

**QUARTERLY REPORT ON THE IMPLEMENTATION OF THE SUPPLY CHAIN MANAGEMENT POLICY:
JANUARY 2024 TO MARCH 2024 (DIRECTOR: FINANCIAL SERVICES (CFO))**

Purpose of the report

To submit a report to the Executive Mayor for consideration regarding the implementation of the Langeberg Municipality's Supply Chain Management Policy for the second quarter of 2023/2024 financial year (01 January 2024 – 31 March 2024).

Background

Section 4 of the SCM Policy states as follows:

That Council must maintain oversight over the implementation of the Supply Chain Management Policy.
For the purpose of such oversight, the Accounting Officer must: -

- (a) **within 10 days after the end of each quarter, submit a report on the implementation of the Policy to the Executive Mayor;**
- (b) within 30 days after the end of the financial year, submit a report on the implementation of the Policy to the Council;
- (c) whenever there are serious and material problems in the implementation of the Policy, immediately submit a report to the Executive Mayor; and
- (d) make public the reports on the Policy in accordance with section 21A of the Systems Act.

1. Adoption of Policy

The SCM Policy was adopted by Council on 30 May 2023 for implementation in the 2023 / 2024 financial year.

2. Delegation

The following delegations were approved by the Municipal Manager and implemented:

- Delegations to do electronic transfers
- Delegations to sign purchase orders
- Delegations to approve requisitions

3. Sub-delegation

- (1) The Accounting Officer may in terms of section 79 of the Act sub-delegate any supply chain management powers and duties, including those delegated to the Accounting Officer in terms of this Policy, but any such sub-delegation must be consistent with legislation, this Policy and subparagraph (2) of this paragraph.
- (2) The power to make a final award with a transaction value: -
 - (a) above R10 000 000 may not be sub-delegated;
 - (b) of R300 000, but not exceeding R10 000 000, may be sub-delegated but only to a bid adjudication committee of which the chief financial officer is the chairperson and at least 3 (three) senior managers are members and present at the consideration and all are in favour of the award; and
 - (c) up to R300 000 may be sub-delegated to an official.
- (3) This paragraph may not be interpreted as permitting an official to whom the power to make final awards has been sub-delegated to make a final award in a competitive bidding process, otherwise than through the committee system provided for in paragraph 8 of this Policy.

4. Supply Chain Management Unit (SCM Unit)

The SCM Unit operates under the Finance Directorate, and the Manager: SCM reports directly to the Chief Financial Officer.

5. AMENDMENT OF SCM POLICY AND PREFERENTIAL PROCUREMENT POLICY– DIRECTOR FINANCIAL SERVICES (CFO)

Background

Government Gazette no. 49863 was issued on the 14th of December 2023 and listed amendments to the SCM regulations which were effective immediately. The gazette is attached to this report.

The Municipality therefore should amend its SCM policy and PP policy to be aligned to the Supply Chain Management Regulations Issued on 14 December 2023.

Amendment of regulation 1 of the Regulations

1. Regulation 1 of the Regulations is hereby amended by the deletion of the definition of “written or verbal quotations”.

Amendment of regulation 12 of the Regulations

2. Regulation 12 of the Regulations is hereby amended—

(a) by the deletion of paragraph (b) of subregulation (1);

(b) by the substitution for paragraphs (c) and (d) of subregulation (1) of the following paragraphs:

“(c) formal written price quotations for procurement of a transaction value over—

(i) **R2000 up to R300 000 (VAT included), in the case of a local municipality;**

(d) a competitive bidding process for—

(i) **procurement above a transaction value of R300 000 (VAT included), in the case of a local municipality;**

(c) by the deletion of subparagraph (i) of paragraph (b) of subregulation (2); and

(d) by the substitution for subparagraph (iii) of paragraph (b) of subregulation (2) of the following subparagraph:

“(iii) a competitive bidding process be followed for any specific procurement of a transaction value lower than the competitive bidding thresholds specified in subregulation (1)(c)(i) to (iii).”.

Amendment of regulation 14 of the Regulations

3. Regulation 14 of the Regulations is hereby amended by the substitution for subparagraph (i) of paragraph (a) of subregulation (1) of the following subparagraph:

“(i) to keep a list of accredited prospective providers of goods and services that must be used for the procurement requirements

Deletion of regulation 16 of the Regulations

Amendment of regulation 18 of the Regulations

5. Regulation 18 of the Regulations is hereby amended—

(a) by the substitution for the heading of the following heading: **“Procedures for procuring goods or services through formal written price quotations”;**

(b) by the substitution for the words preceding paragraph (a) of the following words:

“A supply chain management policy must determine the procedure for the procurement of goods or services through formal written price quotations, and must stipulate—”; and

(c) by the substitution for paragraph (c) and (d) of the following paragraphs:

“(c) that the accounting officer must take all reasonable steps to ensure that the procurement of goods and services through formal written price quotations is not abused;”; and

(d) that the accounting officer or chief financial officer must on a monthly basis be notified in writing of all formal written price quotations accepted by an official acting in terms of a subdelegation; and”.

Substitution of regulation 19 of the Regulations

6. Regulation 19 of the Regulations is hereby substituted for the following regulation:

“A supply chain management policy must specify—

(a) that goods or services above a transaction value of—

(i) R300 000 (VAT included), in the case of a local municipality; may be procured by the municipality or municipal entity only through a competitive bidding process, subject to regulation 11(2); and (b) that no requirement for goods or services above an estimated transaction value of—

- (i) R300 000 (VAT included), in the case of a local municipality,, may deliberately be split into parts or items of lesser value merely for the sake of procuring the goods or services otherwise than through a competitive bidding process.”.

Amendment of regulation 35 of the Regulations

7. Regulation 35 of the regulations is hereby amended by the substitution for subregulations (1) and (2) of the following subregulations:

“(1) A supply chain management policy may allow the accounting officer to procure consulting services provided that any Treasury guidelines in respect of consulting services are taken into account when such procurement is made.

(2) A contract for the provision of consultancy services to a municipality or municipal entity must be procured through competitive bids if—

(a) the value of the contract exceeds—

(i) R300 000 (VAT included), in the case of a local municipality;
; or

(b) the period of the contract exceeds one year.”.

6. Range of Procurement processes

(1) The procurement of goods and services will be procured as follows: -

- (a) petty cash purchases up to a transaction value of R 2000.
- (b) formal written quotations where the transaction value is between R 2 000 to R 300 000.
- (c) a competitive bidding process is required for: -

(i) procurement for transactions above a value of R 300 000; and

(ii) the procurement of long-term contracts.

(2) The Accounting Officer may in writing lower, but not increase, the threshold values specified in (1) above.

(3) Goods or services may not be split into parts or items of a lesser value to avoid complying with the requirements of this Policy.

(4) When determining transaction values, the procurement of goods or services consisting of different parts or items must be treated and dealt with as a single transaction.

7. Bid Documents

The bid documents as prescribed by National Treasury include the *General Conditions of Contract*.

8. Bid Committee Structures

The following committees have been established:

- (i) A Bid Specification Committee
- (ii) A Bid Evaluation Committee
- (iii) A Bid Adjudication Committee

COMPOSITION OF COMMITTEES

(i) **Bid Specification Committee** - The Accounting Officer appoints members to the Bid Specification Committee for each tender.

<u>NAMES</u>	<u>DEPARTMENT / SECTION</u>
Line Manager	Manager responsible for the function involved, will serve as Chairperson.
Ms. C. Coetzee	Practitioner: Supply Chain Management

Ms L.J Jass-Holmes	Practitioner: Supply Chain Management
When appropriate	External Specialist Advisor

The following table details the number of Bid Specification Committee meetings held for the quarter under review:

Bid Specification Committee	No. of Meetings	No. of Items	No. of Agendas
Jan 2024 - March 2024	19	27	19

(ii) **Bid Evaluation Committee** - The following members have been appointed by the Accounting Officer:

<u>NAMES</u>	<u>DEPARTMENT / SECTION</u>
Mrs. J. Ladouce	Manager: Income Services (Chairperson)
Mrs. A. Swarts	Manager: IDP, Communication & PMS
Ms. L. Deutchen	Practitioner: Supply Chain Management
Secundi	
Mr Corné Franken	Manager: Expenditure services (Secundi)
Mr. U. Nakasa	Snr Accountant AFS & Reporting

The following table details the number of Bid Evaluation Committee meetings held for the quarter under review.

Bid Evaluation Committee	No. of Meetings	No. of Items	No. of Agendas
Jan 2024 - March 2024	6	30	6

(iii) **Bid Adjudication Committee** – The following members have been appointed by the Accounting:

<u>NAMES</u>	<u>DEPARTMENT / SECTION</u>
Mr. M. Shude	Chief Financial Officer (Chairperson)
Mr. A.W.J. Everson	Director: Corporate Services
Ms. C.O. Matthys	Director: Strategy & Social Development
Mr. M. Mgajo	Director: Community Services
Vacant post	Director: Engineering Services
Mr. S. Ngcongolo	Manager: Supply Chain Management
Secundi	
Mrs L. Jass-Holmes	Practitioner: Supply Chain Management

The following table details the number of Bid Adjudication Committee meetings held for the quarter under review:

Bid Adjudication Committee	No. of Meetings	No. of Items	No. of Agendas
Jan 2024 - March 2024	6	30	6

9. Verbal price quotations

The procurement of goods or services by means of a verbal quotation referred to in paragraph 14(1)(b) is as follows:-

- (a) a petty cash / one quotation may only be obtained for a transaction of a value of not more than R 2 000 (two thousand rand);
- (b) quotations must be obtained from at least one service provider preferably from, but not limited to, service providers whose names appear on the list of accredited service providers of the Municipality. If quotations are obtained from a service provider who is not listed, such service provider must supply the information as set out in paragraph 16 of this Policy; and
- (c) if a quotation was obtained verbally, the order may only be placed after written confirmation of such quotation and the required information have been received from the service provider.

10. Formal written price quotations

The procurement of goods or services through formal written price quotations referred to in paragraph 14(1)(c) is as follows:-

- (a) quotations must be obtained in writing from the different providers whose names appear on the list of accredited service providers of the Municipality;
- (b) in the case of specialised plant, machinery and vehicles, quotations may be obtained from providers who are not listed, provided that such providers supply the information as set out in paragraph 16 of this Policy;
- (c) *that the accounting officer must take all reasonable steps to ensure that the procurement of goods and services through formal written price quotations is not abused;"; and*
- (d) *that the accounting officer or chief financial officer must on a monthly basis be notified in writing of all formal written price quotations accepted by an official acting in terms of a subdelegation; and".*
- (e) the names of the service providers and their written quotations must be recorded.

11. Further Procedures: formal written quotations

In addition to paragraph 19, the following must also be taken into account regarding formal written price quotations:-

- (a) that goods or services above a transaction value of—
 - (i) R300 000 (VAT included), in the case of a local municipality,, may be procured by the municipality or municipal entity only through a competitive bidding process, subject to regulation 11(2); and (b) that no requirement for goods or services above an estimated transaction value of—
 - (i) R300 000 (VAT included), in the case of a local municipality,, may deliberately be split into parts or items of lesser value merely for the sake of procuring the goods or services otherwise than through a competitive bidding process."
- (b) where the quotations have been invited via the notice board and website of the Municipality, no additional quotations need to be obtained should the number of responses be less than 3 quotations;
- (c) when using the list of accredited service providers, the Municipality must:-
 - (i) promote ongoing competition amongst the providers, including by inviting providers to submit quotations on a rotational basis;
 - (ii) promote the objectives of the Broad-Based Black Economic Empowerment Act;
 - (iii) apply the Preferential Procurement Policy Framework Act and any applicable regulations; and
 - (iv) promote the goals as identified by Council;
- (d) the Accounting Officer must take all reasonable steps to ensure that the procurement of goods and services through formal written price quotations is not abused;
- (e) the Accounting Officer must on a monthly basis be notified in writing of all formal written quotations accepted by an official acting in terms of a sub-delegation;
- (f) offers below R 2 000 must be awarded based on petty cash / on quote
- (g) acceptable offers, which are subject to the preference points system (PPPFA and associated regulations), must be awarded to the bidder who scored the highest points;
- (h) a proper record must be kept of the received written quotations;
- (i) the goals of Council must be taken into account before offers/quotations are awarded; and
- (j) in the case of construction works, where required a site inspection may be conducted before the close of the quotation due date to ensure that providers understand the scope of the project and that they comply with the conditions and requirements.

12. Central Supplier Database

Langeberg Municipality is using service providers registered on the Central Supplier Database for all its procurement.

13. Recommendation / Aanbeveling

That the content of the report be noted

Dat kennis geneem word van die inhoud van die verslag

This item served before the Finance Portfolio Committee on 19 April 2024

Hierdie item het gedien voor die Finansies Portefeulje Komitee op 19 April 2024

Recommendation / Aanbeveling

That the content of the report be noted

Dat kennis geneem word van die inhoud van die verslag

This item served before the Executive Mayoral Committee on 25 April 2024

Hierdie item het voor die Uitvoerende Burgemeesterskomitee gedien op 25 April 2024

Aanbeveling / Recommendation

That the content of the report be noted

Dat kennis geneem word van die inhoud van die verslag

This item served before an Ordinary Meeting of Council on 02 May 2024

Hierdie item het gedien voor 'n Gewone Vergadering van die Raad op 02 Mei 2024

Eenparig Besluit / Unanimously Resolved

That the content of the report be noted

Dat kennis geneem word van die inhoud van die verslag