

Cape Winelands District Municipality

IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT POLICY

For the 2nd Quarter - 1st October 2018 to 31st December 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 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

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

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

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

(b) Acquisition management

The system of acquisition management must ensure the following:

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

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

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

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

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

TENDERS: > R200,000

Bid Specification Committee	No. of Meetings	No. of Items	No. of Agendas	No. of Minutes
OCTOBER 2018	1	7	1	1
NOVEMBER 2018	0	0	0	0
DECEMBER 2018	0	0	0	0
TOTAL	1	7	1	1

Bid Evaluation Committee	No. of Meetings	No. of Items	No. of Agendas	No. of Minutes
OCTOBER 2018	2	11	2	2
NOVEMBER 2018	1	6	1	1
DECEMBER 2018	1	5	1	1
TOTAL	4	22	4	4

Bid Adjudication Committee	No. of Meetings	No. of Items	No. of Agendas	No. of Minutes
OCTOBER 2018	1	8	1	1
NOVEMBER 2018	3	5	3	3
DECEMBER 2018	1	5	1	1
TOTAL	5	18	5	5

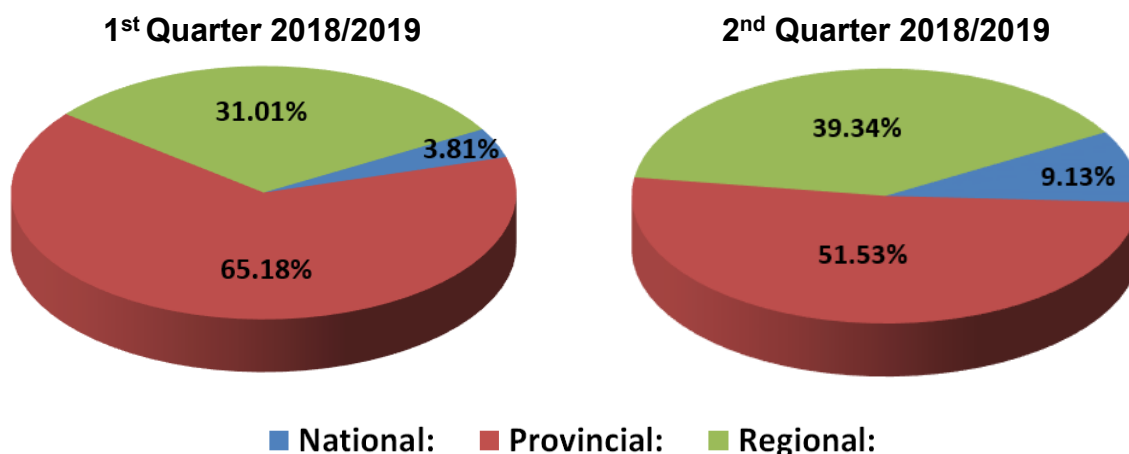
Formal written price quotations: (R 30,001 - R 200,000) The following table details the number of formal written price quotations that were awarded in the quarter under review:

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

Evaluated & Awarded	
OCTOBER 2018	7
NOVEMBER 2018	56
DECEMBER 2018	0
TOTAL	63

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	
		1st Quarter 2018/2019	2 nd Quarter 2018/2019	1st Quarter 2018/2019	2 nd Quarter 2018/2019	1st Quarter 2018/2019	2 nd Quarter 2018/2019
Level 1	10/20	51	50	5 512 303.37	9 324 857.25	28.67%	22.44%
Level 2	9/18	12	12	2 147 582.01	2 948 173.38	11.17%	7.09%
Level 3	6/14	11	12	629 952.23	1 107 930.33	3.28%	2.67%
Level 4	5/12	24	29	1 415 890.56	3 824 975.46	7.37%	9.20%
Level 5	4/8	4	3	207 793.12	264 271.94	1.08%	0.64%
Level 6	3/6	1	2	79 917.18	122 371.94	0.42%	0.29%
Level 7	2/4	2	2	42 399.43	121 498.69	0.22%	0.29%
Level 8	1/2	6	8	108 710.84	2 462 327.66	0.57%	5.93%
No Status		158	190	9 077 604.73	21 378 949.94	47.22%	51.45%
Totals		269	308	19 222 153.47	41 555 356.59	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 3,077,995.12 compared to the previous quarter's figure of R 3,754,868.46. This represents a decrease of 18.03%. 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.

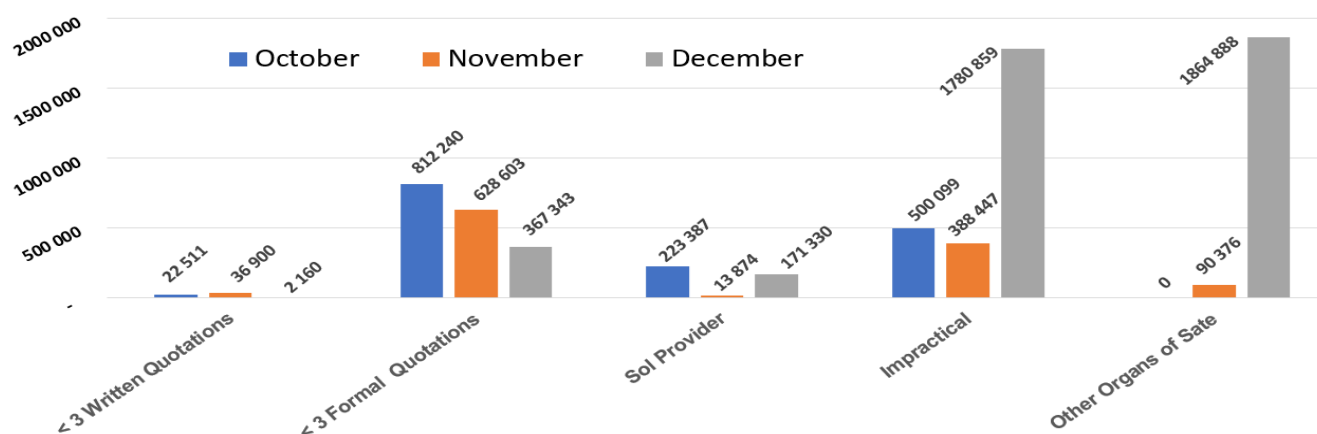
For the quarter under review, regulation 16(c) deviations amounted to R 61,571.49 and regulation 17(1)(c) to R 1,808,186.45 respectively. The table and chart on page five indicates the volumes and values of instances where it was not possible to obtain at least three responsive quotations.

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 42.17%, 35 of the 83 instances under review, were advertised on the municipality's notice boards and webpage. It represents 76.05% 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 October to December 2017	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							2	689 045			2	689 045
BREAKFAST/LUNCH/SUPPER-OTHER	1	2 160	1	14 800	1	78 000					3	94 960
BUILDINGS - CONSTRUCTION			2	70 547							2	70 547
BUILDINGS - MAINTENANCE			4	517 085							4	517 085
CELL PHONE - SERVICE CHARGES					10	19 386					10	19 386
CLEANING SERVICES			12	110 425							12	110 425
COMMUNICATION CENTRE					3	10 920					3	10 920
CONSULTANTS - PROFESSIONAL SERVICES			3	271 712	8	155 621					11	427 333
EQUIPMENT - ELECTRONIC/RADIO/Etc.			2	33 430							2	33 430
EQUIPMENT - OTHER			1	34 500							1	34 500
GARNISHING ORDERS							7	7 010			7	7 010
HOTEL BOOKINGS - LOCAL			1	14 800							1	14 800
INTERNET CONNECTION			1	181 361							1	181 361
LEGAL SERVICES					1	2 622					1	2 622
MEDIA: NEWS PAPERS/MAGAZINES/Etc.									2	3 256	2	3 256
MISCELLANEOUS	5	5 589	2	65 034							7	70 623
PHOTOCOPY MACHINES					4	151 118					4	151 118
POSTAL & PACKAGING SERVICES							2	4 935			2	4 935
PRINTING & PUBLICATIONS									2	8 364	14	135 583
REFRESHMENTS/ENTERTAINMENT			2	49 745							2	49 745
REGISTRATION FEES: SEMINARS/Etc.									7	79 530	7	79 530
RENEWAL: SOFTWARE LICENSE					5	1 573 674					5	1 573 674
RENTAL - FIXED PROPERTY							2	6 799			2	6 799
RENTAL - OTHER			1	23 701							1	23 701
RENTAL EXHIBITION SPACE									3	165 187	3	165 187
REPAIRS/SERVICE: MECHANICAL/ELECTRIC	9	7 223									9	7 223
SABC & OTHER RADIO & TV ADVERTISING							1	5 961			1	5 961
SERVICE LEVEL AGREEMENTS					5	61 714			1	150 000	6	211 714
SERVICES - ELECTRICAL							17	541 372			17	541 372
SERVICES - RATES & TAXES							4	168 276			4	168 276
SERVICES - REFUSE REMOVAL							10	22 956			10	22 956
SERVICES - SEWERAGE							8	15 907			8	15 907
SERVICES - TELEPHONE							2	417 005			2	417 005
SERVICES - WATER							10	75 999			10	75 999
SOFTWARE & SUPPORT					16	81 344			3	2 254	19	83 597
SOFTWARE (SPECIFIC)					5	302 214					5	302 214
SUBSCRIPTIONS - LEGAL					15	93 472					15	93 472
TRAINING (SPECIFIC)			4	81 273							4	81 273
TRANSLATION SERVICES	1	4 800									1	4 800
TRANSPORT: PUBLIC	8	41 800	12	179 400							20	221 200
IT RELATED GOODS & SERVICES			4	28 103	3	12 100					7	40 203
LICENSING - OTHER			1	82 800							1	82 800
CAMERA: DIGITAL			6	49 470							6	49 470
Grand Total	24	61 571	59	1 808 186	88	2 669 405	65	1 955 264	18	408 590	254	6 903 017

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 60,881.79 were incurred in the procurement process for this quarter in relation to R 63,644.45 in the 1st quarter of 2018/2019. It must be noted that some of the regular/annual quotations and tenders for the new financial year may have been advertised in the previous financial year.

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
T2018/006	ZABS ENTERPRISES (PTY) LTD	MANUFACTURE AND ERECT STEEL PALISADE FENCE CWDM ROADS DEPOT, ROBERTSON	240 880.00
T2018/015	ZABS ENTERPRISES (PTY) LTD	MANUFACTURE AND ERECT STEEL CARPORTS AND ACCESS GATE AT THE CWDM'S OFFICES, BIRD STREET, STELLENBOSCH	212 232.10
T2018/016	TEMMO'S SHADE PORTS & CLEANING SERVICES	PAVING CWDM OFFICE, WORCESTER	279 484.00

CONTRACT NUMBER	AWARDED TO	DESCRIPTION	VALUE
T2018/018	MATU CONSTRUCTION & PROJECTS	PAVE YARD: ROBERTSON FIRE FIGHTING SERVICES	359 705.00
T2018/020	MG INVESTMENTS CC T/A AIR SELECT	REPLACE AIR CONDITIONERS	315 943.41
T2018/042	BEAP CONSTRUCTION CC	CONSTRUCTION / UPGRADING OF ABLUTION FACILITIES AT RURAL SCHOOLS	295 000.00
TOTAL: R			1 703 244.51

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.

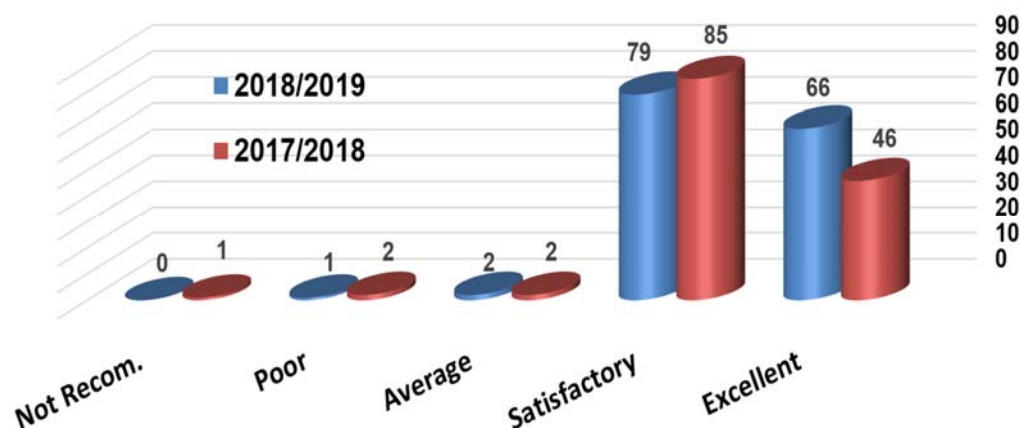
Tenders and Quotations are evaluated annually in the 1st Quarter for the previous year.

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
Grand Total	60	78	76	70

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
Total:		136		148			

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.

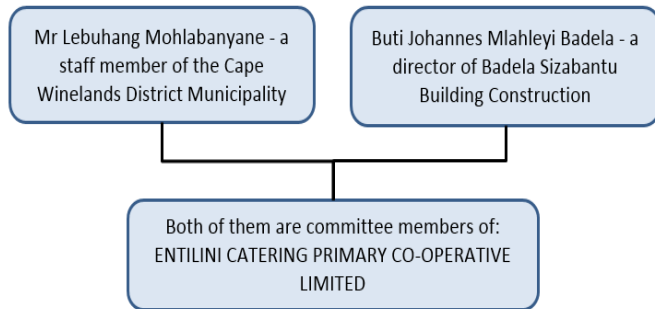
No instances of this nature were detected for the period under review.

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.



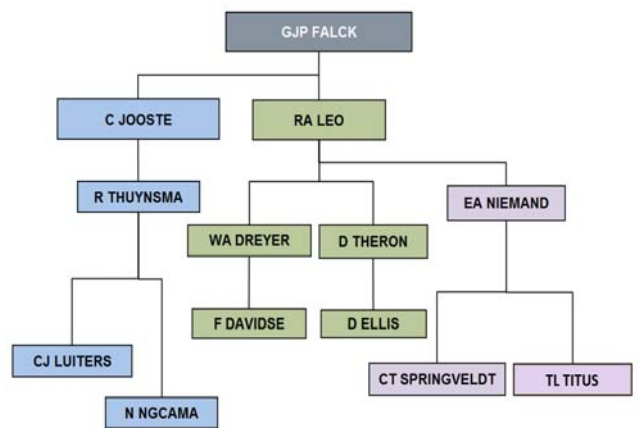
By association: (External)

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:

- 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 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”. 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 1,512 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
1 st Quart 2017/2018	# of Suppliers	245	132	107	30	0
	Rand Value	15 995 445.80	10 519 491.42	5 775 858.36	2 282 140.94	0.00
	% of Total Rand Value	83.21%	54.73%	30.05%	11.87%	0.00%
2 nd 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%

* 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
1 st Quart 2017/2018	2 nd Quart 2018/2019		1stQuart 2017/2018	2 nd Quart 2018/2019	
1131	959	<R2000-NO PROCUREMENT:	592 730.26	502 593.86	Acquisitions less than R 2,000 - no procurement process is followed for small purchases.
314	312	3rd PARTY PAYMENT:	17 533 948.27	17 749 556.08	Transactions where procurement plays no role - contribution payments / S&Ts / etc.
169	22	COUNCIL POLICY/SUBSIDY:	3 029 476.00	758 582.00	Study Bursaries / Sponsorships / Donations / etc.
7	18	DEV-REG.36(1)(a)(ii)Sol	114 829.63	408 590.42	Transactions where no procurement process were followed (Sole Providers/Agents - Congresses & Seminars)
70	88	DEV-REG.36(1)(a)(v)Impr	3 640 038.92	2 669 404.70	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)
301	202	FWPQ - <R30.000 >3 WQ	2 303 838.70	1 446 102.83	Acquisitions made in terms of a full quotation process up to R 30,000 - minimum three quotes obtained.
49	35	FWPQ - >R30.000 <3 WQ	1 859 486.83	1 421 918.26	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)
21	51	FWPQ - >R30.000 >3 WQ	435 525.60	290 507.69	Acquisitions made in terms of a full quotation process R 30,000 to R 200,000 - minimum three quotes obtained.
30	24	REG.16(c) < 3 WQ	117 346.78	61 571.49	Acquisitions where it was not possible to obtain at least three quotations up to R 10,000
19	24	REG.17(1)(c) < 3 FWPQ	352 561.87	386 268.19	Acquisitions where it was not possible to obtain at least three quotations between R 10,000 – R 30,000
121	175	Sec.110(2)(a) Organs of State	1 313 099.73	6 482 496.69	Goods and /or Services acquired from Other Organs of State/Municipalities. (No procurement process)
34	34	STATUTORY PAYMENTS:	8 330 501.16	8 639 308.65	Prescriptive payments made in terms of legislation - licensing / taxes / contribution payments / etc.
3922	3626	TENDER PROCESS:	62 292 506.32	35 503 621.02	Acquisitions made in terms of a full tender process on amounts above R 200,000
36	1	PETTY CASH:	1 522.50	335.50	Mainly small out of pocket refunds. (No procurement process)
6224	5571	TOTAL:	101 917 412.57	76 320 857.38	

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 12 981 499.79** 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	Q2018/056	SUPPLY AND DELIVERY OF BRANDED ROAD SAFETY EDUCATIONAL MATERIAL – ROYAL BLUE, KNITTED BEANIE	07/11/2018	LYNNE STOKES CC T/A LYNNE STOKES PROMOTIONS	4	80	12	199 996.50	-
2	Q2018/060	REPLACE CARPORT AT CWDM ROAD DEPOT, ROBERTSON	25/10/2018	IBHUNGA CLEANING & BRICKS PAVING & PAINTING (PTY) LTD	1	80	20	179 198.75	-
3	Q2018/062	SUPPORT AND MAINTAIN CWDM'S WIRELESS WIDE AREA NETWORK (WAN) FOR THE PERIOD 01 NOVEMBER 2018 TO 31 MARCH 2019	16/10/2018	BRANDWACHT IT CC	4	80	12	181 361.25	-
4	T2018/006	MANUFACTURE AND ERECT STEEL PALISADE FENCE CWDM ROADS DEPOT, ROBERTSON	16/10/2018	ZABS ENTERPRISES (PTY) LTD	1	80	20	240 880.00	-
5	T2018/008	SUPPLY NEW STEEL CARGO SHIPPING CONTAINERS, ROADS DEPOT ROBERTSON	16/10/2018	BFECT (PTY) LTD	1	80	20	496 800.00	-
6	T2018/014	RE-THATCH ROOF, BANQUET HALL, 46 ALEXANDER STREET, STELLENBOSCH	16/10/2018	THATCHSCAPES CC	4	80	12	316 114.30	-
7	T2018/015	MANUFACTURE AND ERECT STEEL CARPORTS AND ACCESS GATE AT THE CWDM'S OFFICES, BIRD STREET, STELLENBOSCH	16/10/2018	ZABS ENTERPRISES (PTY) LTD	1	80	20	212 232.10	-
8	T2018/016	PAVING CWDM OFFICE, WORCESTER	16/10/2018	TEMMO'S SHADE PORTS & CLEANING SERVICES	1	80	20	279 484.00	-
9	T2018/018	PAVE YARD: ROBERTSON FIRE FIGHTING SERVICES	14/12/2018	MATU CONSTRUCTION & PROJECTS	1	80	20	359 705.00	-
10	T2018/020	REPLACE AIR CONDITIONERS	14/12/2018	MG INVESTMENTS CC T/A AIR SELECT	0	80	20	315 943.41	-

	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
11	T2018/022	ROAD SAFETY BRANDED PROMOTIONAL ITEMS	14/12/2018	TIGER EYE TRADING CC	1	80	20	288 000.00	-
12	T2018/033A	SUPPLY AND DELIVERY OF A SINGLE CAB LWB 4X4 BAKKIE	16/10/2018	BARRY'S HANDEL (PTY) LTD T/A JAFFE'S FORD	0	80	0	406 680.79	-
13	T2018/033B	SUPPLY AND DELIVERY OF FOUR SEDAN MOTOR VEHICLES	16/10/2018	BELMO TRANS CC T/A PROTEA TOYOTA	4	80	12	981 630.80	-
14	T2018/034	SUPPLY AND DELIVERY OF HEAVY-DUTY FLAT BAG AIRBAG LIFTING KIT FOR THE FIRE SERVICES	16/10/2018	QUENCH ATLANTIC (PTY) LTD T/A VANGUARD FIRE & SAFETY - CAPE	0	80	0	300 000.00	-
15	T2018/042	CONSTRUCTION / UPGRADING OF ABLUTION FACILITIES AT RURAL SCHOOLS	14/12/2018	BEAP CONSTRUCTION CC	0	80	20	295 000.00	-
16	T2018/045	SUPPLY AND DELIVER PRE-MANUFACTURED PAVILIONS IN RURAL AREA OF CAPE WINELANDS DISTRICT MUNICIPALITY	16/10/2018	SICELO AND SONS TRADING (PTY) LTD	1	80	20	951 360.00	-
17	T2018/047A	LABOUR INTENSIVE CLEANING AND GRASS CUTTING OF PROVINCIAL ROADS: CERES	16/10/2018	FLANDO CONSTRUCTION	1	80	20	296 771.24	-
18	T2018/047B	LABOUR INTENSIVE CLEANING AND GRASS CUTTING OF PROVINCIAL ROADS: STELLENBOSCH	16/10/2018	F DREYER T/A FATIS WOODPECKERS	1	80	20	174 199.34	-
19	T2018/047C	LABOUR INTENSIVE CLEANING AND GRASS CUTTING OF PROVINCIAL ROADS: DRAKENSTEIN	16/10/2018	F DREYER T/A FATIS WOODPECKERS	1	80	20	223 645.66	-
20	T2018/047D	LABOUR INTENSIVE CLEANING AND GRASS CUTTING OF PROVINCIAL ROADS: WORCESTER	16/10/2018	NIKKYS CARTAGE (PTY) LTD	1	80	20	350 740.14	-
21	T2018/049A	SUPPLY AND DELIVERY OF LAPTOPS	26/11/2018	DATA CENTRIX (PTY) LTD	1	80	20	723 055.56	-
22	T2018/049B	SUPPLY AND DELIVERY OF DESKTOP COMPUTERS AND TABLETS	26/11/2018	19 HUNDRED TRADING T/A BOX DROPPERS	1	80	20	1 098 302.00	-
23	T2018/050	SOPHOS FIREWALL UPGRADE AND LICENSE EXTENSION TO 36 MONTHS	26/11/2018	MANTELLA IT SUPPORT SERVICES (PTY) LTD	1	80	20	290 539.43	-
24	T2018/067	PROVIDE AND MAINTAIN CHEMICAL TOILETS AT SANDHILLS INFORMAL SETTLEMENT, DE DOORNS FOR THE PERIOD 01 NOVEMBER 2018 TO 31 OCTOBER 2021	26/11/2018	SANITECH A DIV OF WACO AFRICA (PTY) LTD	3	80	14	700 000.00	-

	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
25	T2018/069	APPOINTMENT OF A SPECIALIST TRANSPORT PLANNING SERVICE PROVIDER: DEVELOPMENT OF A BUSINESS PLAN FOR A TRANSPORT SERVICE FOR PERSONS WITH DISABILITIES IN DRAKENSTEIN	26/11/2018	GIBB (PTY) LTD	4	80	12	1 707 750.00	-
26	T2018/082	THREE YEAR MICROSOFT LICENSING AGREEMENT	19/12/2018	MICROSOFT IRELAND OPERATIONS LTD	0	80	20	1 412 109.52	-

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	1 st Quarter 2018/2019	2 nd Quarter 2018/2019
AE HUMAN T/A ASTRA CATERING	CHILD	LENACHE BURGER-HEALTH PRACT	5 445.00	0.00
AJEE CONSULTANCY CC	SPOUSE	HUSBAND IS IN SA POLICE FORCE	21 060.00	12 260.00
AMERICA BUSDIENS	CHILD	VH AMERICA - CWDM WORKSHOP	0.00	6 050.00
AURECON SOUTH AFRICA (PTY) LTD	SPOUSE	VARIOUS RELATIONS TO OWNERS	0.00	88 300.63
FAURE AND FAURE INCORPORATED	SPOUSE	LW FORTUIN- JUSTICE DEPARTMENT	1 140.00	1 140.00
JAH GUIDE DAVIDS AGRICULTURE (PTY) LTD	SPOUSE	SAPS - WIFE OF DIRECTOR	250 797.80	325 465.81
LUMBER & LAWN (PTY) LTD	SPOUSE	WIFE: TEACHER LOCHNERHOF PRIM	1 321.74	3 395.57
M & N BAKWERKE CC	BROTHER/SISTER	E NIEMAND - SCM STELLENBOSCH	5 381.63	1 317.97
MASIQHAME TRADING 77 CC	CHILD	DEPT. OF AGRICULT. & FORISTRY	13 738.95	21 877.55
MORESON GRONDVERSKUIWERS BK	CHILD	WORK FOR DEPT. OF HEALTH	515 717.50	3 504 089.76
NCC ENVIRONMENTAL SERVICES (PTY) LTD	SPOUSE	WIFE WORK AT CITY OF CAPE TOWN	0.00	126 275.75
PISTON POWER CHEMICALS CC	SPOUSE	WORK FOR DEPT. OF EDUCATION	76 751.00	94 656.50
PRICE CATERING AND CLEANING (PTY) LTD	CHILD	C PRICE - CAPE WINELANDS DM	35 740.00	67 600.00
ROBERTSON SHELL TRUST	SPOUSE	WCED- MR DB AUGUSTYN	20 340.30	30 505.76
S PIETERSEN T/A SP HEALTH AND SANITATION	PARENT	A ALLOM - CLLR. DRAKENSTEIN	11 308.00	39 596.80
SMEC SOUTH AFRICA (PTY) LTD	SPOUSE	YVONNE PHOSA - MEC: ECON.DEV.	420 115.70	293 189.52
THE BUSINESS ZONE 932 CC T/A JLM24 SERVICE	SPOUSE	PERIODIC EXAMINATIONS: WCED	2 950.00	0.00
			R 1 381 807.62	4 615 721.62

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	1st Quarter 2018/2019	2nd Quarter 2018/2019
No instances of this nature could be identified			0.00	0.00
			R	0.00
			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.