

ITEM

BUDGET AND TREASURY OFFICE: SUPPLY CHAIN MANAGEMENT QUARTERLY REPORT FOR THE QUARTER ENDED 31 DECEMBER 2020

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 2020.

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:

Regulation 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 **29 June 2020**.

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 July 2020. Members were required to familiarize themselves with the roles and responsibilities of the Bid Committee Members as well as 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 in excess R200,

000. The Procurement plan for the financial year 2020/2021 was approved on the 12/08/2020 .

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 24th June 2020 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:

Procurement Process	Value
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.

Regulation 18(a) of the Municipal Supply Chain Regulations states that

all requirements in excess of R30 000 (VAT included) but not exceeding R200 000.00(VAT included) that are to be procured by means of formal written price quotations must be advertised for at least seven days on the website and an official notice board of the municipality or municipal entity.

Two (2) Formal Written Price Quotations were advertised in accordance with Regulation (18) (a) and a total award of **R98 193.15** resulting from these advertisements was made in the second quarter of the 2020/21 financial year. Attached as “**Annexure 1**” is the Formal Written Price Quotations report for the quarter ended 31 December 2020.

Only 1(one) tender was awarded the second quarter of the 2020/21 financial year namely, **Advertising Agencies for the placement of Tender Advertisement in the print media on an as and when required basis for a period of not exceeding three (03) Years.** Attached as “**Annexure 2**” is the Tender Status Quo Report for the quarter ended 31 December 2020

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 3**” is the outcome.

Period	Amount
First Quarter (01 July 2020 – 30 September 2020)	R 500 650.20
Second Quarter (01 October 2019 – 31 December 2019)	R 0.00
TOTAL	R 500 650.20

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*”. All awards in excess of R200 000 are published on the municipal website.

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 stock count was conducted as per the 2020/2021 SDBIP 2nd quarter requirements for this financial year, for the quarter ended 31 December 2020. Attached as “**Annexure 4**” 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 5**” is the Contract Register for 2020/2021.

LEGAL IMPLICATIONS

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

RECOMMENDATION THAT:

1. Cognisance is taken of Supply Chain Management Quarterly Report for the quarter, 01 October 2020 to 31 December 2020.