

# Cape Winelands District Municipality

## IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT POLICY

For the 2<sup>nd</sup> Quarter - 1<sup>st</sup> October 2023 to 31 December 2023

### 1. BACKGROUND AND PURPOSE

In terms of Regulation 6(3) of the Supply Chain Management (SCM) Regulations<sup>1</sup> the Accounting Officer must within 10 days of the end of each financial year, submit to Council a report 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 oversight role of Council. Furthermore, this report must be made public in accordance with section 21A of the Municipal Systems Act (32 of 2000).

### 2. POLICIES

#### 2.1 SUPPLY CHAIN MANAGEMENT POLICY

The Supply Chain Management Policy was initially adopted on 23 January 2006 and revised for a ninth time on 06 February 2023. It is fully compliant with National Treasury’s prescripts. It has been advertised numerously and is available on Council’s website.

#### 2.2 PREFERENTIAL PROCUREMENT POLICY

On 4 November 2022, the Minister of Finance promulgated the Preferential Procurement Regulations, 2022 (2022 Regulations) in terms of the Preferential Procurement Policy Framework Act 5 of 2000 (PPPFA). The Preferential Procurement Policy of the Cape Winelands District Municipality was tabled and adopted by Council on 06 February 2023.

### 3. 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-mentioned, the Supply Chain Management processes are categorised as follows:

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

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

- (f) Combating of abuse of supply chain management system
- (g) Other matters

### **(a) DEMAND MANAGEMENT**

Demand management forms an integral part of a series of activities within the Municipality's supply chain management system and significantly contributes to the achievement of our measured strategic goals by ensuring that goods, works or services are delivered as originally planned for. It also ensured that all goods and services required were quantified, budgeted for and delivered in a timely and effective manner at the right locations and at the critical delivery dates.

Senior managers and their relevant contract managers are accountable to ensure that the procurement processes occur within the set targets. Information in this regard is captured, reviewed and revised periodically with consultation from all relevant parties.

Enhanced controls have been implemented to ensure that all specifications are complete and unbiased in order to promote the five pillars of procurement as set out in the Constitution.

The SCM Unit continuously monitor and assess the validity and accuracy of specifications and compliance to the relevant legislation.

### **(b) ACQUISITION MANAGEMENT**

The system of acquisition management ensures the following:

- (i) That goods and services are only procured in accordance with authorised processes;
- (ii) That expenditure on goods and services are incurred in terms of an approved budget as per section 15 of the Local Government Municipal Finance Management Act, 2003 (Act No. 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 contract are in accordance with any applicable legislation; and
- (v) That any Treasury guidelines on acquisition management are properly considered.

The procurement processes of the Municipality are centralised and all requests for procurement are actioned by the Supply Chain Management Unit. This serves as an effective control measure to ensure that processes are properly executed in accordance with the requirements of the different threshold values of procurement. It also combats the deliberate splitting of goods or services into parts or items of a lesser value merely to avoid complying with the threshold requirements. Requests for procurement in excess of R 30,000 are advertised on the municipal notice boards, official municipal website and in the applicable media in the instance of competitive bids (in excess of R 200, 000). The subsequent outcome of these procurement processes is timeously published on the official municipal website.

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

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
October 2023	6	9	6
November 2023	8	12	8
December 2023	2	1	2
<b>TOTAL</b>	<b>16</b>	<b>22</b>	<b>16</b>

Bid Evaluation Committee	No. of Meetings	No. of Items	No. of Agendas
October 2023	1	10	1
November 2023	2	14	2
December 2023	1	9	1
<b>TOTAL</b>	<b>4</b>	<b>33</b>	<b>4</b>

Bid Adjudication Committee	No. of Meetings	No. of Items	No. of Agendas
October 2023	1	5	1
November 2023	1	9	1
December 2023	0	0	0
<b>TOTAL</b>	<b>2</b>	<b>14</b>	<b>2</b>

Municipalities must report to National Treasury (NT) on all acquisitions in excess of R 100,000 on a monthly basis. Information is captured and approved directly on (NT's) eTender Admin System.

**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 2023	7
November 2023	4
December 2023	4
<b>TOTAL</b>	<b>15</b>

**Tenders Awarded** Above R200,000: The following table details the number of tenders that were awarded in the quarter under review:

<b>Evaluated &amp; awarded</b>	
October 2023	5
November 2023	9
December 2023	0
<b>TOTAL</b>	<b>14</b>

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

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

**Appeals by aggrieved bidders.**

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

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

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

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

**Deviations from normal procurement processes:**

***Regulation 36(1) (a) Deviations***

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

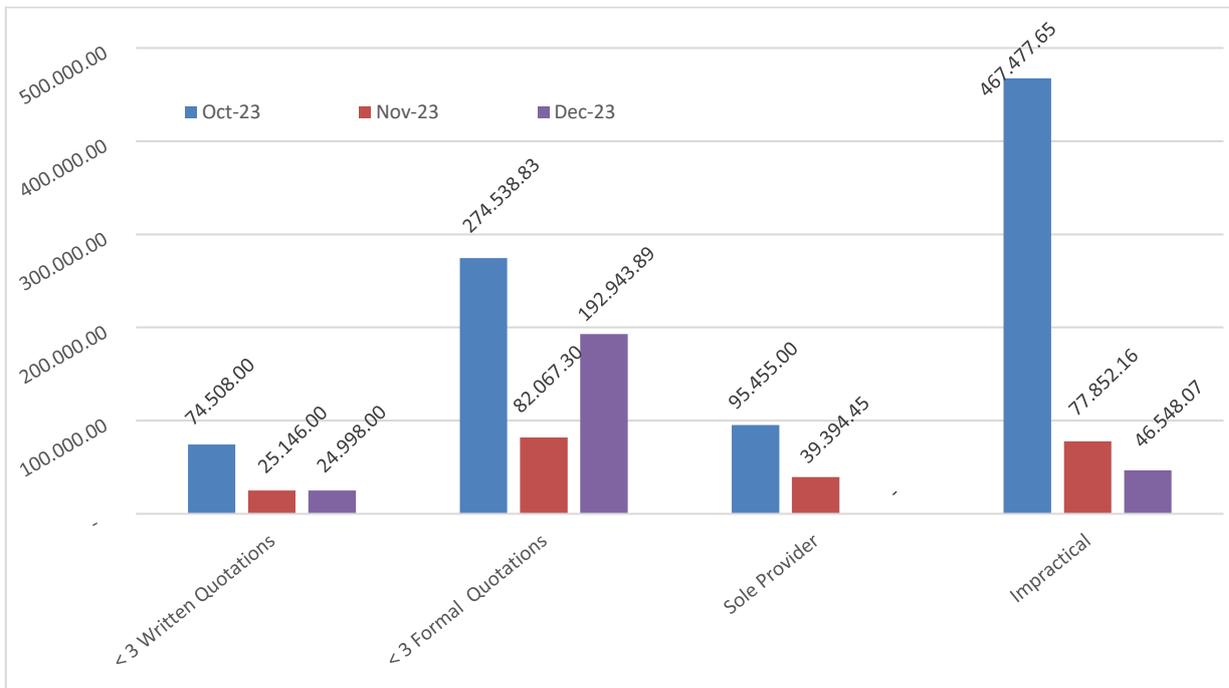
- in an emergency
- if such goods or services are produced or available for a single provider only;
- For the acquisition of special works of art or historical objects where specifications are difficult to compile;
- Acquisition of animals for zoos and/or nature and game reserves; or
- In any other exceptional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

Deviation values fluctuate during each period and will not necessarily reflect the same patterns. The deviations contained in the quarterly reports are extracted from the financial system, these transactions are reviewed on an ongoing basis, final changes will be reported in the Annual Implementation Report.

**ILLUSTRATED VALUES**

Commodity Description October to December 2023	REG.16(c) < 3 Written Quotations		REG.17(1)(c) < 3 Written Quotations		Other Organs of State		DEV- REG.36(1) (a)(ii) Sole Supplier		DEV- REG.36(1) (a)(v) Impractical		TOTALS	
	#	Value	#	Value	#	Value	#	Value	#	Value	#	Value
AUDITOR GENERAL					8	3,187.845					8	3,187.845
BREAKFAST/LUNCH/SUPPER-OTHER	18	77.915	10	266.652							28	344.567
COLLECTIVE AGREEMENTS					5	23.227					5	23.227
CONSULTANTS - PROFESSIONAL SERVICES			4	20.764					5	591.878	9	612.642
GARNISHING ORDERS					7	4.043					7	4.043
LICENSING - VEHICLES					55	26.752					55	26.752
MEDIA: NEWS PAPERS/MAGAZINES/Etc.					10	3.293					10	3.293
PRINTING & PUBLICATIONS	1	2.846	2	10.294							3	13.140
RENTAL - OTHER	9	17.943									9	17.943
SERVICES - ELECTRICAL					17	1,217.049					17	1,217.049
SERVICES - RATES & TAXES					11	2,441.588					11	2,441.588
SERVICES - REFUSE REMOVAL					12	36.417					12	36.417
SERVICES - SEWERAGE					12	40.342					12	40.342
SERVICES - TELEPHONE					3	833.850					3	833.850
SERVICES - WATER					15	59.437					15	59.437
SOFTWARE (SPECIFIC)			5	120.061							5	120.061
REGISTRATION FEES; SEMINARS/Etc.							9	56.416			9	56.416
MISCELLANEOUS	1	4.789	6	49.755							7	54.544
CONSTRUCTION MATERIAL - ROADS							2	28.434			2	28.434
STATIONERY - OTHER	1	2.760									1	2.760
TRANSLATION SERVICES	3	10.960									3	10.960
INTERNET CONNECTION			3	53.322							3	53.322
SABC & OTHER RADIO & TV ADVERTISING					1	5.958					1	5.958
EQUIPMENT - ELECTRONIC/RADIO/Etc.	6	7.439									6	7.439
TRAINING (SPECIFIC)			2	28.075							2	28.075
SOFTWARE & SUPPORT			1	629							1	629
RENTAL EXHIBITION SPACE							1	50.000			1	50.000
<b>Grand Total</b>	<b>39</b>	<b>124.652</b>	<b>33</b>	<b>549.550</b>	<b>156</b>	<b>7.879.801</b>	<b>12</b>	<b>134.849</b>	<b>5</b>	<b>591.878</b>	<b>245</b>	<b>9.280.731</b>

**Breakdown of monthly transactions.**



**(c) Logistics management**

The system of logistics management ensures the following:

- 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;
- Setting of inventory levels that includes minimum and maximum levels and lead times wherever goods are placed in stock;
- Placing of orders for all acquisitions other than those from petty cash;
- Before payment is approved, certification by the responsible official that the goods and services has been received or rendered on time and is in accordance with the order, general conditions of contract, specifications applicable and that the price charged is as quoted in terms of a contract;
- 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;
- Monitoring and review of the supply vendor performance to ensure compliance with specifications and contract conditions for particular goods or services.

**(d) Disposal management**

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

**(e) Performance management**

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

No further assessments are scheduled.

**(f) Combating of abuse of Supply Chain Management System**

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

**(g) Objections by aggrieved bidders**

No successful objections were lodged for the bidder for the period under review.

## (h) OTHER MATTERS

### **Advertisements in the media**

Advertisement costs of R132 420.48 were incurred in the procurement process for this financial year in relation to R106 948.78 in the previous financial quarter.

### **CIDB – Construction Industry Development Board**

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

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

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

### **Tenders and quotations evaluated on performance**

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

### **Disclosures:**

- **Transactions concluded with - “*People in the Service of the State*”**
  - There were no awards made to persons in the service of the state.
- **Transactions concluded with - “Close family members of persons in the service of the state”**
  - The awards made in excess of R 2,000 to persons who have close family members in the service of the state will be disclosed in the 2023/2024 Annual Financial Statements.
- **Benefits received in terms of the Local Government: Municipal Systems Act 32 of 2000 – Schedule 1 sec 5(2) & Schedule 2 sec 5(1)**
  - The assessment of declaration of interest forms completed by staff members and councillors are still in progress; no disclosures are available at this stage. However, final disclosure, if any, will be made in the 2023/2024 Annual Financial Statements.

## **STAFF COMPONENT**

The Supply Chain Management Unit has 16 funded posts, of which 5 is vacant. The capacity is currently supplemented with students and the placement of interns on a rotational basis. The filling of vacancies within the SCM unit are currently prioritised.

## **DELEGATIONS**

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

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

### **SUPPLIER DATABASE**

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

Suppliers are now familiar with National Treasury's Central Supplier Database (CSD) and the requirements to be registered, hence enquiries and assistance to suppliers has reduced dramatically. However, the Municipality are still available to assist any supplier who wish to be registered on the CSD. To date 2,484 CSD registration numbers have been recorded on the municipality's supplier database.

**EXPENDITURE PER PROCUREMENT CATEGORY**

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

Number of Transactions		Type of Procurement	Amount		Description
1 <sup>st</sup> Quart 2023/2024	2 <sup>nd</sup> Quart 2023/2024		1 <sup>st</sup> Quart 2023/2024	2 <sup>nd</sup> Quart 2023/2024	
640	654	<R2000-NO PROCUREMENT:	496,215.17	474,287.24	Acquisitions less than R 2,000
506	339	3rd PARTY PAYMENT:	29,879,418.43	21,279,521.19	Contribution payments / S&Ts / etc.
160	107	COUNCIL POLICY/SUBSIDY:	8,461,566.23	1,926,890.50	Study Bursaries / Grants / etc.
289	156	SEC.110(2)(a) OTHER ORGAN OF STATE	290,884.35	7,879,801.47	Goods and /or Services acquired from Other Organs of State/Municipalities.
3	12	DEV-REG.36(1)(a)(ii) Sole Prov./Agents	43,300.00	134,849.45	Sole Providers for products/services
22	5	DEV-REG.36(1)(a)(v) Impractical	2,783,459.21	591,877.88	Exceptional case where it is Impractical to follow bidding process - e.g., Software license renewals/support on systems)
31	23	PETTY CASH:	2,516.40	2,472.69	Transactions of small value as per Petty Cash Policy
352	190	QUOTATION PROCESS:	4,526,842.15	1,884,035.67	Acquisitions made in terms of a full quotation process up to R 200,000 - minimum three quotes
57	39	REG.16(c) < 3 WQ	154,300.55	124,652.05	Acquisitions where it was not possible to obtain at least three quotations up to R 10,000
108	33	REG.17(1)(c) < 3 FWPQ	2,529,450.13	549,550.02	Acquisitions where it was not possible to obtain at least three quotations between R 10,000 - R 200,000
57	45	STATUTORY PAYMENTS:	11,467,942.89	11,235,259.31	Prescriptive payments made in terms of legislation
1983	1595	TENDER PROCESS:	106,919,939.84	62,954,350.38	Acquisitions made in terms of a full tender process on amounts above R 200,000
<b>4208</b>	<b>3198</b>	<b>TOTAL:</b>	<b>167,555,835.35</b>	<b>109,037,547.85</b>	