

Cape Winelands District Municipality

IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT POLICY

For the 1st Quarter - 1st July 2021 to 30th September 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.

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

(b) Acquisition management

The system of acquisition management must ensure the following:

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

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

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

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

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

Pre-specification meetings between the Contract Managers and Administrators are held by the SCM unit in order to assist departments to adequately prepare for Bid Specification Committee meeting:

Pre- Specification Meeting	No. of Meetings	No. of Items	Revised specifications received back
JULY 2021	0	0	0
AUGUST 2021	7	11	7
SEPTEMBER 2021	5	5	3
TOTAL	12	16	10

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

TENDERS: > R200,000

Bid Specification Committee	No. of Meetings	No. of Items	No. of Agendas	No. of Minutes
JULY 2021	4	10	4	4
AUGUST 2021	0	0	0	0
SEPTEMBER 2021	7	11	7	7
TOTAL	11	21	11	11

Bid Evaluation Committee	No. of Meetings	No. of Items	No. of Agendas	No. of Minutes
JULY 2021	0	0	0	0
AUGUST 2021	3	19	3	3
SEPTEMBER 2021	1	2	1	1
TOTAL	4	21	4	4

Bid Adjudication Committee	No. of Meetings	No. of Items	No. of Agendas	No. of Minutes
JULY 2021	0	0	0	0
AUGUST 2021	2	8	2	2
SEPTEMBER 2021	1	2	1	1
TOTAL	3	10	3	3

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	
JULY 2021	4
AUGUST 2021	4
SEPTEMBER 2021	4
TOTAL	12

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

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

Effects of covid-19 pandemic on supply chain

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

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

Appeals by aggrieved bidders

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

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

Due to various reasons beyond the control of the Municipality, it is not always possible to obtain at least three responsive quotations during the acquisition process. In respect of written quotations (value R 2001 to R 10,000), regulation 16(c) will apply, and states that the reasons must be recorded and reported quarterly to the accounting officer

or another official designated by the accounting officer. In respect of formal written price quotations value (R 10,001 to R 200,000), regulation 17(1)(c) will apply, and states that the reasons must be recorded and approved by the chief financial officer or an official designated by the chief financial officer. In this instance the accounting officer must record the names of the potential providers and their written quotations.

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

Deviations from normal procurement processes:

Regulation 36(1) (a) Deviations

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

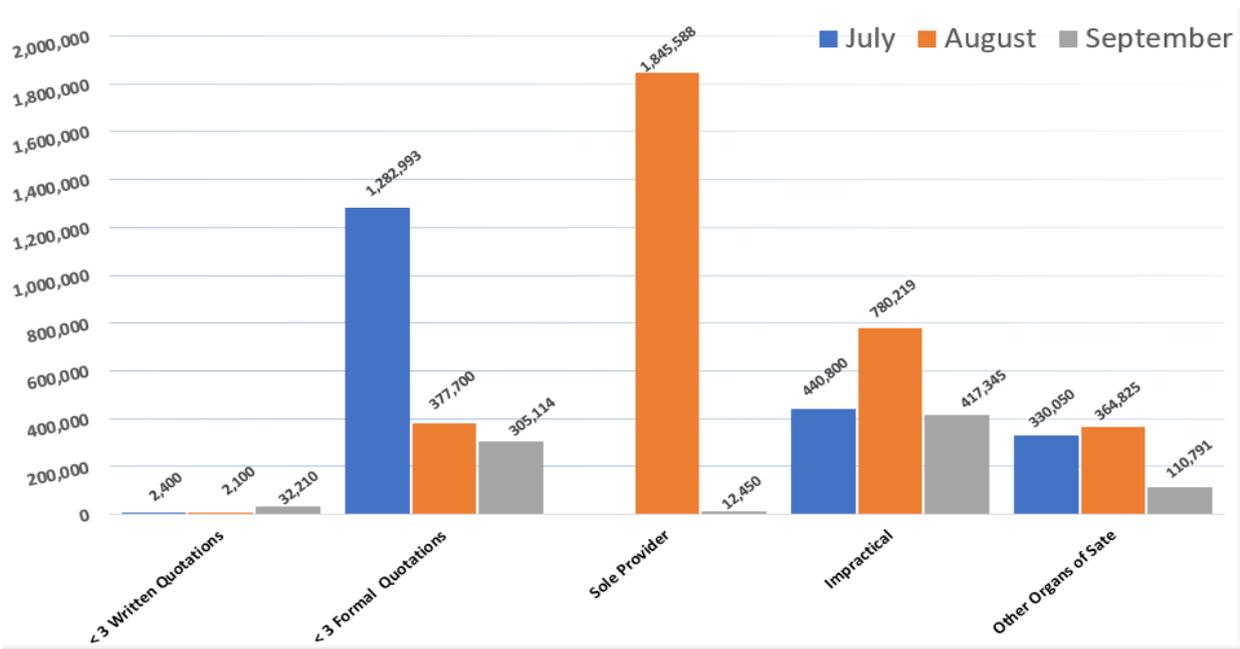
- in an emergency
- if such goods or services are produced or available for a single provider only;
- For the acquisition of special works of art or historical objects where specifications are difficult to compile;
- Acquisition of animals for zoos and/or nature and game reserves; or
- In any other exceptional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

For the quarter under review, the total deviations approved by the Accounting Officer and or his delegated authority amounted to R 3 496 401 compared to the previous quarter's figure of R 6 275 900. Deviation values fluctuate during each period and will not necessarily reflect the same patterns. The deviations contained in the quarterly reports are extracted from the financial system, these transactions are reviewed on an ongoing basis, final changes will be reported in the Annual Implementation Report.

ILLUSTRATED VALUES

Commodity Description July to September 2021	REG. 16(o) < 3 Written Quotations		REG. 17(1)(o) < 3 Written Quotations		DEV. REG. 38(1) (a)(v) Impractical		DEV. REG. 38(1) (a)(ii) Sole Supplier		Other Organs of State		TOTALS	
	#	Value	#	Value	#	Value	#	Value	#	Value	#	Value
AUDITOR GENERAL									1	88,503	1	88,503
BREAKFAST/LUNCH/SUPPER-OTHER	1	4,200									26	116,295
BUILDINGS - MAINTENANCE			2	229,080							150	2,687,953
CLEANING SERVICES			3	128,720							229	688,835
COLLECTIVE AGREEMENTS									13	13,657	46	363,387
CONSTRUCTION MATERIAL - ROADS											75	1,868,175
CONSULTANTS - CIVIL/ENGINEERING			1	18,000							1	18,000
CONSULTANTS - PROFESSIONAL SERVICES			4	261,616	14	539,457					21	862,358
EDUCATIONAL/SOCIAL/RECREATION											1	28,000
EQUIPMENT - ELECTRONIC/RADIO/Etc.			1	92,116							3	170,300
GARNISHING ORDERS									12	8,280	151	1,637,174
HOTEL BOOKINGS - LOCAL											1	1,250
INTERNET CONNECTION			3	191,945							3	191,945
IT RELATED GOODS & SERVICES			1	147,545							1	147,545
LEGAL SERVICES					5	476,764					7	501,563
LICENSING - VEHICLES									199	64,060	205	64,654
MEDIA: NEWS PAPER/MAGAZINE/Etc.									16	2,841	16	2,841
MISCELLANEOUS	3	11,610	6	68,154					1	165	69	214,359
PHOTOCOPY MACHINES					1	18,690					1	18,690
PRINTING & PUBLICATIONS			11	11,266	3	1,318					45	243,281
PROTECTIVE CLOTHING											116	473,920
REFRESHMENT & ENTERTAINMENT											14	6,188
REGISTRATION FEES: SEMINARS/Etc.							3	20,450			3	20,450
RENEWAL: SOFTWARE LICENSE					1	293,019					1	293,019
RENTAL - OTHER	3	14,100									12	33,100
SECURITY SERVICES					10	217,337					105	581,529
SERVICES - RATES & TAXES									1	12	1	12
SERVICES - TELEPHONE									2	614,685	2	614,685
SOFTWARE (SPECIFIC)			1	132,500			1	1,837,588			2	1,970,088
TRAINING (SPECIFIC)	1	6,800	5	206,716							7	312,516
TRANSPORT: PUBLIC											20	177,355
VEHICLE - PARTS											449	389,957
VEHICLE - TIRES & PUNCTURES											264	340,045
REPAIRS: OTHER (ELECTRONIC/MECH/Etc.)											24	80,373
STOCK ITEMS - STORES											247	2,700,804
TOLL FEES									1	13,463	53	52,731
REPAIRS/SERVICE: MECHANICAL/ELECTRIC											43	165,845
OILS & LUBRICANTS											4	3,911
COMPUTER - ACCESSORIES											2	4,085
CELL PHONE - AIRTIME											3	2,149
RENTAL: PORTABLE CHEMICAL TOILETS			1	42,907							1	42,907
STATIONERY - OTHER											3	504
EQUIPMENT - OTHER											58	31,912
INK CARTRIDGES - FAX MACHINES											4	1,168
FUEL - PETROL											1	200
TRANSLATION SERVICES											9	341,823
SALARY & WAGES NOT VIA SYSTEM											67	645,079
COMPANY CONTRIBUTIONS											57	16,621,634
STAFF DEDUCTION PAYMENTS											3	609,301
UNRELATED TO PROCUREMENT											3	827,668
STATIONERY - FILING MATERIALS											1	496
TAXES & LEVIES											9	9,363,816
GRANTS & DONATIONS											130	7,800,420
INSURANCE/SECURITY					2	68,759					7	79,932
AIR TICKETS - LOCAL											2	4,813
ADVERTISING - LOCAL NEWS PAPERS			9	147,775							12	185,107
COMPUTER - SERVER/MAIN FRAME											6	350,189
FOOD SAMPLES											41	1,236,051
CONTRACTORS - CIVIL/BUILDINGS/Etc.											12	16,803
COVID-19 RELATED EXPENDITURE											23	210,214
RENTAL - CONSTRUCTION MACHINERY											17	2,781,304
AIR-CONDITIONING - NEW			2	180,000							2	180,000
OFFICE FURNITURE			1	45,000							1	45,000
BUILDINGS - OTHER											1	456,344
PRINTERS - NEW											3	1,281,324
COMPUTER - LAPTOP - NEW											1	649,888
POSTAGE											3	4,305
SERVICES - FIRE EXTINGUISHERS			8	60,151							8	60,151
CONSULTANTS - LEGAL											1	8,612
BUILDINGS - CONSTRUCTION											2	65,061
FARMER SUPPORT: WATER/SEWERAGE/ELECT.											3	246,560
SABC & OTHER RADIO & TV ADVERTISING			1	2,318							1	2,318
PHOTOCOPY MACHINES & ACCESSORIES											3	249
LED: SEED FUNDING											18	1,724,713
MEDICAL: TREATMENT					1	23,018					1	23,018
Grand Total	8	98,710	80	1,986,807	37	1,838,384	4	1,868,038	248	806,667	2938	64,038,763

Breakdown of monthly transactions.



(c) Disposal management

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

(d) Performance management

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

(e) Combating of abuse of Supply Chain Management System

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

(g) OTHER MATTERS

Advertisements in the media

Advertisement costs of R 23 227.94 were incurred in the procurement process for this financial year in relation to R 485, 161 in the previous financial year.

CIDB – Construction Industry Development Board

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

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

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

Tenders and quotations evaluated on performance

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

DISCLOSURES

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

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

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

The awards made in excess of R 2,000 to persons who have close family members in the service of the state will be disclosed in the 2020/2021 Annual Financial Statements.

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

The assessment of declaration of interest forms completed by staff members and councillors are still in progress; no disclosures are available at this stage. However, final disclosure, if any, will be made in the 2020/2021 Annual Financial Statements.

STAFF COMPONENT

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

DELEGATIONS

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

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

SUPPLIER DATABASE

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

Suppliers are now familiar with National Treasury's Central Supplier Database (CSD) and the requirements to be registered, hence enquiries and assistance to suppliers has reduced dramatically. However, the Municipality are still available to assist any supplier who wish to be registered on the CSD. To date 2,197 CSD registration numbers have been recorded on the municipality's supplier database.

ANNEXURE "A1"

EXPENDITURE PER PROCUREMENT CATEGORY

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

Number of Transactions		Type of Procurement	Amount		Description
4 th Quart 2021/2021	1 st Quart 2021/2022		4 th Quart 2021/2021	1 st Quart 2021/2022	
387	609	<R2000-NO PROCUREMENT:	214 667.61	304,257.27	Acquisitions less than R 2,000
232	269	3rd PARTY PAYMENT:	20 239 196.41	20,332,574.87	Contribution payments / S&Ts / etc.
57	133	COUNCIL POLICY/SUBSIDY:	4 161 750.00	8,046,980.00	Study Bursaries / Grants / etc.
137	246	SEC.110(2)(a) OTHER ORGAN OF STATE	2 530 526.75	805,666.69	Goods and /or Services acquired from Other Organs of State/Municipalities.
1	4	DEV-REG.36(1)(a)(ii) Sole Prov./Agents	2 348.00	1,858,037.80	Sole Providers for products/services
24	37	DEV-REG.36(1)(a)(v) Impractical	6 273 552.68	1,638,363.60	Exceptional case where it is Impractical to follow bidding process - e.g., Software license renewals/support on systems)
10	22	PETTY CASH:	883.80	1,606.74	Transactions of small value as per Petty Cash Policy
178	390	QUOTATION PROCESS:	2 128 647.54	4,074,671.45	Acquisitions made in terms of a full quotation process up to R 200,000 - minimum three quotes
5	8	REG.16(c) < 3 WQ	17 537.75	36, 710.40	Acquisitions where it was not possible to obtain at least three quotations up to R 10,000
31	60	REG.17(1)(c) < 3 FWPQ	880 151.52	1, 965,807.23	Acquisitions where it was not possible to obtain at least three quotations between R 10,000 - R 200,000
43	42	STATUTORY PAYMENTS:	11 810 469.79	9, 713,546.27	Prescriptive payments made in terms of legislation
1018	1118	TENDER PROCESS:	15 978 410.80	15,258,530.66	Acquisitions made in terms of a full tender process on amounts above R 200,000
2123	2938	TOTAL:	64 238 142.65	64 036 752.97	