

## **ITEM**

### **BUDGET AND TREASURY OFFICE: SUPPLY CHAIN MANAGEMENT QUARTERLY REPORT FOR THE QUARTER ENDED 31 DECEMBER 2019**

**5/1**

#### **PURPOSE**

The purpose of the report is to give feedback on the implementation of the Supply Chain Management policy for the quarter ended 31 December 2019.

#### **BACKGROUND**

The Municipal Supply Chain Regulations (promulgated in Government Gazette Number 27636 on 30 May 2005) states the following:

##### **Oversight role of council of municipality:**

Section 6(3) of the Municipal Supply Chain Regulations states:

*“The Accounting Officer must within ten (10) days of the end of each quarter, submit a report on the implementation of the supply chain management policy to the Mayor of the municipality”*

This report complies with Municipal Supply Chain Regulations as stated above by providing detailed compliance information in respect of compliance, progress, challenges and constraints in the implementation of the Supply Chain Management Policy

#### **DISCUSSION**

##### **1. Review of the Supply Chain Management Policy**

In terms of Section 111 of Municipal Finance Management Act (Act No. 56 of 2003) each municipality must have and implement Supply Chain Management Policy and the policy should be reviewed annually to ensure that it complies with the new legislative requirements.

As such West Rand District Municipality’s Supply Chain Management Policy was approved and adopted by council on 05 December 2011. Regulation 3(1) a, requires that the Accounting Officer review the SCM Policy at least once annually to ensure that it is aligned with the new legislative requirements. The policy was reviewed and adopted by council on date the budget was approved 26 June 2019.

## 2 Supply Chain Management Units:

Regulation 3 states the following:

- a. *Each municipality must establish a supply chain management unit to implement its supply chain management policy.*
- b. *A supply chain management unit must, where possible, operate under the direct supervision of the Chief Financial Officer or an official to whom this duty has been delegated in terms of section 82 of the act (MFMA).*

The Supply Chain Management Unit in terms of the legislation is responsible for the following prescribed functions:

- Demand management;
- Acquisition management;
- Logistics management;
- Disposal management;
- Performance management; and
- Risk management.

## 3 Supply Chain Processes

### **Bid Committees**

The following bid committees are established to allow for the smooth implementation of the competitive bidding process:

- ✓ Bid Specification Committee;
- ✓ Bid Evaluation Committee; and
- ✓ Bid Adjudication Committee

Members of all bid committees have been appointed by the Accounting Officer. These appointments of committee members will be reviewed annually by the Accounting Officer. Appointments of committee members were reviewed on 1 October 2019. Members were required to familiarize themselves with the roles and responsibilities of the Bid Committee Members as well as to sign the SCM Code of Conduct. All tenders (procurement above R200 000) are dealt with by all the committees.

### **Demand Management**

The system of demand management must allow for the analysis of proper needs, establishment of a supplier database, implementation of IDP projects and drafting of proper specifications. Circular 62 issued by National Treasury require that Municipalities develop a procurement plan for all procurement needs with an estimated value above R200, 000. The procurement plan which will guide the

procurement requirements of the municipality for the financial year 2019/20 was approved by the Accounting Officer on the 16 October 2019.

### **Supplier Database**

The database is reviewed on a quarterly basis. 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 provider in line with Section 14(1) (b) of the Municipal Supply Chain Management Regulations. This is as per the requirements of the Municipal Supply Chain Management Regulation 14 and MFMA Circular No. 81. An invitation was sent out through national and local newspapers on the 10<sup>th</sup> June 2019 for existing and new prospective suppliers to update and register in the National Treasury Central Supplier Database and West Rand District Municipality Supplier database.

### **Acquisition Management**

The system of acquisition must allow for compliance with all the ranges of procurement as legislated. The following are the ranges of procurement:

<b>Procurement Process</b>	<b>Value</b>
Petty Cash Purchases	Up to R2000 [VAT included]
Written Quotation	Over R2000 [VAT included] up to R10 000 [VAT included]
Formal Written Price Quotation	Over R10 000 [VAT included] up to R200 000 [VAT included]
Competitive Bidding	Over R200 000[VAT included] or Long Term Contracts

All procurement of goods and services irrespective of thresholds is centralized and performed by the supply chain management office.

### **Deviations**

Section 36 of the Municipal Supply Chain Regulation allows for the Accounting Officer to dispense with SCM process under one of the following circumstances:

- (i) in an emergency;
- (ii) if such goods or services are produced or available from a single provider
- (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.

The only service procured under deviation rule for the quarter under review is outlined below. Attached as “**Annexure 1**” is the outcome.

<b>Period</b>	<b>Amount</b>
First Quarter (01 July 2019 – 30 September 2019)	R 0.00
Second Quarter (01 October 2019 – 31 December 2019)	R 10 350.00
<b>TOTAL</b>	<b>R 10 350.00</b>

### **Publication of Tender Results**

Section 75(1) (g) of the Municipal Finance Management Act states that “*The Accounting Officer of a municipality must place on the website all supply chain management contracts above a prescribed value*”.

The National Treasury has since prescribed the value as above R100, 000.00. The Council decision to suspend the procurement plan resulted in the Tender and RFQ to remain unchanged.

### **Logistics Management**

The Accounting Officer must implement an effective system of logistics management in order to provide for the setting of inventory levels, placing of orders, receiving and distribution of goods, stores and warehouse management, expediting orders, transport management, vendor performance, and maintenance and contract administration. The municipality has a store whereby the purchase orders and consumables are issued to departments.

The following consumables are kept at stores:

- a) Stationery;
- b) Cleaning materials;
- c) Toners and Cartridges; and
- d) Office Refreshments

The stocktake was conducted as per the 2019/2020 SDBIP 1<sup>st</sup> quarter requirements for this financial year, for the quarter ended 31 December 2019. Attached as “**Annexure 2**” is the outcome.

## **Disposal Management**

The criteria for the disposal or letting of assets, including unserviceable, redundant or obsolete assets is subject to Section 14 of the Municipal Finance Management Act. No assets were disposed in the quarter under review.

## **Contract Management**

Contract management function should be established within Supply chain Management Unit to deal with all the administrative tasks pertaining to the management of the contracts procured through Supply Chain Management processes. The contract management function is responsible for administration of contracts, compliance and monitoring performance and the termination process of contracts.

All approved contracts are registered in the Contract Management Register to monitor contract ending dates in order to commence with procurement strategy on time. Attached as “**Annexure 3**” is the Contract Register for 2019/2020.

## **LEGAL IMPLICATIONS**

The report is compiled as required by Section 6 of the Municipal Supply Chain Regulations.

## **RECOMMENDATION THAT:**

1. Cognisance is taken of Supply Chain Management Quarterly Report for the quarter, 01 October 2019 to 31 December 2019.