

Cape Winelands District Municipality

IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT POLICY

For the 1st Quarter - 1st July 2023 to 30th September 2023

1. BACKGROUND AND PURPOSE

In terms of Regulation 6(3) of the Supply Chain Management (SCM) Regulations¹ 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

¹ 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
JULY 2023	6	18	6
AUGUST 2023	2	2	2
SEPTEMBER 2023	2	1	2
TOTAL	10	21	10

Bid Evaluation Committee	No. of Meetings	No. of Items	No. of Agendas
JULY 2023	2	8	2
AUGUST 2023	2	8	2
SEPTEMBER 2023	2	6	2
TOTAL	6	22	6

Bid Adjudication Committee	No. of Meetings	No. of Items	No. of Agendas
JULY 2023	1	1	1
AUGUST 2023	1	6	1
SEPTEMBER 2023	3	9	3
TOTAL	5	16	5

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	
JULY 2023	3
AUGUST 2023	3
SEPTEMBER 2023	0
TOTAL	6

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

Evaluated & awarded	
JULY 2023	0
AUGUST 2023	5
SEPTEMBER 2023	6
TOTAL	11

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.

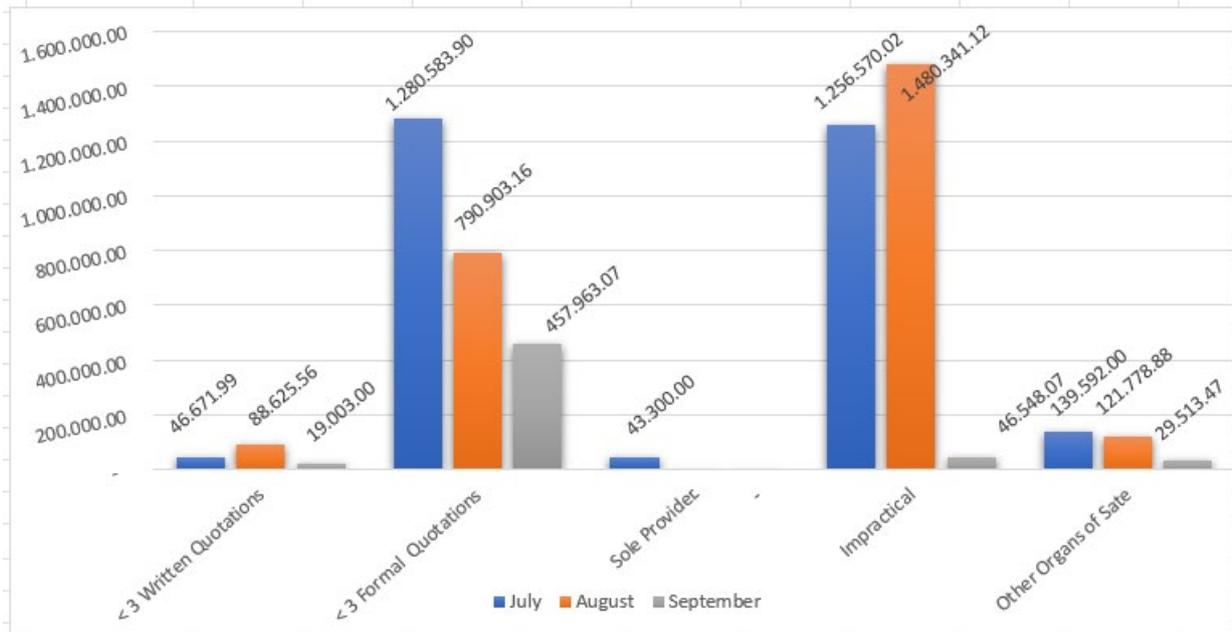
Deviation values fluctuate during each period and will not necessarily reflect the same patterns. The deviations contained in the quarterly reports are extracted from the financial system, these transactions are reviewed on an ongoing basis, final changes will be reported in the Annual Implementation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

ILLUSTRATED VALUES

Commodity Description July to September 2023	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	
BREAKFAST/LUNCH/SUPPER-OTHER	15	56,565	5	84,140							132	1,328,125
BUILDINGS - MAINTENANCE											47	1,492,015
CLEANING SERVICES	1	3,160									187	2,424,634
COLLECTIVE AGREEMENTS							24	157,170			72	608,894
CONSTRUCTION MATERIAL - ROADS											136	6,708,203
CONSULTANTS - PROFESSIONAL SERVICES			6	87,280	7	1,207,689					39	3,919,789
EQUIPMENT - ELECTRONIC/RADIO/Etc.			2	327,141							3	328,507
GARNISHING ORDERS							8	5,400			218	2,614,969
HOTEL BOOKINGS - LOCAL	4	16,966	2	9,220							62	285,448
INTERNET CONNECTION			4	153,594	12	1,124,700					18	1,891,455
LICENSING - VEHICLES							250	111,024			278	114,494
MEDIA: NEWS PAPERS/MAGAZINES/Etc.							5	1,742			5	1,742
MISCELLANEOUS	22	35,478	23	304,384							137	826,125
PRINTING & PUBLICATIONS	2	4,836	24	24,826							77	405,633
PROTECTIVE CLOTHING			1	19,478							90	723,062
REFRESHMENTS/ENTERTAINMENT											30	23,306
REGISTRATION FEES: SEMINARS/Etc.					2	319,200			3	43,300	5	362,500
RENTAL - OTHER	1	3,000	6	22,540							31	87,790
SECURITY SERVICES											245	6,568,788
SERVICES - TELEPHONE											1	299,793
SOFTWARE (SPECIFIC)			4	440,000	1	131,870					6	887,918
TRAINING (SPECIFIC)			3	87,009							37	2,136,375
TRANSPORT: PUBLIC											57	544,723
VEHICLE - PARTS											449	1,191,714
VEHICLE - TIRES & PUNCTURES											125	137,349
REPAIRS: OTHER (ELECTRONIC/MECH/Etc.)			2	78,389							87	308,327
STOCK ITEMS - STORES											260	2,834,066
TOLL FEES											122	26,772
REPAIRS/SERVICE: MECHANICAL/ELECTRIC											51	3,673,489
OILS & LUBRICANTS											21	25,311
STATIONERY - OTHER											9	23,478
EQUIPMENT - OTHER	2	11,200	13	84,822							98	4,531,053
FUEL - PETROL											1	758
TRANSLATION SERVICES	7	14,400									19	384,938
INVESTMENT: FIRST NATIONAL BANK											2	34,000,000
INVESTMENT: ABSA											4	61,000,000
INVESTMENT: STANDARD BANK											5	69,000,000
INVESTMENT: INVESTIC											3	30,000,000
SALARY & WAGES NOT VIA SYSTEM											210	2,037,886

Commodity Description July to September 2023	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	
COMPANY CONTRIBUTIONS											70	24,389,029
STAFF DEDUCTION PAYMENTS											4	768,615
UNRELATED TO PROCUREMENT											12	74,320
TAXES & LEVIES											9	11,016,219
GRANTS & DONATIONS											147	8,089,048
INSURANCE/SECURITY											13	1,906,269
AIR TICKETS - LOCAL	1	5,366	2	11,509							32	186,499
ADVERTISING - LOCAL NEWS PAPERS											63	792,798
FOOD SAMPLES											62	1,536,027
CONTRACTORS - CIVIL/BUILDINGS/Etc.											11	2,154,940
PRINTERS - NEW											1	21,275
SABC & OTHER RADIO & TV ADVERTISING											4	537,666
SUBSISTENCE - LOCAL											37	178,271
EQUIPMENT - HAND TOOLS/GARDEN											5	1,493
VEHICLE - REPAIRS-MECH./SERVICE											60	1,908,131
RENTAL - VEHICLE - LOCAL	1	1,030	1	1,365							13	17,824
AIR TICKETS - INTERNATIONAL											8	580,248
TONER - PRINTERS											1	1,512
CONSUMABLES & CLEANING MATERIALS											105	825,149
SOFTWARE & SUPPORT			4	132,583							4	132,583
CELL PHONE - SERVICE CHARGES											1	1,955
TRAVEL & SUBSISTENCE - LOCAL											1	150
NOTICE BOARDS/SIGNS/Etc											3	12,919
AUDITOR GENERAL							2	15,548			2	15,548
RENTAL: PORTABLE CHEMICAL TOILETS	1	2,300									27	1,081,908
TRANSPORT/DELIVERIES & STORAGE			1	18,170							1	18,170
RENTAL - CONFERENCE FACILITY/CATERING											5	72,645
TRAINING											6	55,223
STUDY & BURSARY FEES											13	372,518
IT RELATED GOODS & SERVICES			3	570,300							5	824,300
ACCESSORIES CAMERAS/Etc.			1	25,395							1	25,395
COMPUTER - SERVERS/MAIN FRAME			1	47,306							1	47,306
RENTAL - CONSTRUCTION MACHINERY											74	10,785,117
CONSTRUCTION MATERIAL - BUILDINGS											2	10,125
COMPUTER - LAPTOP - NEW											10	3,325,271
FIRE FIGHTING SERVICES											4	6,319,431
CONSULTANTS - FINANCIAL											2	184,000
CONSULTANTS - HUMAN RESOURCES											2	611,800
VEHICLE - NEW											15	38,354,590
ALIEN PLANT ERADICATION (CWDM)											2	101,075
AIR-CONDITIONING - NEW											1	102,896
EDUCATIONAL/SOCIAL/RECREATION											2	302,069
HOTEL BOOKINGS - INTERNATIONAL											2	54,080
Grand Total	57	154,301	108	2,529,450	22	2,783,459	289	290,884	3	43,300	4222	361,555,835

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 R106 948.78 were incurred in the procurement process for this financial year in relation to R140 615 in the previous financial year.

CIDB – Construction Industry Development Board

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

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

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

Tenders and quotations evaluated on performance

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

Disclosures:

- **Transactions concluded with - “*People in the Service of the State*”**
- There were no awards made to persons in the service of the state.
- **Transactions concluded with - “*Close family members of persons in the service of the state*”**

- The awards made in excess of R 2,000 to persons who have close family members in the service of the state will be disclosed in the 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
4 th Quart 2022/2023	1st Quart 2023/2024		4 th Quart 2022/2023	1st Quart 2023/2024	
588	640	<R2000-NO PROCUREMENT:	380,043.86	496,215.17	Acquisitions less than R 2,000
347	506	3rd PARTY PAYMENT:	20,675,680.33	29,879,418.43	Contribution payments / S&Ts / etc.
59	160	COUNCIL POLICY/SUBSIDY:	3,337,323.33	8,461,566.23	Study Bursaries / Grants / etc.
133	289	SEC.110(2)(a) OTHER ORGAN OF STATE	6,055,412.65	290,884.35	Goods and /or Services acquired from Other Organs of State/Municipalities.
2	3	DEV-REG.36(1)(a)(ii) Sole Prov./Agents	7,877.00	43,300.00	Sole Providers for products/services
13	22	DEV-REG.36(1)(a)(v) Impractical	348,256.79	2,783,459.21	Exceptional case where it is Impractical to follow bidding process - e.g., Software license renewals/support on systems)
20	31	PETTY CASH:	1,817.68	2,516.40	Transactions of small value as per Petty Cash Policy
217	352	QUOTATION PROCESS:	1,895,224.37	4,526,842.15	Acquisitions made in terms of a full quotation process up to R 200,000 - minimum three quotes
50	57	REG.16(c) < 3 WQ	189,918.57	154,300.55	Acquisitions where it was not possible to obtain at least three quotations up to R 10,000
41	108	REG.17(1)(c) < 3 FWPQ	1,356,259.43	2,529,450.13	Acquisitions where it was not possible to obtain at least three quotations between R 10,000 - R 200,000
46	57	STATUTORY PAYMENTS:	12,813,602.26	11,467,942.89	Prescriptive payments made in terms of legislation
1644	1983	TENDER PROCESS:	43,882,786.99	106,919,939.84	Acquisitions made in terms of a full tender process on amounts above R 200,000
3160	4208	TOTAL:	90,944,203.26	167,555,835.35	