



**THEEWATERSKLOOF MUNICIPALITY
SUPPLY CHAIN MANAGEMENT
IMPLEMENTATION REPORT**

For The

2019/2020 FINANCIAL YEAR

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1. Introduction

This report will assist Council in the execution of its oversight role and to perform trend analysis, to identify significant control weakness areas, deviations and minor breaches, complaints, queries and disputes. Through the effective performance of its oversight function, the necessary action can be taken to improve financial governance.

2. Demand and Acquisition Management

The municipality's SCM policy states that "All user departments are required to submit their procurement plans by end of April, for the following financial year to the Manager Supply Chain Management to improve planning and management of resources".

For the 2018/2019 and 2019/2020 financial years, a total number of 62 and 44 projects respectively were identified on the procurement plan for contracts above R 200 000. The Bid Specification Committee in conjunction with the end-user departments inclusive of the Local Economic Development Section decided to combine some of those projects to give effect to local economic development. SCM frequently reported to management on the progress of the projects listed on the procurement plan. The purpose of such reporting was to monitor and track performance against the approved procurement plan. These plans excluded the procurement of goods and services with a value of greater than R30 000 and less than R 200 000.

The tables below illustrates the results of the procurement plan for the 2018/19 and 2019/20 financial years with a brief comparison summary between the two financial years.

The below table also include three unforeseen tenders excluded from the Procurement Plan and procured from National Treasury's Transversal Tender for the Procurement of Vehicles.

2018/2019 Tenders:

Month	Contracts Awarded	Contract Values Awarded "R"	Contract Value Awarded to B-BBEE Entities "R"	Contracts Awarded to Local Suppliers	Contract Value Awarded to Local Suppliers "R"
July	6	10 067 059.59	10 067 059.59	0	0.00
August	2	21 921 747.41	21 921 747.41	0	0.00
September	6	6 773 782.01	5 788 782.01	0	0.00
October	6	34 588 856.39	34 588 856.39	0	0.00
November	4	14 906 920.00	14 906 920.00	2	117 000.00
December	0	0.00	0.00	0	0.00
January	5	20 466 701.85	20 466 701.85	0	0.00
February	3	3 618 695.80	3 618 695.80	0	0.00
March	6	5 411 806.15	5 411 806.15	0	0.00
April	3	6 192 106.94	6 192 106.94	0	0.00
May	6	17 194 311.28	17 194 311.28	0	0.00
June	11	16 079 584.09	16 079 584.09	2	1 268 100.00
TOTAL	58	157 221 571.20	156 236 571.20	4	1 385 100.00
Cancelled	1				

2019/2020 Tenders:

Month	Contracts Awarded	Contract Values Awarded "R"	Contract Value Awarded to B-BBEE Entities "R"	Contracts Awarded to Local Suppliers	Contract Value Awarded to Local Suppliers "R"
July	7	26 481 954.23	126 253 357.23	2	8 092 174.41
August	2	5 606 498.13	5 606 498.13	0	0.00
September	6	11 762 338.92	11 260 938.92	1	290 662.50
October	5	31 862 710.34	31 862 710.34	0	0.00
November	3	10 588 277.65	10 588 277.65	0	0.00
December	1	2 620 763.75	2 620 763.75	0	0.00
January	3	6 910 068.97	3 456 313.97	0	0.00
February	5	15 744 625.02	15 744 625.02	0	0.00
March	5	65 616 384.05	65 616 384.05	0	0.00
April	0	0.00	0.00	0	0.00
May	5	6 378 073.36	1 612 473.84	0	0.00
June	2	1 801 879.41	0.00	0	0.00
TOTAL	44	185 373 573.83	174 622 342.90	3	8 382 836.91
Cancelled	9				

Summary:

	2018/19	2019/20	%	Increase/Decrease
Contracts Awarded	58	44	24	Decrease
Cancelled Tenders	1	9	800	Increase
Contracts Awarded	R 157 221 571.20	R 185 373 573.83	18	Increase
B-BBEE Awards	R 156 236 571.20	R 174 622 342.90	12	Increase
Local Awards	4	3	25	Decrease
Contracts Amount Local	R 1 385 100.00	R 8 382 836.91	505	Increase

The table below illustrates the formal written price quotation results for the 2018/19 and 2019/20 financial years with a brief comparison summary between the two financial years.

2018/2019 Quotations:

Month	Quantity Advertised	Contract Values Awarded "R"	Contract Value Awarded to B-BBEE Entities "R"	Contracts Awarded to Local Suppliers	Contract Value Awarded to Local Suppliers "R"
July	7	727 228.96	429 106.96	3	233 682.00
August	14	1 286 922.74	1 072 352.88	6	305 848.93
September	3	331 211.90	122 130.00	0	0.00
October	16	1 555 985.13	1 504 235.13	1	27 565.50
November	11	1 210 164.45	1 137 641.77	1	72 522.68
December	11	1 143 800.65	945 504.80	0	0.00
January	5	663 026.92	663 026.92	0	0.00
February	11	1 364 195.40	1 312 561.89	5	735 516.29
March	5	498 991.53	425 121.73	1	139 987.78
April	8	865 675.83	774 370.80	3	265 236.50
May	18	1 771 220.18	1 771 220.18	6	547 910.39
June	10	897 996.65	680 124.65	4	240 423.36
TOTAL	119	12 316 420.34	10 837 397.71	30	2 568 693.43
Cancelled	28				

2019/2020 Quotations:

Month	Quantity Advertised	Contract Values Awarded "R"	Contract Value Awarded to B-BBEE Entities "R"	Contracts Awarded to Local Suppliers	Contract Value Awarded to Local Suppliers "R"
July	5	285 637.18	285 637.18	2	72 906.48
August	8	1 021 178.09	1 021 178.09	2	289 340.00
September	17	1 805 247.92	1 373 051.86	7	622 485.44
October	4	396 283.61	187 616.11	0	0.00
November	6	674 321.40	674 321.40	3	287 083.90
December	13	1 499 476.06	1 069 740.81	5	415 110.37
January	6	512 549.15	316 542.00	1	194 925.00
February	19	2 231 156.34	1 928 987.57	6	1 306 794.77
March	29	3 867 517.05	2 737 611.90	12	1 445 294.13
April	0	0.00	0.00	0	0.00
May	2	318 107.25	163 432.25	1	154 675.00
June	7	2 362 229.07	343 474.66	0	0.00
TOTAL	116	14 973 703.12	10 101 593.83	39	4 788 615.09
Cancelled	44				

Summary:

	2018/19	2019/20	%	Increase/Decrease
Contracts Awarded	119	116	3	Decrease
Cancelled Tenders	28	44	57	Increase
Contracts Awarded	R 12 316 420.34	R 14 973 703.12	22	Increase
B-BBEE Awards	R 10 837 397.71	R 10 101 593.83	7	Decrease
Local Awards	30	39	30	Increase
Contracts Amount Local	R 2 568 693.43	R 4 788 615.09	86	Increase

Procurement of Goods or Services through Written or Verbal Quotations and Formal Written Price Quotations**2018/2019 Orders:**

Month	Total Number of Orders Approved	Total Amount of Orders Approved "R"	Total Amount of Orders Approved for Local Spending "R"	% of Local Spending
July	467	4 257 960.00	1 544 167.23	36%
August	639	5 635 350.30	1 722 096.80	31%
September	548	3 677 935.87	1 528 541.25	42%
October	614	4 232 904.92	1 677 099.86	40%
November	674	4 458 493.65	1 940 429.17	44%
December	396	3 622 285.40	1 092 264.36	30%
January	476	5 634 171.62	991 516.98	18%
February	525	3 186 277.08	1 739 257.19	55%
March	433	5 181 620.86	2 137 967.01	41%
April	583	4 222 524.39	1 953 037.59	46%
May	582	5 829 481.30	2 254 917.01	39%
June	156	1 266 216.23	512 198.73	40%
TOTAL	6 093	51 205 221.62	19 093 493.18	37%

For the 2018/2019 financial year a total number of 6 093 orders were issued which amounts to R 51 205 221.62. The total order value spent within the boundaries of Theewaterskloof Municipality amounts to R 19 093 493.18. This indicates that 37% of all orders approved were spent within the boundaries of Theewaterskloof Municipality.

2019/2020 Orders:

Month	Total Number of Orders Approved	Total Amount of Orders Approved "R"	Total Amount of Orders Approved for Local Spending "R"	% of Local Spending
July	366	1 683 611.02	1 019 322.65	61%
August	360	4 899 220.98	968 581.14	20%
September	479	4 497 851.23	2 076 608.85	46%
October	566	4 119 611.34	1 801 239.78	44%
November	539	4 425 426.00	1 742 859.62	39%
December	352	3 969 832.16	2 131 653.92	54%
January	370	3 510 876.25	2 202 317.75	63%
February	471	3 626 023.50	2 002 436.91	55%
March	504	9 281 452.17	2 673 140.70	29%
April	2	366 143.28	0.00	0%
May	259	5 690 866.68	1 649 896.80	29%
June	488	10 937 188.81	3 417 980.91	31%
TOTAL	4 756	57 008 103.42	21 686 039.03	38%

For the 2019/20 financial year a total number of 4 756 orders were issued which amounts to R 57 008 103.42. The total order value spent within the boundaries of Theewaterskloof Municipality amounts to R 21 686 039.03. This indicates that 38% of all orders approved were spent within the boundaries of Theewaterskloof Municipality.

The above tables also illustrates a decrease in total orders of 1 337 orders with an average order total per month of 396 for the 2019/20 financial year. The total amount of orders increased with an amount of R 5 802 881.79 from the 2018/19 to the 2019/20 financial year which indicates an increase of 11% for local spent.

DEVIATION FROM, AND RATIFICATION OF MINOR BREACHES OF, PROCUREMENT PROCESSES

The following deviations occurred during the 2019/20 financial year with comparatives for 2018/19:

Deviation	2018/19		2019/20	
	Transactions	Amount "R"	Transactions	Amount "R"
in an emergency	75	1 771 841.45	157	4 014 145.40
if such goods or services are produced or available from a single provider only	29	6 615 374.09	10	270 796.17
for the acquisition of special works of art or historical objects where specifications are difficult to compile;	0	0.00	0	0.00
acquisition of animals for zoos	0	0.00	0	0.00
in any other exceptional case where it is impractical or impossible to follow the official procurement processes	243	10 894 933.88	272	13 916 923.93
Total	347	19 282 149.42	439	18 201 865.50

These deviations were duly reported to Council as per SCM regulations and the SCM Policy.

Summary:

Deviation	Transactions 2018/19	Transactions 2019/20	%	Increase/Decrease
in an emergency	75	157	109	Increase
if such goods or services are produced or available from a single provider only	29	10	66	Decrease
in any other exceptional case where it is impractical or impossible to follow the official procurement processes	243	272	12	Increase

Deviation	Amount 2018/19 "R"	Amount 2019/20 "R"	%	Increase/Decrease
in an emergency	1 771 841.45	4 014 145.40	127	Increase
if such goods or services are produced or available from a single provider only	6 615 374.09	270 796.17	96	Decrease
in any other exceptional case where it is impractical or impossible to follow the official procurement processes	10 894 933.88	13 916 923.93	28	Increase

The three highest deviations for the 2018/19 was for the following:

- Purchase of Beaumont Land in Botrivier – R 4 115 103.53;
- Purchasing of W15mm WDM Water Meters – R 2 687 632.80; and
- Purchasing of W15mm WDM Water Meters – R 1 940 625.00.

The three highest deviations for the 2019/20 was for the following:

- Provision of Professional Services for Beaumont 1200 Sites in Botrivier – R 2 684 331.00;
- Provision for Collaborator and On-site Support – R 639 654.56; and
- Provision of WWAM and VOIP Services – R 622 432.80.

3. List of Accredited Prospective Suppliers

The suppliers play a pivotal role in the municipality, hence the need to ensure that all suppliers are compliant from application up to and including the period during which an award is made to the supplier. The municipality's database currently has 1770 active suppliers.

4. Logistics Management

The main purpose of the inventory and Stores section is to provide the right quality of material at the right time and in the correct quantities to the other departments in TWK municipality. This is done to enable all departments to deliver services effectively to the various towns. At the same time the section strives to keep the stock levels as low as possible in order to reduce the Municipality's financial investment in stock. There is a continuous focus on the improvement in customer service, material availability, quality and quantity, business processes and training.

The table below illustrates some comparative statistics for the 2018/19 and 2019/20 Financial Years.

Financial Year	Opening Stock Value	Store Purchases	Store Issues	Closing Stock Value
2018/19	5 177 839.94	9 158 112.00	9 223 876.79	5 043 646.79
2019/20	5 043 646.79	9 068 138.03	8 169 051.31	5 672 255.76
Increase/(decrease)	(3%)	(1%)	(11%)	12%

5. Disposal Management

The Property Management Department disposed of 1 municipal asset (Erf 1099 in Grabouw) at a market value for R 300 000.00 during the 2019/20 financial year.

6. Risk Management

Various risks were identified and mitigation strategies implemented which includes a software system. A Project risk checklist was implemented to identify risks on a case-by-case basis.

Risks are also mitigated through various audit assignments from the Internal Audit Department which is done quarterly.

7. Performance Management

The municipality's SCM department's performance are audited by the internal audit on a quarterly basis in accordance with the Internal Audit plan for the 2019/20 financial year, as agreed to by the Audit Committee.

The purpose of the audit was to evaluate the adequacy and effectiveness of the control activity, relating to the reliability; effectiveness and compliance to regulations of the SCM processes.

Internal Audit Opinion:

Effective—Controls evaluated are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met in the Supply Chain Management Process.

This audit opinion was maintained throughout the financial year for each quarterly audit conducted by the internal audit section.

It is clear that that the authorised SCM processes were followed and the objectives of the SCM policy was achieved.

During the 2018/2019 financial year, four (4) notices for non/poor-performance were sent out to various contractors of which none was listed on the register for Tender Defaulters. During the 2019/20 financial year, zero (0) notices for non/poor-performance were sent out.

8. Due Diligence

The due diligence process strives to close the compliance gap as per the legislative requirements.

Regulation 44 (awards to persons in the service of the state):

SCM implemented a system in conjunction with Provincial Treasury and the Western Cape Supplier Database to ensure that prospective supplier ID numbers are run through the persal system to avoid non-compliance.

It is a requirement of all municipalities and National and Provincial Departments to upload their HR File on the Central Supplier Database to enable Government Departments to verify if a supplier is in the service of the state before it can be uploaded as a prospective service provider.

Regulation 45 (awards to close family members of persons in the service of the state):

There are basic controls within the SCM and HR department where we request all staff members to declare any relationship to a supplier. Furthermore, we are also reliant on the integrity of the declaration forms.

The municipality currently has employees linked to various suppliers as close family members. Furthermore the municipality has declarations at other various state institutions.

This is an on-going process to ensure compliance. We are continually engaging with suppliers, procurement and tenders and contracts to ensure that the relevant information and documentation is timeously received and is noted on the list as well. The proper recording of this information has proven to be successful in providing a detailed report for the Auditor General in their request for information.

Regulation 46 (ethical standards):

HR implemented a gift register on the PayDay system of which SCM reports to the Municipal Manager.

Summary of Suppliers and value of gifts

Value of Gifts Received 2018/19 "R"	Value of Gifts Received 2019/20 "R"	%	Increase/Decrease
9 155.99	3 362.73	63	Decrease

9. SCM related Appeals

The municipality received 5 appeals in the 2018/19 financial year of which none was successful.

The municipality received 7 appeals in the 2019/20 financial year of which none was successful. One appeal is still outstanding where the Accounting Officer made the award and an appeal authority must still be appointed to handle the appeals.

10. Measures implemented to increase local spending

SCM implemented a checklist that must form part of a request for tender which must be in line with the above and which form part of the special conditions of tender. This checklist consists of the empowerment goals that must be set.

During the 2017/2018 financial year SCM amended the SCM Policy to ensure that all senior management responsible for each tender must report monthly to Management and quarterly to Council on the empowerment goals that were set per award above R 200 000 and the performance for each contract in terms of the empowerment goals. Contract Management Checklist was implemented to address the requirements in terms of the aforementioned.

11. Conclusion

Supply chain management is perhaps one of the most challenging legislative requirements due to the lack of human resource capacity as well as the uncertainty with regards to the interpretation and implementation of legislation. This could result in underspending of the capital budget which will directly affect the municipality's ability to achieve its strategic objective of service delivery. Despite all the challenges, it can be stated that the municipality was successful in the implementation of the regulations and SCM policy.

12. Recommendation

It is recommended that Council:

1. Take cognisance of the report.

RESOLVED BY COUNCIL: 29 JULY 2020

After the Chairperson had given the Councillors an opportunity, and the item had been thoroughly discussed, it was unanimously resolved as follows:

Council take cognisance of the report.