

ITEM

SECTION 80 COMMITTEE: BUDGET AND TREASURY OFFICE: SUPPLY CHAIN MANAGEMENT ANNUAL REPORT FOR THE PERIOD 1 JULY 2019 TO 30 JUNE 2020.

1. PURPOSE

The purpose of the report is to give feedback on the implementation of the Supply Chain Management policy for the financial year ended 30 June 2020.

2. INTRODUCTION

At the end of each financial year the Accounting Officer of the municipality is mandated to submit a report on the implementation of the supply chain management Policy to council.

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 thirty (30) days of the end of each year, submit a report on the implementation of the supply chain management policy to the Mayor of the municipality”

This report intends to comply 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.

3. DISCUSSION

3.1 Background

Municipalities are compelled to procure goods and services in a manner that is fair, equitable, transparent, cost effective and competitive. These principles form the foundation of any procuring of goods and services within the municipal sphere, which then is supported by the guidelines within the Municipal Finance Management Act, the Municipal Supply Chain Management Regulations and the Supply Chain Management Regulations guide for

Accounting Officers. National Treasury has promulgated legislation which forms the guidelines and the basis for the municipal Supply Chain Management system.

3.2 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 26 June 2019.

3.3 Supply Chain Management Unit

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).*

West Rand District Municipality has an established Supply Chain Management Unit that operates under direct supervision of the CFO.

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.

On a continuous basis, the SCM unit of the municipality aims to improve on the operational processes and procedures pertaining to Supply Chain Management. As part hereof, Standard Operating Procedures will be reviewed and implemented in order to streamline internal

process by removing obstacles that delays service delivery unnecessarily. This will ensure continuous development of best practices in order to achieve a clean audit opinion from the Auditor General of South Africa.

Staff Complement

- Herman Sebelebele – Manager Supply Chain Management
- Nicola Benson – Coordinator Contract Management and Compliance
- Goitsemodimo Mandona – Finance Clerk
- Niklass Mofokeng–Finance Clerk

Competency Levels

No.	Officials	Qualification	Current Studies
1.	Herman Sebelebele	Matric, BCom(Accounting) degree, NQF Level 7 and Municipal Financial Management NQF Level 6	BCom(Public Procurement Management)
2.	Nicola Benson	Matric and Municipal Financial Management NQF Level 6.	National Certificate Supply Chain Management NQF Level 5
3.	Goitsemodimo Mandona	Matric, Diploma in Public management and Municipal Financial Management NQF Level 6	National Certificate Supply Chain Management NQF Level 5
4.	Niklaas Mofokeng	Matric, Diploma in Public Relations, Municipal Financial Management NQF Level 6, and Supply Chain Management NQF Level 5.	

3.4 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. All tenders (procurement above R200, 000) are dealt with by all the committees.

The following are the members of bid Committees:

Bid Specification Committee

- Mr. Nico Kahts - Chairperson
- Ms. Rethabiseng Mokebe
- Mr. Themba Makhoba
- Mr. Tebogo Moloji
- Mr. Dan Monamoli
- Mr. Danny Govender
- Mr. Herman Sebelebele

Bid Evaluation Committee

- Mr. Zeblon Mphaphuli – Chairperson
- Mr. Mashudu Nevhungoni
- Ms. Nicola Benson
- Mr. Musa Zwane

Bid Adjudication Committee

- Mr. Samuel Ramaele- Chairperson
- Ms. Rethabiseng Mokebe
- Ms. Morongwe Mazibuko
- Mr. Nico Kahts
- Mr. Leonard Seabi
- Mr. Herman Sebelebele

Demand Management

The objective is to ensure that the resources required to fulfill the needs identified in the Integrated Development Plan (IDP) of the institution are delivered at the right time, price and place and that the quantity and quality will satisfy those needs of the user (ultimately the provision of services to the community). The system of demand management allows for the analysis of proper needs, establishment of a supplier database and implementation of IDP projects.

Procurement planning

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 for goods and services for the transaction above R200 000.00 was approved as per the approved budget and Integrated Development Plan.

Supplier Database

The Invitation was placed on the website and newspaper circulating locally and nationally on the 24th June 2020 for both current and prospective service providers to update their information or to register on the WRDM Supplier Database and National Treasury Central 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.

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:

Procurement Process	VALUE
Petty Cash Purchases	Up to R2000 [VAT included]
Verbal / Written Quotation	Over R2000 [VAT included] up to R30 000 [VAT included]
Formal Written Price Quotation	Over R30 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 office.

The table below outlines the awards per threshold:

Petty Cash Purchases (Up to R2000 VAT included)
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The total amount of **R8 291.70** was paid on petty cash purchases for the year under review.

Verbal / Written Quotation (Over R2000 Vat included up to R30 000 Vat Included)

The total amount of **R481 953.15** was awarded for transactions between R2 000.00 and R30 000.00 for the year under review. Attached as “**Annexure 1**” is the outcome

Formal Written Price Quotation (Over R30 000 [VAT included] up to R200 000 [VAT included])

The total amount of **R 160 496.30** was awarded for transactions over R30 000(VAT included) to R200 000.00. Attached as “**Annexure 2**” is the outcome

Competitive Bidding (Over R200 000[VAT included] or Contracted services)

No	Service Description	Service Provider	Amount
1.	Security services for a period of three years	Mabotwane Security Services	R 8 316 770.73
2.	Insurance services for a period of three years	Fezi Auditors and Consultants and Opulentia JV	R 1 998 793.813(Annual premium)
3	Vehicles	Toyota South Africa (Pty)Ltd	R2 106 828.75
		Nissan South Africa(Pty)Ltd	R 485 398.50
		Mahindra and Mahindra Africa	R1 496 902 .79

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 total amount of **R 185 260.74** was paid on approved deviations for the year under review. Attached as “**Annexure 3**” is the outcome

Period	Amount
First Quarter (01 July 2019 – 30 September 2019)	R 0.00
Second Quarter (01 October 2019 – 31 December 2019)	R 10 350.00
Third Quarter (03 January 2020 – 31 March 2020)	R 66 006.44
Fourth Quarter(01 April 2020 – 30 June 2020)	R 108 905.30
TOTAL	R 185 260.74

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 Municipal Supply Chain Regulation 23(c) (iii) has since prescribed the value as above R200, 000.00.

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 were kept at stores during the year under review:

- a) Stationery;
- b) Cleaning materials

Four stock takings were done during this financial year, this is as per the legal requirements of the 2019/2020 SDBIP (one stock take per quarter).The Internal Auditors were present during stock takings. Auditor Genera SA was invited to be part of year end stock taking. However, they indicated that they would not be present due to COVID 19 regulations. Attached as “**Annexure 4**” is the Stock Valuation Report that indicates the current stock on-hand per available item in store

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 this financial year.

Contract Management

Contract Management is the function within Supply Chain Management Unit that deals 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 awarded through SCM processes are registered in the Contract Management Register to monitor expenditure and contract ends dates in order to commence with procurement strategy on time. Attached as “**Annexure 5**” is the Contract Register for 2019/2020

4. LEGAL IMPLICATIONS

Section 112 of the MFMA determines that the SCM policy should comply with a prescribed framework as set out in section 112(1) and section 112(2) of the Municipal Finance Management Act. Reporting Back in terms of paragraph 6 (3) of the SCM policy to the executive Mayor and Council on the implementation of the Supply chain Management system and processes enables the executive Mayor and council to maintain oversight over the implementation of the SCM policy that complies with the provisions of section 112 of the Act

5. RECOMMENDATIONS

That:

1. Cognisance be taken of the report that was submitted as regulated by Municipal Supply Chain Regulations, Section 6
2. The report be made public in accordance with 21A of the Municipal Systems Act