

Cape Winelands District Municipality

IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT POLICY

For the 3rd Quarter - 1st January 2018 to 31st March 2018

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 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.

¹ 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. Reports, e.g. "Demand Plan" and "Procurement Plan Schedule" are available and are compiled with comments and forwarded to the Accounting Officer on a quarterly basis.

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 2018	1	9	1	1
FEBRUARY 2018	2	4	2	2
MARCH 2018	1	4	1	1
TOTAL	4	17	4	4

Bid Evaluation Committee	No. of Meetings	No. of Items	No. of Agendas	No. of Minutes
JANUARY 2018	0	0	0	0
FEBRUARY 2018	1	13	1	1
MARCH 2018	1	2	1	1
TOTAL	2	15	2	2

Bid Adjudication Committee	No. of Meetings	No. of Items	No. of Agendas	No. of Minutes
JANUARY 2018	0	0	0	0
FEBRUARY 2018	1	12	1	1
MARCH 2018	1	4	1	1
TOTAL	2	16	2	2

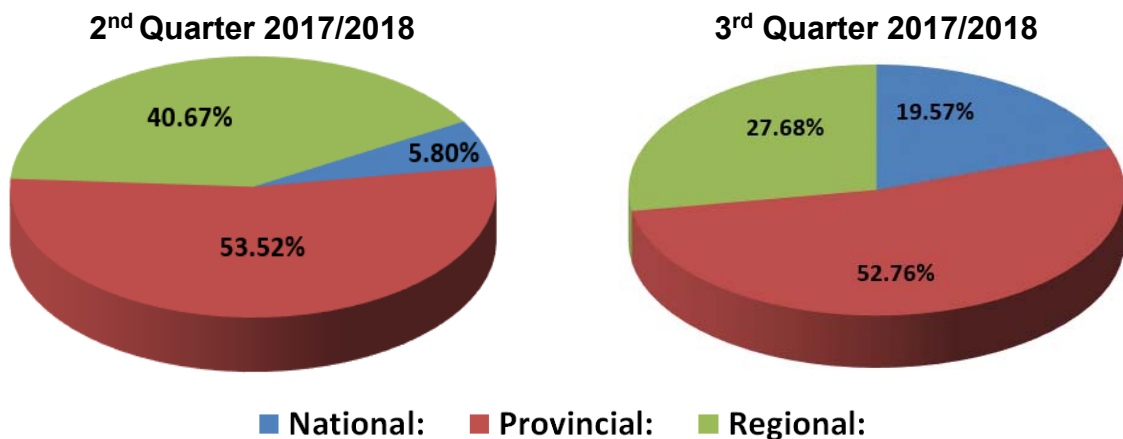
Formal written price quotations: (R 30,001 - R 200,000) The following table details the number of formal written price quotations that were awarded in the quarter under review:

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

Evaluated & Awarded	
JANUARY 2018	0
FEBRUARY 2018	2
MARCH 2018	9
TOTAL	11

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 1st 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 nd Quarter 2017/2018	3 rd Quarter 2017/2018	2 nd Quarter 2017/2018	3 rd Quarter 2017/2018	2 nd Quarter 2017/2018	3 rd Quarter 2017/2018
Level 1	10/20	64	60	8 621 593.59	7 273 760.15	23.98%	16.89%
Level 2	9/18	20	22	4 736 072.15	5 984 269.93	13.18%	13.90%
Level 3	6/14	12	11	2 694 024.95	1 551 615.29	7.50%	3.60%
Level 4	5/12	37	34	4 332 506.87	3 582 586.39	12.06%	8.32%
Level 5	4/8	2	4	11 362.48	208 396.26	0.03%	0.48%
Level 6	3/6	2	1	100 301.09	124 983.68	0.28%	0.29%
Level 7	2/4	2	2	67 178.15	147 234.67	0.19%	0.34%
Level 8	1/2	10	12	5 792 785.61	9 839 740.59	16.12%	22.86%
No Status		172	168	9 582 234.19	14 341 112.86	26.66%	33.32%
Totals		321	314	35 938 059.08	43 053 699.82	100.00%	100.00%

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 3,610,204.56 compared to the previous quarter's figure of R 1,066,875.40. This represents an increase of 238.39%. 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 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 84,081.70 and regulation 17(1)(c) to R 1,085,248.97 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.

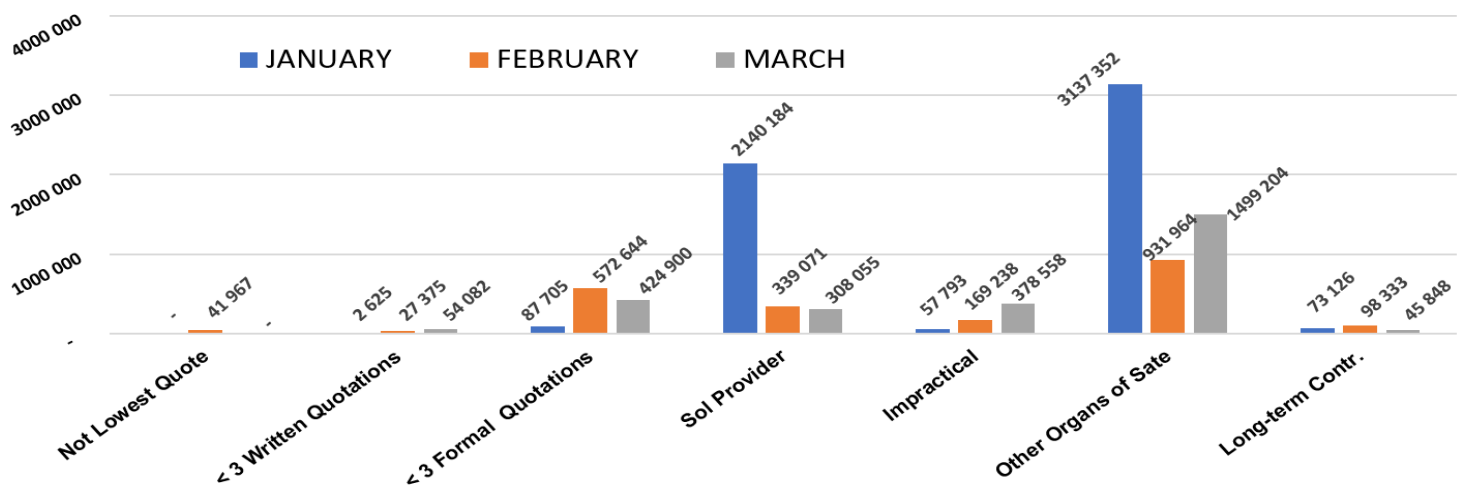
The Auditor-General changed his opinion and no longer perceives that instances of this nature constitutes a regulation 36(1)(a) deviation. It must also be noted that 20.68%, 12 of the 58 instances under review, were advertised on the municipality's notice boards and webpage. It represents 69.61% of the monetary value.

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

The following deviations 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		DEV- REG.36(1) (a)(ii) Longterm Contracts		DEV- PPPFA SEC.2(1)(f) Lowest Quote not selected		Other Organs of State		DEV- REG.36(1) (a)(ii) Sole Supplier		TOTALS	
	#	Value	#	Value	#	Value	#	Value	#	Value	#	Value	#	Value	#	Value
AGENTS: SPECIALISED EQUIPMENT													1	5 082	1	5 082
ALIEN PLANT ERADICATION									3	41 967					3	41 967
ALIEN PLANT ERADICATION (WFW)			5	97 673											5	97 673
AUDITOR GENERAL											5	963 468			5	963 468
BREAKFAST/LUNCH/SUPPER-OTHER	5	28 965													5	28 965
BUILDINGS - MAINTENANCE			1	164 458											1	164 458
CELL PHONE - SERVICE CHARGES							9	18 400							9	18 400
COMMUNICATION CENTRE							3	25 466							3	25 466
CONSULTANTS - PROFESSIONAL SERVICES			2	29 549	1	100 638						3	135 567	6	265 754	
EQUIPMENT - ELECTRONIC/RADIO/Etc.			1	184 699											1	184 699
EQUIPMENT - OTHER			2	223 181											2	223 181
GARNISHING ORDERS											21	16 530			21	16 530
INTERNET CONNECTION													1	1 159	1	1 159
IT RELATED GOODS & SERVICES											13	2 049 351			13	2 049 351
LICENSING - VEHICLES											30	3 102			30	3 102
MEDIA: NEWS PAPERS/MAGAZINES/Etc.										16	986	3	7 160	19	8 146	
MISCELLANEOUS	4	24 706	1	199 636	1	57 793									6	282 135
OFFICE FURNITURE			5	12 495											5	12 495
PHOTOCOPY MACHINES							3	173 440							3	173 440
PRINTING & PUBLICATIONS	2	10 710	2	56 186											4	66 896
RENEWAL: SOFTWARE LICENSE													2	1 610 816	2	1 610 816
RENTAL - FIXED PROPERTY											3	9 190			3	9 190
RENTAL EXHIBITION SPACE										1	199 989	1	88 443	2	288 432	
SERVICE LEVEL AGREEMENTS												28	563 424	28	563 424	
SERVICES - ELECTRICAL											17	775 051			17	775 051
SERVICES - RATES & TAXES											9	239 216			9	239 216
SERVICES - REFUSE REMOVAL											12	21 107			12	21 107
SERVICES - SEWERAGE											11	21 473			11	21 473
SERVICES - TELEPHONE											3	1 081 470			3	1 081 470
SERVICES - WATER											16	187 589			16	187 589
SERVICING OF EQUIPMENT BY AGENT					7	405 322									7	405 322
SOFTWARE & SUPPORT													13	375 658	13	375 658
SOFTWARE (SPECIFIC)			2	22 823											2	22 823
STRIP & REPAIR WORK - ELECTRONIC/Etc.					2	41 837									2	41 837
TRAINING (SPECIFIC)	1	9 000	3	60 931											4	69 931
TRANSPORT/DELIVERIES & STORAGE			1	16 818											1	16 818
TRANSPORT: PUBLIC	2	10 700	1	16 800											3	27 500
Grand Total	14	84 082	26	1 085 249	11	605 589	15	217 307	3	41 967	157	5 568 521	52	2 787 309	278	10 390 023

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 from 9th to 11th July 2014, 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 53,233.66 were incurred in the procurement process for this quarter in relation to R 121,899.17 in the 2nd quarter of 2017/2018. It must be noted that some of the regular/annual quotations and tenders for the current financial year may have been advertised in the 1st quarter.

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:

CONTRACT NUMBER	AWARDED TO	DESCRIPTION	VALUE
T2017/049	AMS CIVILS (PTY) LTD	PAVING CWDM OFFICE, CERES	294 272.76
T2017/048	JDK CIVILS AND BUILDING CC	PAVING AT CWDM FIRE STATION, WORCESTER	293 345.00
T2017/050	VRIES AIRCONDITIONING & REFRIGERATION	SUPPLY AND INSTALLATIONS OF AIR CONDITIONERS AT CWDM OFFICES	436 250.00
T2017/093	C BAR LANDSCAPING	DEVELOPMENT OF SPORT FIELD AT WP LOOTS PRIMARY SCHOOL, WOLSELEY	291 455.14

CONTRACT NUMBER	AWARDED TO	DESCRIPTION	VALUE
T2017/095	QWAKA CONSTRUCTION CC	CONSTRUCTION OF CLUBHOUSE AT ANGORA AND GROENBERG IN THE RURAL AREA OF CAPE WINELANDS DISTRICT MUNICIPALITY	1 279 080.00
T2017/081	RE A LETAMISA TRADING & PROJECTS CC	CAPE WINELANDS URBAN SCHOOLS INFRASTRUCTURE IMPROVEMENTS, PHASE 1	7 305 198.95
TOTAL: R			9 899 601.85

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 in respect of the previous year.

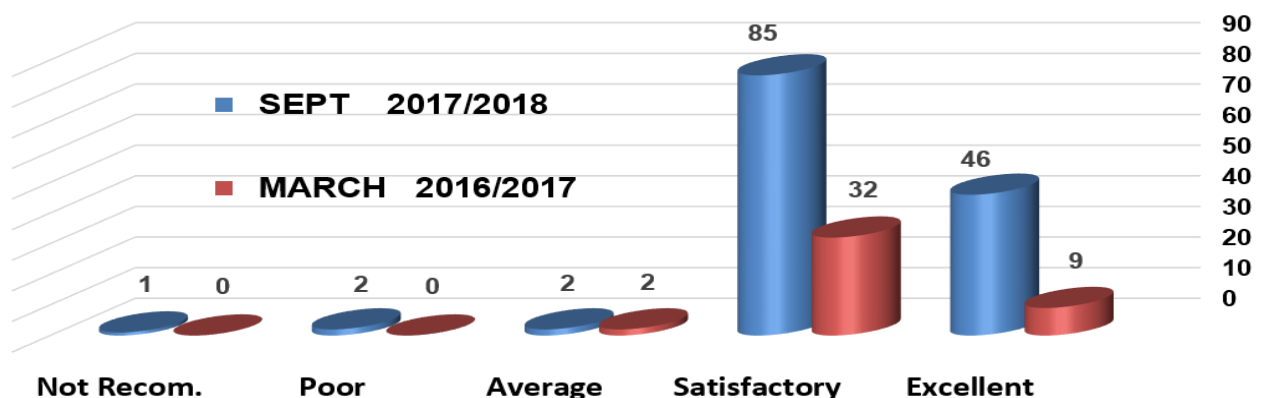
**No tenders were evaluated for this quarter –
Detail from the previous report is included for continuity:**

Financial Period:	Tenders		Quotations	
	March 2016/2017	September 2017/2018	March 2016/2017	September 2017/2018
COMMUNITY DEVELOPMENTAL SERVICES	1	11	9	20
CORPORATE SERVICES	1	16	3	10
FINANCE	1	2	1	2
LOCAL ECONOMIC DEVELOPMENT	0	2	0	3
ENGINEERING	21	26	5	30
GOVERNANCE	0	0	0	0
MUNICIPAL MANAGER OFFICE	0	1	1	1
RURAL & SOCIAL DEVELOPMENT	0	2	0	10
Grand Total	24	60	19	76

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

The contract manger 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	March 2016/2017		September 2017/2018		Movement (Evaluation must be objective per category in relation to the total)	
		# of Evaluations	% of Category	# of Evaluations	% of Category		
1	Not Recom.	0	0.00%	1	0.74%	0.74%	Deterioration
2	Poor	0	0.00%	2	1.47%	1.47%	Deterioration
3	Average	2	4.65%	2	1.47%	3.18%	Improvement
4	Satisfactory	32	74.42%	85	62.50%	11.92%	Deterioration
5	Excellent	9	20.93%	46	33.82%	12.89%	Improvement
Total:		43		136			

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

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.

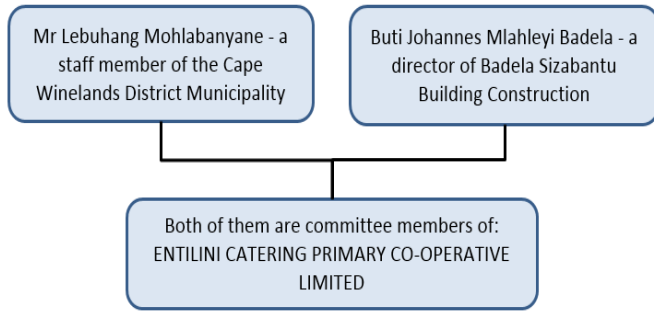
No instances of this nature were detected for the period under review.

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.



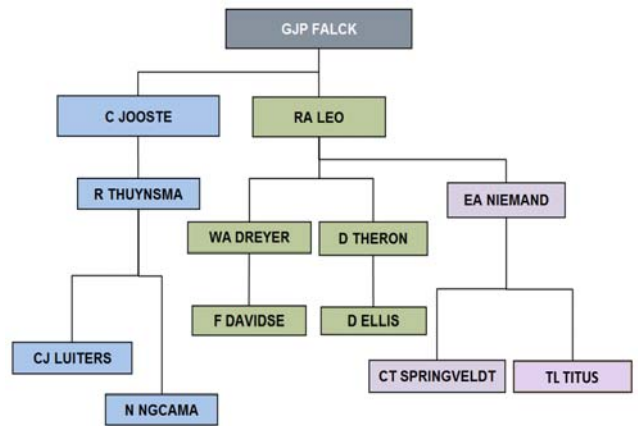
By association: (External)

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
Senior Buyer	C Jooste
Senior Supply Chain Management Officer	R Thuynsma
Principal Clerk: Procurement	CJ Luiters
Procurement Clerk	N Ngcama
Manager: Supply Chain Management	RA Leo
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



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

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.

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”. However, not all parastatals are covered. Only PERSAL and BASS, the government’s payroll systems, are scrutinised.

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 1,206 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:

	GROUP:	(i) SMMEs	(ii) BEEs	(iii) WOMEN	(iv) YOUTH	(v) DISABLED
2 nd Quart 2017/2018	# of Suppliers	295	166	137	32	1
	Rand Value	34 585 273.11	15 847 353.21	11 789 350.79	1 446 790.81	29 997.00
	% of Total Rand Value	96.24%	44.10%	32.80%	4.03%	0.08%
3 rd Quart 2017/2018	# of Suppliers	288	162	132	30	1
	Rand Value	41 671 514.62	15 192 070.42	13 076 038.43	3 193 439.71	66.66
	% of Total Rand Value	96.79%	35.29%	30.37%	7.42%	0.0002%

* 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
2 nd Quart 2017/2018	3 rd Quart 2017/2018		2 nd Quart 2017/2018	3 rd Quart 2017/2018	
1073	918	<R2000-NO PROCUREMENT:	564 869.74	429 346.04	Acquisitions less than R 2,000 - no procurement process is followed for small purchases.
367	371	3rd PARTY PAYMENT:	16 730 403.95	17 606 922.18	Transactions where procurement plays no role - contribution payments / S&Ts / etc.
25	89	COUNCIL POLICY/SUBSIDY:	683 750.00	2 190 926.61	Study Bursaries / Sponsorships / Donations / etc.
6	3	DEV-PPPFA SEC.2(1)(f)	97 598.98	41 967.06	The supplier selected for the contract/tenderer did not score the highest points.
190	157	DEV-MFMA SEC. 110(2)(a)	5 663 029.28	5 568 520.70	Goods and /or Services acquired from Other Organs of State/Municipalities. (Not normal municipal service accounts;)
29	52	DEV-REG.36(1)(a)(ii) Sole Suppliers	698 657.73	2 787 308.90	Transactions where no procurement process were followed (Sole Providers/Agents)
18	14	DEV-REG.36(1)(a)(ii) Long- term Contr.	220 437.44	217 306.68	Long term Contracts/ service providers - Telkom / Vodacom / Copy machines / etc.
35	11	DEV-REG.36(1)(a)(v) Impractical	147 780.23	605 588.97	Transactions where no procurement process were followed (Impractical to obtain quotations - e.g. Strip & repair)
12	2	DWAF: PRE-PROCURED	162 929.31	29 245.85	DWAF (Closed tender process) Contracts where the CWDM did not do the procurement.
56	49	PETTY CASH:	1 946.30	2 282.95	Mainly small out of pocket refunds.
305	196	FWPQ - <R30.000 >3 WQ	2 079 902.08	1 020 580.73	Acquisitions made in terms of a full quotation process up to R 30,000 - minimum three quotes.
25	27	FWPQ - >R30.000 >3 WQ	644 799.02	921 702.38	Acquisitions made in terms of a full quotation process R 30,00 to R 200,000 - minimum three quotes.
46	14	REG.16(c) < 3 WQ	233 819.43	84 081.70	Acquisitions where it was not possible to obtain at least three quotations up to R 10,000
30	32	REG.17(1)(c) < 3 FWPQ	595 013.27	271 230.85	Acquisitions where it was not possible to obtain at least three quotations between R 10,000 – R 30,000
48	12	REG.17(1)(c) FWPQ - >R30.000	1 826 937.69	814 018.12	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)
1	0	SERVICE PROVIDERS	200.00	-	Payments made in terms of contracts/agreements with long-term service providers.
47	41	STATUTORY PAYMENTS:	7 614 540.36	8 509 485.91	Prescriptive payments made in terms of legislation - licensing / taxes / membership fees / etc.
1	0	SUBSCRIPTIONS:	1 080.00	-	Service provider is selected for the specific service and cannot be procured - sole providers.
3338	3485	TENDER PROCESS:	37 692 630.78	55 058 707.22	Acquisitions made in terms of a full tender process on amounts above R 200,000
5 652	5 473	TOTAL:	75 660 325.59	96 159 222.85	

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 16 339 408.71** 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	T2017/092A	APPOINTMENT OF A PANEL OF ACCREDITED SERVICE PROVIDERS FOR THE SUPPLY AND DELIVERY OF SPARE PARTS AND SERVICE OR REPLACEMENT OF COMPONENTS OF MOTOR VEHICLES, FIRE FIGHTING VEHICLES AND PLANT, EARTHMOVING AND ROAD CONSTRUCTION PLANT FOR THE PERIOD 01 DECEMBER 2017 TO 30 JUNE 2019	13/02/2018	AAD Truck & Bus (Pty) Ltd	1	80	0	101 000.00	0.00
2	T2017/092B	APPOINTMENT OF A PANEL OF ACCREDITED SERVICE PROVIDERS FOR THE SUPPLY AND DELIVERY OF SPARE PARTS AND SERVICE OR REPLACEMENT OF COMPONENTS OF MOTOR VEHICLES, FIRE FIGHTING VEHICLES AND PLANT, EARTHMOVING AND ROAD CONSTRUCTION PLANT FOR THE PERIOD 01 DECEMBER 2017 TO 30 JUNE 2019	13/02/2018	Barloworld Toyota Stellenbosch	0	80	0	101 000.00	0.00
3	T2017/092C	APPOINTMENT OF A PANEL OF ACCREDITED SERVICE PROVIDERS FOR THE SUPPLY AND DELIVERY OF SPARE PARTS AND SERVICE OR REPLACEMENT OF COMPONENTS OF MOTOR VEHICLES, FIRE FIGHTING VEHICLES AND PLANT, EARTHMOVING AND ROAD CONSTRUCTION PLANT FOR THE PERIOD 01 DECEMBER 2017 TO 30 JUNE 2019	13/02/2018	Kilotreads Stellenbosch (Pty) Ltd	0	80	0	101 000.00	0.00
4	T2017/092D	APPOINTMENT OF A PANEL OF ACCREDITED SERVICE PROVIDERS FOR THE SUPPLY AND DELIVERY OF SPARE PARTS AND SERVICE OR REPLACEMENT OF COMPONENTS OF MOTOR VEHICLES, FIRE FIGHTING VEHICLES AND PLANT,	13/02/2018	Komatsu South Africa (Pty) Ltd	0	80	0	101 000.00	0.00

	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
		EARTHMOVING AND ROAD CONSTRUCTION PLANT FOR THE PERIOD 01 DECEMBER 2017 TO 30 JUNE 2019							
5	T2017/092E	APPOINTMENT OF A PANEL OF ACCREDITED SERVICE PROVIDERS FOR THE SUPPLY AND DELIVERY OF SPARE PARTS AND SERVICE OR REPLACEMENT OF COMPONENTS OF MOTOR VEHICLES, FIRE FIGHTING VEHICLES AND PLANT, EARTHMOVING AND ROAD CONSTRUCTION PLANT FOR THE PERIOD 01 DECEMBER 2017 TO 30 JUNE 2019	13/02/2018	Rodney Jacobs Holdings (Pty) Ltd t/a Auto Electro Dynamics	1	80	0	101 000.00	0.00
6	T2017/092F	APPOINTMENT OF A PANEL OF ACCREDITED SERVICE PROVIDERS FOR THE SUPPLY AND DELIVERY OF SPARE PARTS AND SERVICE OR REPLACEMENT OF COMPONENTS OF MOTOR VEHICLES, FIRE FIGHTING VEHICLES AND PLANT, EARTHMOVING AND ROAD CONSTRUCTION PLANT FOR THE PERIOD 01 DECEMBER 2017 TO 30 JUNE 2019	13/02/2018	Scania South Africa (Pty) Ltd	0	80	0	101 000.00	0.00
7	T2017/042	RE-THATCH ROOF CWDM COUNCIL CHAMBERS, STELLENBOSCH	13/02/2018	Thatchscapes CC	4	80	0	385 006.50	0.00
8	T2017/049	PAVING CWDM OFFICE, CERES	13/02/2018	AMS Civils (Pty) Ltd	1	80	20	294 272.76	0.00
9	T2017/048	PAVING AT CWDM FIRE STATION, WORCESTER	13/02/2018	JDK Civils and Building CC	1	80	20	293 345.00	0.00
10	T2017/050	SUPPLY AND INSTALLATIONS OF AIR CONDITIONERS AT CWDM OFFICES	13/02/2018	Vries Airconditioning & Refrigeration	1	80	20	436 250.00	0.00
11	T2017/088	PROVIDE, DELIVER AND ERECT OF FENCE AT SPORT FIELD AT DE NOVO, STELLENBOSCH AREA	13/02/2018	Jonty Engineering and Trading SA CC	1	80	20	137 615.10	0.00
12	T2017/093	DEVELOPMENT OF SPORT FIELD AT WP LOOTS PRIMARY SCHOOL, WOLSELEY	13/02/2018	C Bar Landscaping	2	80	18	291 455.14	0.00
13	T2017/095	CONSTRUCTION OF CLUBHOUSE AT ANGORA AND GROENBERG IN THE RURAL AREA OF CAPE WINELANDS DISTRICT MUNICIPALITY	13/02/2018	Qwaka Construction CC	1	80	20	1 279 080.00	0.00
14	T2017/099	APPOINTMENT OF A SPECIALIST SERVICE PROVIDER: SERVICES REQUIRED IN TERMS OF	13/02/2018	Innovative Transport Register (Pty) Ltd	5	80	0	872 491.00	0.00

	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
		THE NATIONAL LAND TRANSPORT ACT, ACT 5 OF 2009: PREPARATION OF A TRANSPORT REGISTER AND OPERATING LICENSE PLAN FOR SELECTED INTER-MUNICIPAL NON-CONTRACTED MINIBUS-TAXI ROUTES							
15	T2017/081	CAPE WINELANDS URBAN SCHOOLS INFRASTRUCTURE IMPROVEMENTS, PHASE 1	13/02/2018	Re A Le Tamisa Trading & Projects CC	1	80	20	7 305 198.95	0.00
16	Q2017/090	REPLACEMENT HARDWARE AND INSTALLATION OF EQUIPMENT TO CURRENT WAN NETWORK	10/02/2018	Avalon Technology Group (Pty) Ltd	4	80	12	184 698.80	0.00
17	Q2017/093	SUPPLY AND DELIVERY OF WATER DISPLACEMENT DEVICES FOR TOILET CISTERNS	10/02/2018	Sekika Solutions (Pty) Ltd	1	80	20	200 000.00	0.00
18	Q2017/049	UPGRADE OFFICES CWDM ROADS DEPOT CERES	07/03/2018	Ibhunga Cleaning & Brick Paving & Painting (Pty) Ltd	1	80	0	164 458.39	0.00
19	Q2017/082	ROLLER SHUTTER DOORS CWDM ROADS/ VEHICLE DEPOTS	07/03/2018	Ibhunga Cleaning & Brick Paving & Painting (Pty) Ltd	1	80	0	122 397.42	0.00
20	Q2017/096	BURGLAR BAR INSTALLATION CWDM OFFICE, WORCESTER	07/03/2018	Jonty Engineering & Trading SA CC	1	80	0	139 809.60	0.00
21	T2017/089	PROFESSIONAL SERVICES FOR THE COMPILATION OF A STORM WATER MASTERPLAN FOR LANGEBERG MUNICIPALITY (ASHTON)	20/03/2018	Element 2030 (Pty) Ltd	1	80	20	276 507.00	0.00
22	T2017/105	SUPPLY AND DELIVERY OF MINIBUS	20/03/2018	Barloworld Toyota Stellenbosch	3	80	14	471 875.00	0.00
23	T2017/110	SUPPLY AND DELIVER OF NEW 4X4 SINGLE CAB LIGHT DELIVERY VEHICLES (BAKKIES)	20/03/2018	Barloworld Toyota Stellenbosch	3	80	14	2 878 948.05	0.00

ANNEXURE "A3"

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 nd Quarter 2017/2018	3 rd Quarter 2017/2018
AE HUMAN T/A ASTRA CATERING	CHILD	LENACHE BURGER-HEALTH PRACT	177 340.00	10 000.00
AMERICA BUSDIENS	CHILD	VH AMERICA - CWDM WORKSHOP	2 800.00	6 450.00
FAURE AND FAURE INCORPORATED	SPOUSE	LW FORTUIN- JUSTICE DEPARTMENT	1 140.00	1 140.00
GRYDE ENTERPRISES (PTY) LTD	CHILD	G BRANDON - DEPT. CORRECTIONAL	-	-
J WALTERS T/A J C TRAVEL	SPOUSE	TEACHER: WCED	27 100.00	3 400.00
JAH GUIDE DAVIDS AGRICULTURE (PTY) LTD	SPOUSE	SAPS - WIFE OF DIRECTOR	188 676.55	86 871.24
LUMBER & LAWN (PTY) LTD	SPOUSE	WIFE: TEACHER LOCHNERHOF PRIM	27 999.28	7 004.17
M & N BAKWERKE CC	BROTHER/SISTER	E NIEMAND - SCM STELLENBOSCH	2 850.00	8 127.00
MASIQHAME TRADING 77 CC	CHILD	DEPT. OF AGRICULT. & FORISTRY	42 898.50	15 752.70
MORESON GRONDVERSKUIWERS BK	CHILD	WORK FOR DEPT. OF HEALTH	3 883 064.26	1 780 978.34
NCC ENVIRONMENTAL SERVICES (PTY) LTD	SPOUSE	WIFE WORK AT CITY OF CAPE TOWN	23 370.00	370 112.40
PISTON POWER CHEMICALS CC	SPOUSE	WORK FOR DEPT. OF EDUCATION	120 270.00	40 715.10
PRICE CATERING AND CLEANING (PTY) LTD	CHILD	C PRICE - CAPE WINELANDS DM	-	1 100.00
ROBERTSON SHELL TRUST	SPOUSE	WCED- MR DB AUGUSTYN	19 476.01	22 973.10
S PIETERSEN T/A SP HEALTH AND SANITATION	PARENT	A ALLOM - CLLR. DRAKENSTEIN	46 530.60	18 848.20
SMEC SOUTH AFRICA (PTY) LTD	SPOUSE	YVONNE PHOSA - MEC: ECON.DEV.	608 976.60	766 606.45
SMS ICT CHOICE (PTY) LTD	SPOUSE	N MAQULA - DEPT OF HUMAN SETTTL	-	166 068.28
THE BUSINESS ZONE 932 CC T/A JLM24 SERVICE	SPOUSE	PERIODIC EXAMINATIONS: WCED	4 749.00	16 738.00
			R 5 177 240.80	3 322 884.98

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:

Beneficiary's Name	Relationship	Associate	2nd Quarter 2017/2018	3rd Quarter 2016/2017
No instances of this nature could be identified			0.00	0.00
			R 0.00	0.00

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.