

MEMORANDUM

| | | | |
|----------------------------|---|---------------------|-----------------|
| AAN / TO | THE MAYOR | | |
| MEMO # | 2 nd QUARTER | DATUM / DATE | 08 January 2018 |
| CC | DIRECTOR: FINANCE | | |
| VAN / FROM | SUPPLY CHAIN MANAGEMENT | | |
| NAVRAE / ENQUIRIES | A HENDRICKS | | |
| ONDERWERP / SUBJECT | Oversight Role of Council over the Implementation of SCM Policy | | |

PURPOSE OF REPORT

To present the implementation of the SCM Policy report to the Mayor for the second quarter of the 2017/2018 financial year.

BACKGROUND

The Municipal Supply Chain Management Policy and amendments adopted by Council on 23 February 2017 and implemented on 01 April 2017 - Regulation 6 (1), (3) & (4) states:

6 OVERSIGHT ROLE OF COUNCIL

- (1) The Theewaterskloof Council reserves its right to maintain oversight over the implementation of this Policy.
- (3) The Accounting Officer must, within 10 days of the end of each quarter, submit a report on the implementation of the supply chain management policy to the mayor.
- (4) The reports must be made public in accordance with section 21A of the Municipal Systems Act.

| Section | Cryptic Description of Power or Duty | Delegated to | Lowest Level Sub-delegated to | Implemented | Comments |
|-------------|--|------------------------------|----------------------------------|-------------|--|
| 3(1)(a) | at least annually review the policy; | Director: Financial Services | Manager: Supply Chain Management | Yes | SCM Policy was reviewed in January 2017. |
| 3(1)(b) | when considers it necessary, submit proposals for the amendment of the policy to the council | Director: Financial Services | Manager: Supply Chain Management | Yes | Amendments was approved by Council on 23 February 2017. |
| 6(2)(a)(i) | Must submit within 30 days of the end of each financial year a report on the implementation of the supply chain management policy to the council | Director: Financial Services | Manager: Supply Chain Management | Yes | The report will be tabled by Council in July 2018. |
| 6(2)(a)(ii) | Whenever there are serious and material problems in the implementation of this Policy, immediately submit a report to the council. | Director: Financial Services | Manager: Supply Chain Management | N/A | To date no serious or material problems occurred in implementing the SCM Policy. |
| 6(3) | Must submit within 10 days of the end of each quarter a report on the implementation of the supply chain management policy to the mayor | Director: Financial Services | Manager: Supply Chain Management | Yes | This is the second report for this financial year. |
| 14(1)(a) | to keep a list of accredited prospective providers of goods and services that must be used for the procurement | Director: Financial Services | Manager: Supply Chain Management | Yes | The list is updated on a daily basis. |

| Section | Cryptic Description of Power or Duty | Delegated to | Lowest Level Sub-delegated to | Implemented | Comments |
|----------|---|--|----------------------------------|-------------|--|
| 14(1)(b) | at least once a year through newspapers commonly circulating locally, the website and any other appropriate ways, to invite prospective providers of goods or services to apply for evaluation and listing as accredited prospective providers; | Director: Financial Services | Manager: Supply Chain Management | Yes | The advert was placed in the local newspapers on 18 July 2017. |
| 14(1)(c) | specify the listing criteria for accredited prospective providers | Director: Financial Services | Manager: Supply Chain Management | Yes | The listing criteria are contained within the registration form and in the SCM Policy. |
| 14(1)(d) | disallow the listing of any prospective provider whose name appears on the National Treasury's database as a person prohibited from doing business with the public sector | Director: Financial Services | Manager: Supply Chain Management | Yes | To date none was found as registered on National Treasury's database of defaulters. |
| 15(1) | The Municipality's Petty Cash Policy as approved by the Accounting shall be applicable to all purchases not exceeding R200.00, including VAT, or amount as determined in terms of this Policy, or as may be legislated from time to time. | Power Currently Residing: Accounting Officer | None | Yes | A total amount of R 1 067.64 was spent in the second quarter of 2017. |

| Section | Cryptic Description of Power or Duty | Delegated to | Lowest Level Sub-delegated to | Implemented | Comments |
|----------|---|--|----------------------------------|-------------|--|
| 16(c) | If it is not possible to obtain at least three written or verbal quotations, the reasons must be recorded and reported quarterly | Director: Financial Services | Manager: Supply Chain Management | Yes | A total of 46 transactions of such occurred in this quarter. |
| 16(d) | Must record the names of the potential providers requested to provide such quotations with their quoted prices | Director: Financial Services | Manager: Supply Chain Management | Yes | A total of 46 transactions of such occurred in this quarter. |
| 17(1)(c) | that if it is not possible to obtain at least three formal written price quotations, the reasons must be recorded and approved | Director: Financial Services | Manager: Supply Chain Management | Yes | A total of 4 transactions of such occurred in this quarter. |
| 17(1)(d) | Must record the names of the potential providers and their written quotations | Director: Financial Services | Manager: Supply Chain Management | | |
| 18(a) | when using the list of accredited prospective providers the <u>accounting officer</u> must promote on going competition amongst providers by inviting providers to submit quotations on a rotation basis; | Director: Financial Services Director: Corporate Services Director: Operational Services Director: Development Director: Technical Services | Manager: Supply Chain Management | Yes | Orders are processed against a rotation basis as all SCM end-users received in-house training for the use of the database system uploaded on the financial system. |

| Section | Cryptic Description of Power or Duty | Delegated to | Lowest Level Sub-delegated to | Implemented | Comments |
|-------------------|---|--|----------------------------------|-------------|---|
| 18(d) | The Accounting Officer or Chief Financial Officer must on a monthly basis be notified in writing of all written or verbal quotations and formal written price quotations accepted by an official acting in terms of a sub-delegation; | Director: Financial Services | Manager: Supply Chain Management | Yes | The CFO are notified on a monthly basis. 01 October 2017 – 31 October 2017: submitted 02 November 2017. 01 November 2017 – 30 November 2017: submitted 05 December 2017. 01 December 2017 – 31 December 2017: submitted 02 January 2018. |
| 22(2) | may determine a closure date for the submission of bids which is less than the 30 or 14 days requirement, but only if such shorter period can be justified on the grounds of urgency or emergency or any exceptional case where it is impractical or impossible to follow the official procurement process. | None | None | N/A | None |
| 23(d)(i) to (iii) | Record in a register all bids received in time; Make the register available for public inspection and publish the entries in the register and the bid results on the website. | Director: Financial Services | Manager: Supply Chain Management | Yes | Implemented and results published on municipal website within 5 days. |
| 26(2) | The appointment of the members of each committee, taking into account section 117 of the Act; and | Power Currently Residing: Accounting Officer | None | Yes | Appointment letters are kept at the SCM office. |

| Section | Cryptic Description of Power or Duty | Delegated to | Lowest Level Sub-delegated to | Implemented | Comments |
|-----------|---|--|-------------------------------|-------------|--|
| 26(3) | an attendance or oversight process by a neutral or independent observer appointed when this is appropriate for ensuring fairness and promoting transparency | None | None | N/A | None |
| 29(b)(i) | The Bid Adjudication Committee, depending on its delegations, make a final award or a recommendation to the accounting officer to make the final award; Only for bids below the value of R10 million. | Bid Adjudication Committee | None | Yes | A total of eleven (11) awards were made by the BAC during this quarter. Tender No.'s: ENG 03/2017/18, ENG 04/2017/18, ENG 07/2017/18, ENG 09/2017/18, ENG 10/2017/18, ENG 12/2017/18, ELEC 05/2017/18, ELEC 06/2017/18, TECH 01/2016/17, DEV 01/2017/18, DEV 06/2012/13 |
| 29(b)(ii) | The Bid Adjudication Committee can make another recommendation to the accounting officer how to proceed with the relevant procurement. | Power Currently Residing: Accounting Officer | None | Yes | One transaction of such nature occurred for Tender No. ENG 07/2017/18. |
| 29(7) | The accounting officer must comply with section 114 of the Act within 10 working days | Power Currently Residing: Accounting Officer | None | Yes | Notified NT and PT on 09 November 2017. |
| 31(1) | The accounting officer may request the State Information Technology Agency (SITA) to assist with the acquisition of IT related goods or services through a competitive bidding process. | Director: Corporate Services | None | Yes | No such transaction took place. |

| Section | Cryptic Description of Power or Duty | Delegated to | Lowest Level Sub-delegated to | Implemented | Comments |
|----------|--|---|-------------------------------|-------------|--|
| 31(3)(a) | The accounting officer must notify SITA together with a motivation of the IT needs if: (a) the transaction value of IT related goods or services required in any financial year will exceed R50 million (VAT included) | Director: Corporate Services | None | Yes | The IT needs did not exceed the threshold. |
| 32(1) | To procure goods or services under a contract secured by another organ of state, but only if – (a) the contract has been secured by that other organ of state by means of a competitive bidding process applicable to that organ of state; (b) the municipality has no reason to believe that such contract was not validly procured; (c) there are demonstrable discounts or benefits and (d) that other organ of state and the provider have consented to such procurement in writing. | Power Currently Residing: Accounting Officer | None | Yes | None |

| Section | Cryptic Description of Power or Duty | Delegated to | Lowest Level Sub-delegated to | Implemented | Comments |
|----------|---|---|--|-------------|--|
| 33(2) | Where the storage of goods in bulk is justified, such justification must be based on sound reasons, including the total cost of ownership, cost advantages and environmental impact and must be approved by the accounting officer. | Director: Financial Services | None | N/A | N/A |
| 35(1) | To procure consulting services provided that any Treasury guidelines in respect of consulting services are taken into account when such procurements are made | Director: Financial Services Director: Corporate Services Director: Operational Services Director: Development Director: Technical Services | None | Yes | Seven (7) appointments were made in this quarter. |
| 36(1)(a) | 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 – | Director: Financial Services, Up to a value of R 200 000 VAT Incl. | Deputy Director : Financial Services, Up to value of R 100 000 Vat Incl. | Yes | For payments from: R0.01 – R30,000, 229 transactions occurred which amounts to R 1 912 136.58; R30,001 – R200,000, 39 transactions occurred which amounts to R 2 138 744.83; Above R200,000, 3 transaction occurred which amounts to R 3 080 773.53 |

| Section | Cryptic Description of Power or Duty | Delegated to | Lowest Level Sub-delegated to | Implemented | Comments |
|---------------|---|---|--|-------------|---|
| 36(1)(a)(i) | in an emergency | Director: Financial Services, Up to a value of R 200 000 VAT Incl. | Deputy Director : Financial Services, Up to value of R 100 000 Vat Incl. | Yes | A total of 26 transactions occurred which amounts to R 618 752.22 |
| 36(1)(a)(ii) | if such goods or services are produced or available from a single provider only | | | | A total of 11 transactions occurred which amounts to R 2 924 551.15 |
| 36(1)(a)(iii) | for the acquisition of special works of art or historical objects where specifications are difficult to compile; | | | | No such transactions took place. |
| 36(1)(a)(iv) | acquisition of animals for zoos | | | | No such transactions took place. |
| 36(1)(a)(v) | in any other exceptional case where it is impractical or impossible to follow the official procurement processes | | | | A total of 234 transactions occurred which amounts to R 3 588 351.57 |
| 36(1)(b) | ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely of a technical nature. | Power Currently Residing: Accounting Officer | None | Yes | No such transactions took place. |
| 36(2) | Must record the reasons for any deviations in terms of paragraph 36(1)(a) and (b) and report them to the next meeting of the council and include as a note to the annual financial statements | Director: Financial Services | Manager: Supply Chain Management | Yes | Reported to Council. December will be reported to Council on 24 January 2018. |

| Section | Cryptic Description of Power or Duty | Delegated to | Lowest Level Sub-delegated to | Implemented | Comments |
|----------|--|--|-------------------------------|-------------|---|
| 37(2) | <p>may decide in terms of section 113(2) of the Act to consider an unsolicited bid, only if –</p> <p>(a) the product or service offered in terms of the bid is a demonstrably or proven unique innovative concept;</p> <p>(b) the product or service will be exceptionally beneficial to, or have exceptional cost advantages;</p> <p>(c) the person who made the bid is the sole provider of the product or service; and</p> <p>(d) the reasons for not going through the normal bidding processes are found to be sound.</p> | Power Currently Residing: Accounting Officer | None | Yes | No such transactions took place. |
| 38(1)(a) | to take all reasonable steps to prevent abuse of the SCM system. | Power Currently Residing: Accounting Officer | None | Yes | The National Treasury Code of Conduct has been communicated to municipal staff and various SOP's, Directives and SLA's was implemented. |

| Section | Cryptic Description of Power or Duty | Delegated to | Lowest Level Sub-delegated to | Implemented | Comments |
|----------|--|--|----------------------------------|-------------|---|
| 38(1)(b) | to investigate any allegations against an official or other role player of fraud, corruption, favouritism, unfair or irregular practices or failure to comply with the supply chain management policy, and when justified - (i) take appropriate steps against such official or other role player; or (ii) report any alleged criminal conduct to the South African Police Service | Director: Financial Services Director: Corporate Services Director: Operational Services Director: Development Director: Technical Services | None | Yes | None. |
| 38(1)(c) | to check the National Treasury's database prior to awarding any contract to ensure that no recommended bidder, or any of its directors, is listed as a person prohibited from doing business with the public sector; | Director: Financial Services | Manager: Supply Chain Management | Yes | SCM includes the list of tender defaulters in the evaluation report. SCM also uses the TransUnion system to verify the successful bidder's information. |

| Section | Cryptic Description of Power or Duty | Delegated to | Lowest Level Sub-delegated to | Implemented | Comments |
|----------|---|--|----------------------------------|-------------|----------------------------------|
| 38(1)(d) | to reject any bid from a bidder – (i) if any municipal rates and taxes or municipal service charges owed by that bidder or any of its directors or to any other municipality are in arrears for more than three months; or (ii) who during the last five years has failed to perform satisfactorily on a previous contract with the municipality or any other organ of state after written notice was given to that bidder that performance was unsatisfactory; | Director: Financial Services | Manager: Supply Chain Management | Yes | No such transactions took place. |
| 38(1)(e) | to reject a recommendation for the award of a contract if the recommended bidder, or any of its directors, has committed a corrupt or fraudulent act in competing for the particular contract; | Power Currently Residing: Accounting Officer | None | Yes | No such transactions took place. |

| Section | Cryptic Description of Power or Duty | Delegated to | Lowest Level Sub-delegated to | Implemented | Comments |
|----------|--|---|-------------------------------|-------------|----------|
| 38(1)(f) | to cancel a contract awarded to a person if - (i) to cancel a contract awarded to a person if - the person committed any corrupt or fraudulent act during the bidding process or the execution of the contract; or (ii) an official or other role player committed any corrupt or fraudulent act during the bidding process or the execution of the contract that benefited that person. | Power Currently Residing: Accounting Officer | None | Yes | None. |

| Section | Cryptic Description of Power or Duty | Delegated to | Lowest Level Sub-delegated to | Implemented | Comments |
|----------|---|---|-------------------------------|-------------|----------|
| 38(1)(g) | to reject the bid of any bidder if that bidder or any of its directors – (i) has abused the supply chain management system or has committed any improper conduct in relation to such system (ii) has been convicted for fraud or corruption during the past five years; (iii) has willfully neglected, reneged on or failed to comply with any government, municipal or other public sector contract during the past five years; or (iv) has been listed in the Register for Tender Defaulters in terms section 29 of the Prevention and Combating of Corrupt Activities Act (No 12 of 2004). | Power Currently Residing: Accounting Officer | None | Yes | None. |
| 38(2) | Must inform the National Treasury and relevant provincial treasury in writing of any actions taken in terms of paragraph 38 (1)(b)(ii), (e) or (f). | Power Currently Residing: Accounting Officer | None | Yes | None. |

| Section | Cryptic Description of Power or Duty | Delegated to | Lowest Level Sub-delegated to | Implemented | Comments |
|---------|---|------------------------------|----------------------------------|-------------|--|
| 39 | <p>must establish and implement an effective system of logistics management, which must include -</p> <p>(a)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;</p> <p>(b)the setting of inventory levels that includes minimum and maximum levels and lead times wherever goods are placed in stock;</p> <p>(c)the placing of manual or electronic orders for all acquisitions other than those from petty cash;</p> | Director: Financial Services | Manager: Supply Chain Management | Yes | Report to be tabled at the Financial Portfolio Committee on 16 January 2018. |

| Section | Cryptic Description of Power or Duty | Delegated to | Lowest Level Sub-delegated to | Implemented | Comments |
|---------|---|------------------------------|----------------------------------|-------------|------------------|
| | <p>(d)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;</p> <p>(e)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;</p> <p>(f)regular checking to ensure that all assets including official vehicles are properly managed, appropriately maintained and only used for official purposes; and</p> | Director: Financial Services | Manager: Supply Chain Management | Yes | |
| | g)monitoring and review of the supply vendor performance to ensure compliance with specifications and contract conditions for particular goods or services. | Director: Financial Services | Manager: Supply Chain Management | Yes | On-going process |

| Section | Cryptic Description of Power or Duty | Delegated to | Lowest Level Sub-delegated to | Implemented | Comments |
|----------|---|---|-------------------------------|-------------|--|
| 40(3)(a) | Must insure that immovable property is sold only at market related prices except when the public interest or the plight of the poor demands otherwise. | Power Currently Residing: Accounting Officer | None | Yes | None |
| 40(3)(b) | Must insure that 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. | Power Currently Residing: Accounting Officer | None | Yes | None |
| 40(3)(c) | 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. | Power Currently Residing: Accounting Officer | None | Yes | None |
| 40(3)(d) | immovable property is let at market related rates except when the public interest or the plight of the poor demands otherwise. | Power Currently Residing: Accounting Officer | None | Yes | None |
| 40(3)(e) | all fees, charges, rates, tariffs, scales of fees or other charges relating to the letting of immovable property are annually reviewed. | Director: Development | None | Yes | This is done annually in conjunction with the Assets Department. |
| 40(3)(f) | where assets are traded in for other assets, the highest possible trade-in price is negotiated | Power Currently Residing: Accounting Officer | None | Yes | None |

| Section | Cryptic Description of Power or Duty | Delegated to | Lowest Level Sub-delegated to | Implemented | Comments |
|----------|---|---|-------------------------------------|-------------|--|
| 40(3)(g) | in the case of the free disposal of computer equipment, the provincial department of education is first approached to indicate within 30 days whether any of the local schools are interested in the equipment. | Power Currently Residing: Accounting Officer | None | Yes | None |
| 41(1) | must establish an effective system of risk management for the identification, consideration and avoidance of potential risks in the Supply Chain Management System. | Director: Financial Services | Manager: Assets and Risk Management | Yes | A generic project risk analysis template has been developed and implemented. This template has to be completed at the specification committee meeting. |
| 42 | must establish and implement an internal monitoring system in order to determine, on the basis of a retrospective analysis, whether the authorised supply chain management processes were followed and whether the objectives of this Policy were achieved. | Director: Financial Services | Manager: Supply Chain Management | Yes | Project Reporting Templates was circulated to all end-users for monthly reporting. Deviation Report is done on a monthly basis for the reason stated. |

| Section | Cryptic Description of Power or Duty | Delegated to | Lowest Level Sub-delegated to | Implemented | Comments |
|----------|---|---|----------------------------------|-------------|---|
| 45 | must ensure that the notes to the annual financial statements disclose particulars of any award to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve months, including – (a) the name of that person; (b) the capacity in which that person is in the service of the state; and (c) the amount of the award. | Director: Financial Services | Manager: Supply Chain Management | Yes | This information was disclose in the 2016/2017 financial statements. SCM is in the possession of various declarations made. |
| 46(2)(d) | notwithstanding sub paragraph (2)(c), must declare to the accounting officer details of any reward, gift, favour, hospitality or other benefit promised, offered or granted to that person or any close family member, partner or associate of that person; | Director: Financial Services Director: Corporate Services Director: Operational Services Director: Development Director: Technical Services | None | Yes | A total of 40 gifts were declared by End-users on the Payday System. |

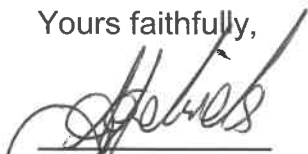
| Section | Cryptic Description of Power or Duty | Delegated to | Lowest Level Sub-delegated to | Implemented | Comments |
|----------|---|--|-------------------------------|-------------|----------|
| 46(2)(e) | must declare to the accounting officer details of any private of business interest which that person, or any close family member, partner or associate, may have in any proposed procurement or disposal process of, or in any award of a contract by, the municipality; | Power Currently Residing: Accounting Officer | None | Yes | None |
| 47(2) | Must promptly report any alleged contravention of Paragraph (1) to the National Treasury for considering whether the offending person, and any representative or intermediary through which such person is alleged to have acted, should be listed in the National Treasury's database of persons prohibited from doing business with the public sector | Power Currently Residing: Accounting Officer | None | Yes | None |

| Section | Cryptic Description of Power or Duty | Delegated to | Lowest Level Sub-delegated to | Implemented | Comments |
|---------|--|--|-------------------------------|-------------|----------|
| 48 | <p>Must promptly disclose to the National Treasury and the relevant provincial treasury any sponsorship promised, offered or granted whether directly or through a representative or intermediary, by any person who is –</p> <p>(a) a provider or prospective provider of goods or services</p> <p>(b) a recipient or prospective recipient of goods disposed or to be disposed</p> | Power Currently Residing: Accounting Officer | None | Yes | None |
| 49 | <p>Bidders are allowed the opportunity to lodge an objection or complaint against the decisions or actions of the Municipality within a period of 14 (<i>working</i>) days of the Municipal decision or action.</p> | Power Currently Residing: Accounting Officer | None | Yes | None |

| Section | Cryptic Description of Power or Duty | Delegated to | Lowest Level Sub-delegated to | Implemented | Comments |
|---------|---|------------------------------|--------------------------------------|-------------|----------|
| 52(1) | <p>may expand or vary orders against the original contract by -</p> <p>(a)not more than 20% for construction related goods, services and/or infrastructure projects; and;</p> <p>(b)by not more than 15% for all other goods and/or services of the original value of the contract.</p> | Director: Financial Services | Deputy Director : Financial Services | Yes | None |

| Section | Cryptic Description of Power or Duty | Delegated to | Lowest Level Sub-delegated to | Implemented | Comments |
|---------|---|--|-------------------------------|-------------|---|
| 53 | 1) In terms of Section 62 of the Municipal Systems Act (Act 32 of 2000 as amended), a person whose rights are affected by a decision taken by the Municipality, in terms of a delegated authority, in the implementation of its supply chain management system, may appeal against that decision by giving written notice of the appeal and reasons to the Municipal Manager within 21 days of the date of receipt of the notification of the decision. | Power Currently Residing: Accounting Officer | None | Yes | Had two appeals of which it was found to be unsuccessful. |

Yours faithfully,



A HENDRICKS
MANAGER: SCM

Yours faithfully,



D LOUW
CHIEF FINANCIAL OFFICER