 2 | 2 |
| FEBRUARY 2021 | 3 | 10 | 3 | 3 |
| MARCH 2021 | 0 | 0 | 0 | 0 |
| TOTAL | 5 | 19 | 5 | 5 |

| Bid Adjudication Committee | No. of Meetings | No. of Items | No. of Agendas | No. of Minutes |
|----------------------------|-----------------|--------------|----------------|----------------|
| JANUARY 2021 | 1 | 7 | 1 | 1 |
| FEBRUARY 2021 | 3 | 10 | 3 | 3 |
| MARCH 2021 | 0 | 0 | 0 | 0 |
| TOTAL | 4 | 17 | 4 | 4 |

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 2021 | 1 |
| FEBRUARY 2021 | 10 |
| MARCH 2021 | 0 |
| TOTAL | 11 |

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

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

Effects of covid-19 pandemic on supply chain

As of 15 March 2020, the COVID-19 Pandemic has been classified as a National Disaster in terms of Section 23 and 27 of the Disaster Management Act, 2002 (Act No. 57 of 2002). The Disaster Management Act, 2002 provides that municipalities must still comply with the MFMA and the applicable emergency provisions in the regulations issued under this Act.

On 23 March 2020, the President announced a 21-day lockdown period with effect from 26 March 2020 due to the rapid increase in the number of confirmed cases in respect of the COVID-19 pandemic and which was further extended, on different lockdown levels. To support the declaration by President Cyril Ramaphosa on 15 March 2020 regarding the COVID-19 virus, National Treasury issued Municipal Finance Management Act (MFMA) Circular 100 for municipalities and municipal entities, to speed up the procurement of goods/commodities required to reduce and control the spread of the virus.

MFMA Circular 100 aimed to facilitate emergency procurement in order to deal with the COVID 19 Pandemic and curb the possible abuse of Supply Chain Management (SCM) systems during the period of managing this national disaster. The Circular also list prices of goods/commodities in efforts to curb opportunistic use of this disaster to drive profit margins.

MFMA Circular 100 was subsequently updated and replaced by Circular 102 applicable to Emergency Procurement is the Second Amendment of Circular 102, dated 3 July 2020. National Treasury has also issued MFMA Circular 103 that deals with the preventative measures in response to the COVID 19 Pandemic that resulted in the National State of Disaster.

From 1 June, the national restrictions were lowered to level 3. The restrictions were lowered to alert level 2 on 17 August 2020. From 21 September 2020 restrictions were lowered to alert level 1. In December 2020, the country experienced a second wave of COVID-19 infections. The lockdown was tightened from an adjusted level 1 to an adjusted level 3 starting on 29 December 2020.

Circular 105 (Withdrawal of MFMA Circular 102: Procurement in response to national state of Disaster regarding COVID-19 pandemic), was issued in August 2020. From effective date of this Circular, procurement of all goods, services and works, must be conducted in accordance with existing procurement procedures in terms of the Municipal Finance Management Act, 2003, its regulations and circulars made thereunder, the Preferential Procurement Policy Framework, 2000 and its regulations made thereunder as well as the institutional supply chain management policies.

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

Appeals by aggrieved bidders

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

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

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

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

Deviations from normal procurement processes:

Regulation 36(1) (a) Deviations

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

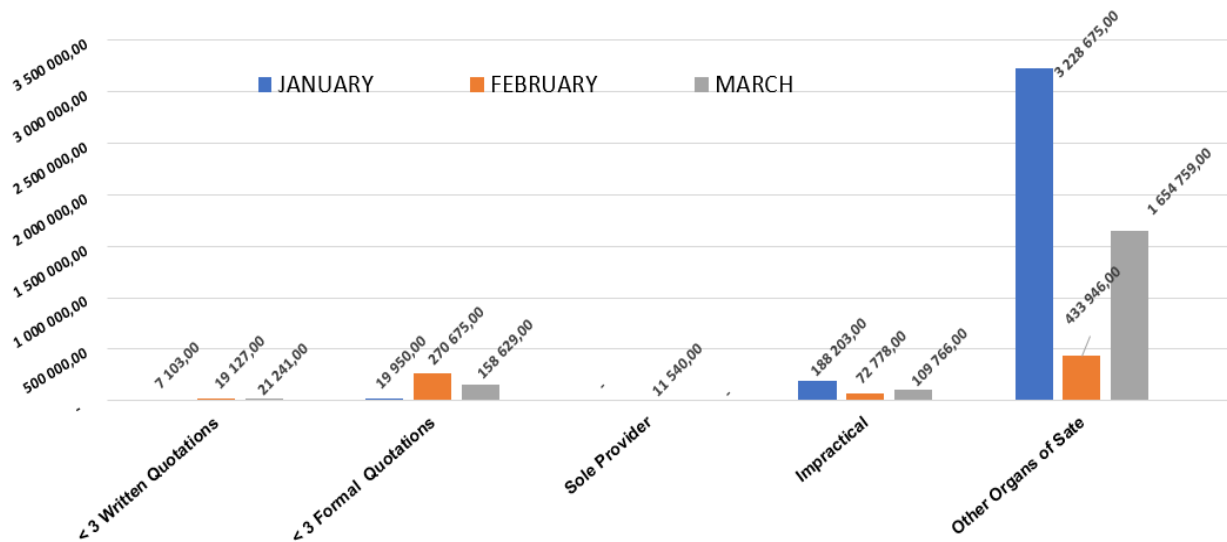
- in an emergency
- if such goods or services are produced or available for a single provider only;
- For the acquisition of special works of art or historical objects where specifications are difficult to compile;
- Acquisition of animals for zoos and/or nature and game reserves; or
- In any other exceptional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

For the quarter under review, the total deviations approved by the Accounting Officer and or his delegated authority amounted to R 382 197 compared to the previous quarter's figure of R 896 042. This represents a decrease of 42.65%. Deviation values fluctuate during each period and will not necessarily reflect the same patterns.

ILLUSTRATED VALUES

| Commodity Description January to March 2021 | REG.16(c) < 3 Written Quotations | | REG.17(1)(c) < 3 Written Quotations | | DEV- REG.36(1) (a)(v) Impractical | | Other Organs of State | | DEV- REG.36(1) (a)(ii) Sole Supplier | | TOTALS | |
|--|--|---------------|---|----------------|--------------------------------------|----------------|--------------------------|------------------|---|---------------|------------|------------------|
| | # | Value | # | Value | # | Value | # | Value | # | Value | # | Value |
| AUDITOR GENERAL | | | | | | | 3 | 1.659.572 | | | 3 | 1.659.572 |
| BUILDINGS - MAINTENANCE | | | 1 | 120.750 | | | | | | | 1 | 120.750 |
| CLEANING SERVICES | 1 | 3.405 | | | | | | | | | 1 | 3.405 |
| CONSULTANTS - PROFESSIONAL SERVICES | | | 3 | 123.475 | | | | | | | 3 | 123.475 |
| GARNISHING ORDERS | | | | | | | 15 | 10.830 | | | 15 | 10.830 |
| IT RELATED GOODS & SERVICES | 1 | 5.983 | | | | | | | | | 1 | 5.983 |
| LICENSING - VEHICLES | | | | | | | 76 | 28.746 | | | 76 | 28.746 |
| MEDIA: NEWS PAPERS/MAGAZINES/Etc. | | | | | | | 12 | 288 | | | 12 | 288 |
| PHOTOCOPY MACHINES | | | | | 5 | 149.814 | | | | | 5 | 149.814 |
| PRINTING & PUBLICATIONS | | | | | 9 | 24.041 | | | | | 9 | 24.041 |
| RENTAL - OTHER | 2 | 3.137 | 1 | 4.600 | | | | | | | 3 | 7.737 |
| SERVICES - ELECTRICAL | | | | | | | 27 | 1.454.680 | | | 27 | 1.454.680 |
| SERVICES - RATES & TAXES | | | | | | | 20 | 217.827 | | | 20 | 217.827 |
| SERVICES - REFUSE REMOVAL | | | | | | | 20 | 56.706 | | | 20 | 56.706 |
| SERVICES - SEWERAGE | | | | | | | 19 | 45.278 | | | 19 | 45.278 |
| SERVICES - TELEPHONE | | | | | | | 6 | 1.708.892 | | | 6 | 1.708.892 |
| SERVICES - WATER | | | | | | | 24 | 128.733 | | | 24 | 128.733 |
| SOFTWARE (SPECIFIC) | 1 | 7.245 | 1 | 103.894 | | | | | | | 2 | 111.139 |
| REGISTRATION FEES: SEMINARS/Etc. | | | | | | | | | 2 | 11.450 | 2 | 11.450 |
| MISCELLANEOUS | 2 | 16.695 | 2 | 46.727 | | | | | | | 4 | 63.422 |
| EQUIPMENT - OTHER | | | 1 | 12.000 | | | | | | | 1 | 12.000 |
| STATIONERY - OTHER | 1 | 7.308 | | | | | | | | | 1 | 7.308 |
| INTERNET CONNECTION | | | 1 | 5.740 | 2 | 49.996 | | | | | 3 | 55.736 |
| COMPUTER - ACCESSORIES | 1 | 3.698 | | | | | | | | | 1 | 3.698 |
| LEGAL SERVICES | | | | | 1 | 6.357 | | | | | 1 | 6.357 |
| IT CONNECTIVITY / 3G. etc. | | | | | 3 | 78.470 | | | | | 3 | 78.470 |
| SABC & OTHER RADIO & TV ADVERTISING | | | | | | | 1 | 5.830 | | | 1 | 5.830 |
| RENTAL - SPECIALISED EQUIPMENT | | | | | 2 | 51.949 | | | | | 2 | 51.949 |
| SOFTWARE & SUPPORT | | | | | 2 | 10.120 | | | | | 2 | 10.120 |
| EQUIPMENT - ELECTRONIC/RADIO/Etc. | | | 1 | 32.068 | | | | | | | 1 | 32.068 |
| Grand Total | 9 | 47.472 | 11 | 449.254 | 24 | 370.747 | 223 | 5.317.380 | 2 | 11.450 | 269 | 6.196.303 |

Breakdown of monthly transactions.



(c) Disposal management

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

(d) Performance management

Various assessments by Provincial Treasury, of which the last evaluation was in September 2020 as well as external consultants has indicated that the municipality's processes and procedures are in line with legislative requirements.

(e) Combating of abuse of Supply Chain Management System

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

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

Advertising costs of R 72 179 were incurred in the procurement process for this quarter in relation to R 123 337 in the 2nd quarter of 2020/2021.

CIDB – Construction Industry Development Board

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

Tenders and quotations evaluated on performance

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

Disclosures

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

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

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

The awards made in excess of R 2,000 to persons who have close family members in the service of the state will be disclosed in the 2019/2020 Annual Financial Statements.

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

The assessment of declaration of interest forms completed by staff members and councillors are still in process; hence no disclosures are available at this stage.

Staff component

The Supply Chain Management Unit has 12 funded posts. The capacity is currently supplemented with the placement of interns on a rotational basis.

SUPPLIER DATABASE

National Treasury's Web Based Central Supplier Database (CSD) was implemented through Circular No. 81 dated 18 March 2016 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.

For municipalities to comply with its legislation, the following 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:

- B-BBEE Status
- CIDB
- Municipal Account status

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

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 to its Supplier database.

A very important point to note 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 provider 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.

Suppliers are now aware of the CSD and its procedures and enquiries form, and assistance to suppliers, has reduced dramatically. To date 1,908 CSD registration numbers have been recorded on the municipality's supplier database.

8.

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 but is managed.

ANNEXURE “A1”

EXPENDITURE PER PROCUREMENT CATEGORY

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

| Number of Transactions | | Type of Procurement | Amount | | Description |
|------------------------------------|------------------------------------|---|------------------------------------|------------------------------------|---|
| 2 nd Quart 2020/2021 | 3 rd Quart 2020/2021 | | 2 nd Quart 2020/2021 | 3 rd Quart 2020/2021 | |
| 645 | 483 | <R2000-NO PROCUREMENT: | 376 046.46 | 244 729.08 | Acquisitions less than R 2,000 |
| 230 | 231 | 3rd PARTY PAYMENT: | 21 927 530.26 | 19 287 959.22 | Contribution payments / S&Ts / etc. |
| 163 | 30 | COUNCIL POLICY/SUBSIDY: | 3 560 283.00 | 1 318 788.00 | Study Bursaries / Grants / etc. |
| 135 | 223 | SEC.110(2)(a) OTHER ORGAN OF STATE | 4 716 557.05 | 5 317 380.21 | Goods and /or Services acquired from Other Organs of State/Municipalities. |
| 2 | 2 | DEV-REG.36(1)(a)(ii) Sole Prov./Agents | 116 043.15 | 11 450.00 | Sole Providers for products/services |
| 22 | 24 | DEV-REG.36(1)(a)(v) Impractical | 779 999.04 | 370 747.36 | Exceptional case where it is Impractical to follow bidding process - e.g. Software license renewals/support on systems) |
| 15 | 20 | PETTY CASH: | 987.13 | 1 347.49 | Transactions of small value as per Petty Cash Policy |
| 139 | 111 | QUOTATION PROCESS: | 2 459 999.30 | 1 444 525.78 | Acquisitions made in terms of a full quotation process up to R 200,000 - minimum three quotes |
| 10 | 9 | REG.16(c) < 3 WQ | 45 690.40 | 47 471.73 | Acquisitions where it was not possible to obtain at least three quotations up to R 10,000 |
| 41 | 11 | REG.17(1)(c) < 3 FWPQ | 1 281 827.98 | 449 253.80 | Acquisitions where it was not possible to obtain at least three quotations between R 10,000 - R 200,000 |
| 39 | 40 | STATUTORY PAYMENTS: | 9 984 133.98 | 10 295 910.20 | Prescriptive payments made in terms of legislation |
| 1202 | 1083 | TENDER PROCESS: | 38 138 980.04 | 25 387 844.87 | Acquisitions made in terms of a full tender process on amounts above R 200,000 |
| 2643 | 2267 | TOTAL: | 83 388 077.79 | 64 177 407.13 | |