

ANNEXURE “A”: SUPPLY CHAIN MANAGEMENT QUARTERLY IMPLEMENTATION REPORT

**4th Quarter, ending
30 June 2019**



PURPOSE

The Local Government: Municipal Finance Management Act, no 56 of 2003 (MFMA), requires the municipality to have and implement a Supply Chain Management (SCM) Policy which gives effect to the provisions of Part 1 of Chapter 11 of the Act that deals with 'Supply Chain Management'.

Although the MFMA prohibits a Councilor from being a member of a bid committee or any other committee evaluating or approving quotations or tenders, Council has an oversight role to ensure that the Accounting Officer implements all supply chain management activities in accordance with this policy.

The purpose of this report, is to report on the implementation of Council's Supply Chain Management Policy to the Executive Mayor in terms of paragraph 6.3 (Part A), for the period ending 30 June 2019.



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1. POLICY REQUIREMENTS

1.1 Purpose

To report on the implementation of Council's Supply Chain Management Policy to the Executive Mayor in terms of paragraph 6.3 of the said policy.

1.2 Supply Chain Management Policy:

The Supply Chain Management Policy was initially adopted on 30 August 2005 and a Supply Chain Unit was also established, which operates under direct management of the Senior SCM Manager and supervision of the Chief Financial Officer. The policy provides for the systems of: Demand, Acquisition, Logistics, Disposal, Performance and Risk Management.

The objectives of the Policy are:

- a) to give effect to section 217 of the Constitution of the Republic of South Africa by implementing a system that is fair, equitable, transparent, competitive and cost effective; and
- b) to comply with applicable provisions of the Municipal Finance Management Act including Municipal Supply Chain Management Regulations published under GN868 in Government Gazette 27636, 30 May 2005 and any National Treasury Guidelines issued in terms of the MFMA and regulations pertaining thereto.
- c) to acknowledge the provisions of:
 - the Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003);
 - The Competitions Act 1998 (Act No. 89 of 1998)
 - the Construction Industry Development Board Act, 2000 (Act No.38 of 2000);
 - the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003);
 - the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998);
 - the Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000);
 - the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000);
 - the Prevention and Combating of Corrupt Activities Act, 2000 (Act No. 12 of 2004);
 - the Promotion of Administrative Justice Act, 2000 (Act No. 3 of 2000)

1.3 Amendment of Supply Chain Management Policy

In terms of Paragraph 3(1)(b) of the Policy, the Accounting Officer must, when consider necessary, submit proposals for the amendment of the Supply Chain Management Policy, to Council.

The Supply Chain Management Policy was amended in May 2019 and submitted to Council for approval.

The following policies were also amended during May 2019, with specific reference to Expenditure and Logistics departments within the SCU:

- Petty Cash Policy
- S&T Policy

The Supply Chain Management Unit operates under the direct supervision of the Chief Financial Officer and is led by the Senior SCM Manager.

2.1 The structure of the SCMU covers the following disciplines within Supply Chain Management:

- Demand Management: Demand Planning; Specifications; Evaluation and Adjudication.
- Acquisition Management: Procurement of Goods & Services below R200 000- Purchasing/Buyer's Division
Procurement of Goods & Services above R200 000- Procurement/Bid Division
- Logistics Management : Inventory Management- Municipal Stores
- Contract Management : Monitoring the performance of contracts procured through the SCM process.
- Database Administration: Breedé Valley Suppliers Database as Primary database; Intervention with the Western Cape Suppliers Database (WCSD)(PT) and the Central Supplier Database (CSD)(NT)
- Expenditure Management: Creditors expenditure and efficiencies dealing with Goods and services payments; Governmental and Non- Governmental institutions.
- Payroll Management : Salaries and HR Contractual payments; Subsistence and Travel expenditure; Third Party Payments and EPWP payments

The staff complement in the SCM consists of a total of 42 officials.

2.2 New appointments and additions to the SCM unit

The following appointments were made:

- a) Accountant: Salaries - Ms Thina Beje;
- b) Senior Clerk: Creditors – Mr Sharief van Heerden
- c) Principle Clerk: Bid Contract Administration – Mr Jason Gordon

2.3 Resignations:

No resignations were recorded.

2.4 Vacancies to be filled:



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The following vacancies still exist, and management is working hard to get them filled:

- a) Senior Clerks: Procurement X 2;
- b) Principal Clerk: Creditors;
- c) Clerk: Cheques and Petty Cash;
- d) Clerk: Stores;
- e) General Assistant/ Cleaner.

2.5 Training and Development:

The following officials are currently involved in relevant further tertiary studies:

Table 1: Officials that are currently involved in relevant further tertiary studies

#	Designation	Name	Study Area
1.	SCM: Database Administration	Busisiwe Xayimpi	Project Management
2.	SCM: Supervisor Stores	Zipho Ceza	Bachelors degree in SCM
3.	SCM: Contract Management	Sinethemba Mpata	Advance Diploma: Accounting
4.	SCM: Senior Clerk Evaluations	Mimi Mphatsoane	Bachelors degree in Administration and Development
5.	Accountant Expenditure	N Sikunana	Bachelors degree in Commerce
6.	Senior Clerk: Purchases	M Africa	Bachelors degree in Administration and Development
7.	Senior Clerk: Procurement	H Anyster	Bachelors degree in Commerce
8.	Senior Clerk: Purchases	E Sampson	Bachelors degree in Administration and Development
9.	Senior Clerk: Purchases	A Sithole	Bachelors degree in Administration and Development
10.	Office Assistant	N Qandashe	Bachelors degree in Administration and Development
11.	Senior Clerk: Procurement	J Gordon	Bachelors degree in Commerce

The following senior SCM officials started or completed the minimum competency levels for Managers and Heads of Supply Chain Management units:

Table 3: Officials who started or completed the minimum competency levels



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Name of Official	Course	Progress
Salmon Lakay	MMCL Training Completed	Certificate
Katiso Moteetee	MMCL Training Completed	Certificate
Morne Potgieter	MFMA Completed with Unisa For SCM Heads	Certificate

3. DISCUSSION: SUPPLY CHAIN MANAGEMENT SYSTEMS

3.1 Demand Management:

Demand management requires timely planning and management processes to 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.

The SCM Unit has, with support by the Accounting Officer and the Chief Financial Officer implemented SCM via a Demand Management Plan (DMP) as a strategic tool to implement the budget. The DMP assists the SCM Unit with the planning of tender processes and, user departments with the planning of the execution and timely completion of projects in alignment with performance targets in the Service Delivery and Budget Implementation Plan.

To enhance the demand planning process, an annual Demand Management Plan was developed for the 2018-2019 financial year for capital spending. Such plan is continuously monitored.

3.2 Acquisition Management

The system of acquisition management must ensure the following:

- That goods and services are procured in accordance with authorized processes only;
- That expenditure on goods and services is incurred in terms of an approved budget in terms of section 15 of the Municipal Finance Management Act (Act 56 of 2003);
- That the threshold values for different procurement processes are complied with;
- That bid documentation, evaluation and adjudication criteria and general conditions of a contract are in accordance with applicable legislations; and
- That any Treasury guidelines on acquisition management are properly considered.

The new Preferential Procurement Regulations 2017 promulgated for implementation on 1 April 2017 has been taken into consideration as well as the Treasury Circulars that have been issued from time to time.

3.2.1 Bid Committee Systems

A Bid Committee system for competitive bids has since been established and is fully operational. It comprises of the Bid Specification, Evaluation and Adjudication committees. The committees meet regularly. The Accounting Officer appoints members of each committee taking into account Section 117 of the MFMA. All tenders that have been approved by the Bid Adjudication Committee are reported on a monthly basis.

For the quarter under review, the Bid Adjudication Committee and the Accounting Officer approved 13 tenders, amounting to an envisaged expenditure of R95,976,347.69 which can be itemized as follows.



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Table 4: Number of tenders approved during April 2019 – June 2019

Month	Number of tenders awarded	Total Value
April 2019	4	R57,271,249.71
May 2019	4	R8,593,704.00
June 2019	5	R30,111,393.98
Total	13	R95.976.347.69

Two (2) out of the thirteen (13) tenders awarded, amounted to R2,645,733.64, and were awarded to a company based (established) within the boundaries of the Breede Valley Municipality.

3.2.2 Quotation Processes

Prescribed procurement processes were followed for those transactions lower than R200,000 (VAT Included) in value. A summary is depicted below:

Table 5: Purchase orders issued during April 2019 – June 2019

Month	Number of purchase orders issued	Total Value
April 2019	693	R15,285,339.35
May 2019	655	R20,712,928.78
June 2019	483	R18,063,128.73
Total	1.831	R54.061.396.86

Due to the magnitude and volumes of the orders, the information relating to awards made to locally established businesses and those owned by women and youth, could not be availed. This information will form part of quarterly reports of 2019/20 year, in order to address Council's request.

3.2.3 Appeals/ Objections by aggrieved bidders

Paragraph 49 of the Municipal Supply Chain Management Regulations allows the aggrieved bidders the opportunity to lodge objections (with proper motivation) against the decision(s) taken by the Bid Adjudication Committee, within 14 days from date of notification thereof.

Alternatively, should they wish to lodge an appeal in terms of Section 62 of the Local Government: Municipal Systems Act 2000 (Act 32 of 2000) against the award of the tender, such appeal is to be lodged within 21 days from date of the notification.

For the quarter under review, seven objections or appeals were lodged and their details are included in the table below:



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Table 6: Appeals lodged by aggrieved bidders

<u>DATE RECEIVED</u>	<u>BID NUMBER</u>	<u>TENDER DESCRIPTION</u>	<u>OBJECTION/ APPEAL LODGED BY</u>	<u>DATE FORWARDED TO IMPARTIAL PERSON</u>	<u>DATE RESOLVED</u>	<u>OUTCOME OF THE OBJECTION / APPEAL PROCESS</u>
25/03/2019		SUPPLY AND DELIVERY OF PROTECTIVE CLOTHING FOR THE PERIOD ENDING 30 JUNE 2021	Pienaar Brothers (Pty) Ltd	28/03/2019	16/04/2019	The decision of the Bid Adjudication Committee meeting, held on 20 March 2019, was maintained without any amendment.
2/4/2019	BV717/2018		TR Supply cc t/a TRF Sport	3/4/2019 & 15/04/2019	16/04/2019	
6/5/2019	BV761/2019	UPGRADING OF SPRINGVELDT LINK	New Morning Construction cc	7/5/2019	15/05/2019	The decisions of the Bid Adjudication Committee meetings, held on 29 April 2019 and 2 May 2019, respectively, were revoked. The matters were referred back to the Bid Evaluation Committee for re-evaluation.
6/5/2019	BV771/2019	CONSTRUCTION OF PEDESTRIAN BRIDGE IN TOUWS RIVER	New Morning Construction cc	7/5/2019	15/05/2019	
		IMPLEMENTATION OF REVENUE ENHANCEMENT STRATEGY (INCLUDING DATA CLEANSING) FOR THE PERIOD ENDING 30 JUNE 2021	Revenext (a Business unit of Nextec Advisory) (Pty) Ltd	6/6/2019	12/6/2019	The decision of the Bid Adjudication Committee meeting, held on 23 May 2019, was maintained without any amendment
4/6/2019	BV 762/ 2019	GROUP LIFE INSURANCE SCHEME (INCLUSIVE OF AN OPTIONAL FUNERAL COVER) FOR THE PERIOD ENDING 30 JUNE 2022				The decisions of the Bid Adjudication Committee and the AO of 6 June 2019 were maintained without any amendment
7/6/2019	BV772/ 2019	SHORT TERM INSURANCE SERVICES FOR THE FOR THE PERIOD ENDING 30 JUNE 2022	Wynsam Health	10/6/2019	21/06/2019	
19/06/2019	BV 716/ 2019		Lateral Unison Insurance Brokers	20/06/2019	25/06/2019	The decisions of the Bid Adjudication Committee and the AO of 6 June 2019 were maintained without any amendment

3.2.4 Minor Breaches

The Supply Chain Management Policy states in Clause 36(1)(b) that the Accounting Officer may consider ratifying any minor breach of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely of a technical nature.

For the quarter under review, no minor breaches materialized.

3.2.5 Deviations from normal procurement processes

Paragraph 36(1)(b) of the policy allows the Accounting Officer to dispense with the official procurement processes established by this Policy only –

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

For the quarter under review, the Accounting Officer approved 24 deviations to the amount of R8,098,641.61 which can be itemized as follows:

Table 7: Deviations approved by the Accounting Officer

Month	Number of deviations	Total Value
*April 2019	9	R5,332,999.81
*May 2019	13	R2,492,134.16
June 2019	2	R273,507.64
<u>Total</u>	<u>24</u>	<u>R8,098,641.61</u>

**Already reported at previous ordinary meetings of Council.*

3.2.6 SCM paragraph 16&17 reportable matters

Par 16(1)(d) of the SCM Policy states if it is not possible to obtain at least three quotations, the reasons must be recorded and reported quarterly to the Accounting Officer or another official designated by the Accounting Officer; and

Par 17(1)(d) of the SCM Policy states that if it is not possible to obtain at least three quotations, the reasons must be recorded by the supply chain practitioner and approved by the Senior Manager Supply Chain Management or an official designated by the Chief Financial Officer, in terms of delegations.

A register (record) of all cases and motivations where it is not possible to obtain at least three quotations is maintained and reported to the Senior Manager SCM and the CFO, monthly.



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3.3 Accredited Suppliers Database

In terms of Paragraph 14(1)(a) of Council's Supply Chain Management Policy, the Accounting Officer is required to keep a list of accredited prospective providers of goods and services (Supply Chain Database). In terms of the municipality's legislative requirement, interested suppliers were requested to register on our database, and or update their information, by advertisement. The SCM formed part of the Jamboree process in April 2019, as an initiative to take services to the suppliers.

Current suppliers are requested on a quarterly basis to update their registration information. For the quarter under review, about 118 new supplier registrations were done.

This gave rise to approximately 4781 accredited suppliers registered on the SC Database. Many initiatives are conducted annually to assist suppliers with the completion of SCM Database forms.

3.4 Logistics management

The system of logistics management must ensure the following:

- the 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;
- the setting of inventory levels that includes minimum and maximum levels and lead times wherever goods are placed in stock;
- the placing of manual or electronic orders for all acquisitions other than those from petty cash;
- before payment is approved, certification by the responsible officer that the goods and services are 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;
- appropriate standards of internal control and warehouse management to ensure that goods placed in stores are secured and only used for the purpose for which they were purchased;
- regular checking to ensure that all assets including official vehicles are properly managed, appropriately maintained and only used for official purposes; and Proper measures are still in place to ensure that the above elements are fully adhered to. (Monthly movements: work in progress).

3.5 Disposal management

The system of disposal management must ensure the following:

- immovable property is sold only at market related prices except when the public interest or the plight of the poor demands otherwise;
- 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;
- Firearms are not sold or donated to any person or institution within or outside the Republic unless approved by the National Conventional Arms Control Committee;
- Immovable property is let at market related rates except when the public interest or the plight of the poor demands otherwise;



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- All fees, charges, rates, tariffs, scales of fees or other charges relating to the letting of immovable property are annually reviewed;
- Where assets are traded in for other assets, the highest possible trade-in price is negotiated.

3.6 Contract Management (CM)

The SCM Unit established a new sub-unit namely the Contract Management Office during 2017/2018, which primarily focuses on SCM Contracts above R200 000, which are procured through a SCM process. The following objectives were set for the CM Office for 2017/2018 and 2018/2019 financial years:

- The Breede Valley Contract Management function has been centralised into the Contract Management Office, reporting to the Manager: Procurement;
- Aligning the contract management procedures and systems with the rest of the SCM functions and Expenditure department;
- Formalise and implement a new Contract Management Framework which already forms part of the SCM Policy;
- The implementation of an electronic Contract Management System, Electronic SCM Archive, Electronic Database Archive;
- The implementation of a full electronic purchasing system;
- On full implementation of the system, monthly reports will be distributed to all contract champions on the contract status of SCM contracts;
- Control and safekeeping of contract documents, in conjunction with the records department, have been improved and will be further enhanced with an electronic system;
- With the establishment and inclusion of the Contract Management function within SCM, performance management on all contracts is monitored and reported to the executive management monthly;
- Contracts of a repeatable nature, due to its nature to provide continuous service delivery, are monitored by the office and notifications for renewal will be sent 6 months prior to the end date of the contract to contract champions.
- Regular monitoring and review of the supplier vendor performance to ensure compliance with specifications and contract conditions for goods or services, is conducted.

The following table illustrates the status of contracts as at 30 June 2019:

Table 8: Status of contracts as at 30 June 2019

STATUS	QUANTITY
Active contract	80
Expired contract	13
Expiring contract in the next 4 months	2
Cancelled Contract	0
Extended Contract	1



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4. Conclusion:

The Breede Valley Municipality has been implementing the Supply Chain Management Regulations diligently through the Supply Chain Management Policy.

Contract Management, Demand Management and the combating of Irregular Expenditure still remain key focus areas in the implementation of supply chain management within the municipality.

The objective of the 2018/2019 financial year was to have a fully integrated SCM IT system, which operates on a Standard Chart of Accounts base for Local Government (MSCOA) that will further enhance procedural controls, efficiency and legislative compliance, from a centralized platform.

Breede Valley Municipality continuously strives not only to ensure compliance to legislative frameworks, but also to improve administrative and procedural efficiency, thereby giving effect to its Constitutional mandate in terms of Section 152 of the Constitution.

5. Recommendation


- 1) That the quarterly Supply Chain Management Implementation Report for the period ending 30 June, be noted;
- 2) That, the report be made public in accordance with Section 21A of the Local Government: Municipal Systems Act, No. 32 of 2000.


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K. MOTEETEE
MANAGER: PROCUREMENT
DATE: 10/7/2019.


.....
R. ONTONG
CHIEF FINANCIAL OFFICER
DATE:


.....
W. MEIRING
PORTFOLIO HOLDER: FINANCE
DATE: 10/7/2019


.....
M. POGIETER
SENIOR MANAGER: SCM
DATE: 10/7/19


.....
D. McTHOMAS
MUNICIPAL MANAGER
DATE: 10/07/19


.....
A. STEYN
EXECUTIVE MAYOR
DATE: 10/07/2019



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