

## **IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT POLICY**

4th Quarter  
01 April 2024 to 30 June 2024

### **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 quarter, submit to Council a report on the implementation of the SCM Policy of the Cape Winelands District Municipality (CWDM). 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 SCM Policy was initially adopted on 23 January 2006 and revised on 26 April 2024. It is compliant with National Treasury's prescripts and available on CWDM's website.

#### **2.2 PREFERENTIAL PROCUREMENT POLICY**

On 04 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 CWDM 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 SCM processes are categorised as follows:

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

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

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 monitors and assesses the validity and accuracy of specifications and compliance to the relevant legislation.

## **(b) Acquisition management**

The system of acquisition management ensures that:

- (i) Goods and services are only procured in accordance with authorised processes;
- (ii) 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) Threshold values for different procurement processes are complied with;
- (iv) Bid documentation, evaluation and adjudication criteria and general conditions of contract are in accordance with any applicable legislation; and
- (v) Treasury guidelines on acquisition management are properly considered.

The procurement processes of CWDM are centralised and all requests for procurement are actioned by the SCM 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 R30 000 are advertised on the municipal notice boards, CWDM website and in the applicable media in the instance of competitive bids (in excess of R200 000).

The subsequent outcome of these procurement processes is timeously published on the CWDM 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 expenditure incurred across the various procurement categories during the reported quarter is attached as:

### **Annexure 1 “Summary of procurement transactions per category (Expenditure)”**

#### **(b.1) Formal written price quotations (R30 001 - R 200 000)**

The table below provides an overview of the number of formal written price quotations awarded during the reported quarter :

Formal written price quotations (R30 000 – R200 000)	
Month	No. of awards
April 2024	2
May 2024	6
June 2024	15
<b>Total</b>	<b>23</b>

**(b.2) Tenders Awarded (Above R200 000)**

The table below provides an overview of the number of tenders awarded during the reported quarter:

Tenders (>R200 000)	
Month	No. of awards
April 2024	5
May 2024	11
June 2024	1
<b>Total</b>	<b>17</b>

It must be noted that some “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.

**(b.3) Bid committees**

The table below provides an overview of the number of bid committee meetings held during the reported quarter, for all tenders / competitive bids with an anticipated contract value of R200 000 or more:

Bid Specification Committee			
Month	No. of meetings	No. of items	No. of agendas
April 2024	1	6	1
May 2024	2	10	2
June 2024	2	9	2
<b>Total</b>	<b>5</b>	<b>25</b>	<b>5</b>

Bid Evaluation Committee			
Month	No. of meetings	No. of items	No. of agendas
April 2024	2	10	2
May 2024	3	14	3
June 2024	4	8	4
<b>Total</b>	<b>9</b>	<b>32</b>	<b>9</b>

Bid Adjudication Committee			
Month	No. of meetings	No. of items	No. of agendas
April 2024	2	11	2
May 2024	3	17	3
June 2024	1	1	1
<b>Total</b>	<b>6</b>	<b>29</b>	<b>6</b>

Municipalities must report to National Treasury (NT), all acquisitions in excess of R100 000 on a monthly basis. The reported information is captured and approved directly on (NT's) e-Tender Admin System.

**(b.4) Objections / Appeals by aggrieved bidders**

No objections were raised by any aggrieved bidders during the reported quarter.

One (1) appeal was received during the reported quarter.

This appeal is currently still underway and is expected to be completed in due course.

A summary of the one (1) appeal has been attached as: **Annexure 2 “Appeals received”**

**(b.5) Regulation 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 formal written price quotations value (R2 000 to R200 000), regulation 17(1)(c) will apply, and states that the reasons must be recorded and approved by the CFO or an official designated by the CFO.

All reports were submitted to the CFO within 3 working days after the end of each month.

The table below provides a list of expenditure which has been incurred related to the quotations awarded for which three quotations could not be obtained during the reported period:

**Written price quotations (R2 001 - R30 000)**

Written price quotations (R2 001 - R30 000)			
Description	Month		
	April 2024	May 2024	June 2024
Rand value of transactions	R226 179	R244 731	R139 756
No. of transactions	29	31	30

**Formal written price quotations (R30 001 - R 200 000)**

Formal written price quotations (R30 001 – R200 000)			
Description	Month		
	April 2024	May 2024	June 2024
Rand value of transactions	R183 481	R779 897	R1 351 732
No. of transactions	14	17	19

**(b.6) Deviations from normal procurement processes**

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 2023/2024 Annual Financial Statements.

Deviations from normal procurement processes			
Description	Month		
	April 2024	May 2024	June 2024
Rand value of transactions	R743 617	R360 733	R402 058
No. of transactions	20	16	5

### **(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) Other matters**

The following additional matters should be noted:

**(g.1) CIDB – Construction Industry Development Board**

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

**(g.2) 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.

**(g.3) 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.

**(g.4) 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 R2 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 the 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.

**(g.5) STAFF COMPONENT**

The Supply Chain Management Unit has 18 funded posts, of which 5 are 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.

**(g.6) 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.

**(g.7) SUPPLIER DATABASE**

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

Suppliers are familiar with National Treasury's Central Supplier Database (CSD) and the requirements to be registered. CWDM Officials still remain available and continue to assist any supplier who wishes to be registered on the CSD. To date 3 539 CSD registration numbers have been recorded on the municipality's supplier database.