

# **SUPPLY CHAIN MANAGEMENT: ANNUAL REPORT FOR THE 2015/2016 FINANCIAL YEAR**

File number / Verwysingsnommer: 8/B

Meeting date / Vergadering datum: 27 July 2016

Report by / Verslag deur: Manager: SCM

## **STRATEGIC PURPOSE / STRATEGIESE REDE**

*Efficient, cost effective and best quality service delivery through good financial management.*

## **PURPOSE OF REPORT / DOEL VAN VERSLAG**

The purpose of this report is to comply with section 6 (2) of the Municipal Supply Chain Management Regulations of 2005 (MSCM regulations) as it relates to the oversight role of Council.

## **BACKGROUND AND DISCUSSION / AGTERGROND EN BESPREKING**

Section 6 (2) (a) of the MSCM regulations requires that the Accounting Officer must submit an Annual report to Council on the implementation of the SCM policy within 30 days after the end of the financial year.

Please find attached the report regarding the implementation and performance of SCM for the 2015/2016 financial year.

## **COMMENTS: MUNICIPAL MANAGER / KOMMENTAAR: MUNISIPALE BESTUURDER**

The report is noted.

## **COMMENTS: DIRECTOR CORPORATE SERVICES / KOMMENTAAR: DIREKTEUR KORPORATIEWE DIENSTE**

Noted

## **COMMENTS: DIRECTOR FINANCE / KOMMENTAAR: DIREKTEUR FINANSIES**

The success of the implementation of SCM Regulations and Policy is noted in the report.

## **COMMENTS: DIRECTOR PLANNING AND ENVIRONMENTAL AFFAIRS / KOMMENTAAR: DIREKTEUR BEPLANNING EN OMGEWINGSAKE**

## **COMMENTS: DIRECTOR TECHNICAL SERVICES / KOMMENTAAR: DIREKTEUR TEGNIESE DIENSTE**

## **COMMENTS: DIRECTOR COMMUNITY SERVICES / KOMMENTAAR: DIREKTEUR GEMEENSKAPSDIENSTE**

## **COMMENTS: MANAGER LEGAL SERVICES / KOMMENTAAR: BESTUURDER REGSDIENSTE**

**COMMENTS: OTHER / KOMMENTAAR: ANDER**

**RECOMMENDATION / AANBEVELING**

1. That Council takes note of the implementation of Supply Chain Management Policy for the 2015/2016 financial year.

**ATTACHMENTS / STAWENDE DOKUMENTE**

SCM implementation report for the 2015/2016 financial year r

**AGENDA REFERENCE:** 6.2.3

**RESOLUTION:**

That Council takes note of the implementation of Supply Chain Management Policy for the 2015/2016 financial year.

**IMPLEMENTATION OF SYSTEM – SUPPLY CHAIN MANAGEMENT  
PARAGRAPH 6 OF SCM POLICY  
OVERSIGHT ROLE OF COUNCIL OVER THE IMPLEMENTATION OF SCM POLICY**

**PERIOD: 01 July 2015 – 30 June 2016**

<b>REG. NR.</b>	<b>CRYPTIC DESCRIPTION OF POWER OR DUTY</b>	<b>POWER CURRENTLY RESIDING</b>	<b>DELEGATED</b>	<b>COMPLIANT</b>	<b>COMMENTS</b>
3(1)(a)	Prepare and submit a draft supply chain management policy complying with regulation 2 to the council of the municipality for adoption	Municipal Manager	Chief Financial Officer	YES	SCM Policy was approved on 26 May 2015 (resolution 875874)
3(1)(b)	Review at least annually the implementation of the policy	Municipal Manager	Chief Financial Officer	YES	Policy was reviewed on 12 - 13 March 2015
3(1)(c)	Submit when considered necessary, proposals for the amendment of the policy to the council.	Municipal Manager	Chief Financial Officer	YES	The previous policy was replaced by the Hessequa Municipality: MFMA SCM Policy, Principles and Operational System
3(2)(a)	Make use of any Treasury guidelines determining standard for municipal supply chain management policies, and submit to the council that guideline standard, or any modified version thereof, as a draft policy.	Municipal Manager	Chief Financial Officer	YES	During the period under review no Treasury guideline came into effect for inclusion
3(2)(b)	Ensure that a draft policy submitted to council that differs from the guideline standard complies with regulation 2.	Municipal Manager	Chief Financial Officer	YES	SCM Policy was approved on 26 May 2016
3(2)(c)	Report any deviation from the guideline standard to the National Treasury and relevant provincial treasury.	Municipal Manager	Chief Financial Officer	YES	No deviations was implemented
3(4)	Must, in terms of section 62(1)(f)(iv) take all reasonable steps to ensure that the municipality has and implements a supply chain management policy as set out in Regulation 2.	Municipal Manager	Chief Financial Officer	YES	SCM Policy was approved on 26 May 2015
5(2)(a)	Make a final award above R10 million (VAT included)	Municipal Manager	Accounting Officer (after considering recommendation of Bid Adjudication Committee)	YES	1. HES-EL 01/1516 ELECTRICAL CAPITAL PROJECTS 2015/16 AND 2016/17 FOR RIVERSDALE, HEIDELBERG AND WITSAND MDL ELECTRICAL R 9 035 000.00 (Excl VAT) 2. HES-SSPO 01/1516 RESEAL OF STREETS IN THE HESSEQUA MUNICIPAL

REG. NR.	CRYPTIC DESCRIPTION OF POWER OR DUTY	POWER CURRENTLY RESIDING	DELEGATED	COMPLIANT	COMMENTS
					<p>AREA ENTHA HENRA R 16 453 910.00 (Excl VAT)</p> <p>3. HES-SSPO 16/1516 REPAIR OF EXTENSIVE FLOOD DAMAGE TO VARIOUS ROADS AND STORMWATER INFRASTRUCTURE IN RIVERSDALE BENVER CIVILS AND PLANT HIRE R 31 185 239.80 (Excl VAT)</p> <p>4. HES-FIN 07/1516 TAKING UP OF AN EXTERNAL LOAN THE STANDARD BANK OF SOUTHERN AFRICA LIMITED R 43,000,000.00 (11.31%)</p>
5(2)	Make a final award above R200 000 (VAT included), but not exceeding R10 million (VAT included)	Municipal Manager	Bid Adjudication Committee	YES	Awards made by the BAC are tabled to the Municipal Manager and the Finance Portfolio Committee on a monthly basis
5(2)	Make a final award not exceeding R200 000 (VAT included) but excluding the appointment of consultants	Municipal Manager	CFO & Manager: SCM: below R30 000 Bid Adjudication Committee: R30 001 – R200 000	YES	System is fully implemented and reported on
5(3)	Submit to the official referred to in subsection (4) within five days of the end of each month a written report containing particulars of each final award, except procurements made out of petty cash, made during that month, including – (a) the amount of the award; (b) the name of the person to whom the award was made; (c) the reason why the award was made to that person; and		Manager: Supply Chain Management.	YES	Report submitted monthly to the CFO
6(1)	Maintain oversight over the implementation of the supply chain management policy.	Municipal Manager	Power reserved by Council	YES	Reports submitted on a monthly, quarterly and annual basis
6(2)(a)(i)	Submit a report to council within 30 days of the end of each financial year on the implementation of the supply chain management policy of the	Municipal Manager		YES	The current annual report being tabled

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	municipality.				
6(2)(a) (iii)	Immediately submit a report to council whenever there are serious and material problems in the implementation of the supply chain management policy, including such a report from any municipal entity as envisaged by this Regulation 6(2)(a)(iii).	Municipal Manager		YES	To date no serious or material problems occurred in implementing the SCM policy
6(3)	Submit a report to the mayor of the municipality within ten days of each quarter on the implementation of the supply chain management policy.	Municipal Manager	Manager: SCM	YES	The four reports was submitted.
7(1)	Establish a supply chain management unit.	Municipal Manager	Chief Financial Officer	YES	
12(2)(a)	Allow the Accounting Officer to lower, but not to increase, the different threshold values specified in sub-regulation (1).	Municipal Manager	Chief Financial Officer	YES	
12(2)(b)	Direct that: (i) written quotations be obtained for any specific procurement of a transaction value lower than R2000; (ii) formal written price quotations be obtained for any specific procurement of a transaction value lower than R10 000; or (iii) a competitive bidding process be followed for any specific procurement of a transaction value lower than R200 000.	Municipal Manager	Chief Financial Officer	YES	
14(1)(a)(i)	Keep a list of accredited prospective providers of goods and services that must be used for the procurement requirements of the municipality through written quotations and formal written price quotations.	Municipal Manager	Chief Financial Officer	YES	Hessequa Municipality migrated to the Western Cape Supplier Database (WCSD) effective from 01 July 2015
14(1)(a)(ii)	Invite prospective providers of goods or services at least once a year through newspapers commonly circulating locally, the website of the municipality and any other appropriate ways, to apply for evaluation and listing as accredited prospective providers.	Municipal Manager	Manager: SCM	YES	Advertisements was published on 08 June 2015 in the Suid Kaap Forum, the Municipal Website and the Municipal Notice Boards

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14(1)(b)	Specify the listing criteria for accredited prospective providers.	Municipal Manager	Manager: SCM	YES	
14(1)(c)	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.	Municipal Manager	Manager: SCM	YES	
14(2)	Update the list of prospective providers at least quarterly to include any additional prospective providers and any new commodities or types of services.	Municipal Manager	Manager: SCM	YES	The list is updated on a daily basis or as and when applications are received
16(d)	Record the names of potential providers requested to provide written quotations with their quoted prices.	Municipal Manager	Manager: SCM	YES	Names are recorded on the Collaborator system from the WCSD
17(1)(c)i	Record the reasons for not obtaining at least three formal written price quotations.	Municipal Manager	Manager: SCM	YES	Report submitted to the CFO on a monthly basis
17(1)(c)ii	Approve the recorded reasons for not obtaining at least three written price quotations.	Municipal Manager	Chief Financial Officer	YES	Reports are approved by the CFO
17(1)(d)	Record the names of the potential formal written price quotation providers and their written quotations.	Municipal Manager	Chief Financial Officer	YES	Names are recorded on the Collaborator system
17(2)	Report to the CFO within three days of the end of the month on any approvals given during that month by that the designated official referred to in sub-regulation (1)(c).	Chief Financial Officer	Manager: SCM	YES	
18(b)	Must promote ongoing competition amongst providers, including by inviting providers to submit quotations on a rotation basis, when using the list of accredited prospective providers.	Chief Financial Officer	Manager: SCM	YES	
18(c)	Must take all reasonable steps to ensure that the procurement of goods and services through written quotations or formal written price quotations is not abused.	Municipal Manager	Manager: SCM	YES	

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18(d)	Notify the Accounting Officer or CFO in writing on a monthly basis of all written quotations and formal written price quotations accepted by the official acting in terms of a sub-delegation.	Chief Financial Officer	Manager: SCM	YES	
22(2)	Determine a closure date for submission of bids which is less than the 30 or 14 day 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.	Municipal Manager	Manager: SCM	YES	
23(c)	<ul style="list-style-type: none"> <li>(i) record in a register all bids received in time;</li> <li>(ii) make the register available for public inspection;</li> <li>(iii) publish the entries in the register and the bid Results on the website of the municipality</li> </ul>	Municipal Manager	Manager: SCM	YES	
24(1)	<p>Negotiate the final terms of a contract with bidders identified through a competitive bidding process as preferred bidders, provided that such negotiation-</p> <ul style="list-style-type: none"> <li>(a) does not allow any preferred bidder a Second or unfair opportunity;</li> <li>(b) is not to the detriment of any other bidder; and</li> <li>(c) does not lead to a higher price than the bid submitted.</li> </ul> <p>Minutes of such negotiations must be kept.</p>	Municipal Manager	Chief Financial Officer or relevant manager where applicable	YES	
26(b)	Appoint the member of the bid specification, evaluation and adjudication committees, taking into account section 117 of the MFMA.	Municipal Manager		YES	
26(1)(c)	Appoint a neutral or independent observer to a bid specification, evaluation or adjudication committee for an attendance and oversight process when this is appropriate for ensuring fairness and promoting transparency.	Municipal Manager		YES	

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26(3)	Apply the committee system to formal written price quotations.	Municipal Manager		YES	We make use of informal tenders for procurement above R30 000
27(1)	Compile specifications for the procurement of goods or services by the municipality.	Municipal Manager	Bid Specification Committee	YES	The manager has to sign off on the specifications before it is tabled at the committee
27(2)(g)	Approve specifications compiled by the bid specification committee prior to publication of the invitation for bids.	Municipal Manager	Bid Specification Committee	YES	
28(1)(a)	Evaluate bids in accordance with (i) the specifications for a specific procurement; and (ii) the point system as must be set out in the Supply chain management policy of the municipality in terms of Regulation 27(2)(f) and as prescribed in terms of the Preferential Procurement Policy Framework Act.	Municipal Manager	Bid Evaluation Committee	YES	
28(1)(b)	Evaluate each bidder's ability to execute the contract.	Municipal Manager	Bid Evaluation Committee	YES	
28(1)(c)	Check in respect of the recommended bidder whether municipal rates and taxes and taxes and municipal service charges are not in arrears.	Municipal Manager	Bid Evaluation Committee	YES	
28(1)(d)	Submit to the adjudication committee a report and recommendations regarding the award of the bid or any other related matter.	Municipal Manager	Bid Evaluation Committee	YES	
29(1)(a)	Consider the report and recommendations of the bid evaluation committee where the award value exceeds R200 000 (VAT incl.).	Municipal Manager	Bid Adjudication Committee	YES	
29(1)(a)(i)	For bids above R10 million the SCMBAC will make recommendation to the Municipal Manager to make the final award.	Municipal Manager		YES	
29(1)(a)(ii)	Make another recommendation to the accounting officer on how to proceed with the relevant	Municipal Manager	Bid Adjudication Committee	YES	



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	procurement.				
29(3)	Appoint the chairperson of the bid adjudication committee.	Municipal Manager		YES	
29(5)(a)	<p>If a bid adjudication committee decides to award a bid other than the one recommended by the bid evaluation committee, the bid adjudication committee must prior to awarding the bid-</p> <ul style="list-style-type: none"> <li>(i) check in respect of the preferred bidder whether that bidder's municipal rates and taxes and municipal service charges are not in arrears; and</li> <li>(ii) notify the accounting officer.</li> </ul>	Municipal Manager	Bid Adjudication Committee	YES	
29(5)(b)	<ul style="list-style-type: none"> <li>(i) After due consideration of the reasons for the deviation, ratify or reject the decision of the bid adjudication committee referred to in Regulation 29(5)(a); and</li> <li>(ii) If the decision of the bid adjudication committee is rejected, refer the decision of the adjudication committee back to that committee for reconsideration.</li> </ul>	Municipal Manager		YES	
29(6)	Refer any recommendation made by the evaluation committee or adjudication committee back to that committee for reconsideration of the recommendation.	Municipal Manager		YES	
29(7)	Comply with section 114 of the MFMA within ten working days.	Municipal Manager		YES	
31(1)	Request the State Information Technology Agency (SITA) to assist the municipality with the acquisition of IT related goods or services through a competitive bidding process.	Municipal Manager	Manager: SCM	YES	
31(2)	Enter into a written agreement to regulate the services rendered by, and the payments made to, SITA.	Municipal Manager	Chief Financial Officer	YES	

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31(3)	Notify SITA together with a motivation of the IT needs of the municipality if- <ul style="list-style-type: none"> <li>(a) the transaction value of IT related goods or services required by the municipality in any financial year will exceed R50 million (VAT included); or</li> <li>(b) the transaction value of a contract to be Procured by the municipality whether for One or more years exceeds R50 million.</li> </ul>	Municipal Manager	Manager: SCM	YES	
31(4)	Submit to the council, the National Treasury, the relevant provincial treasury and the Auditor General the SITA comments and the reasons for rejecting or not following such comments if the municipality disagrees with SITA's comments.	Municipal Manager	Manager: SCM	YES	
32(1)	To procure goods or services for the municipality under a contract secured by another organ of state, but only if- <ul style="list-style-type: none"> <li>(a) the contract has been secured by that organ of state by means of a competitive bidding process applicable to that organ of state;</li> <li>(b) the municipality has no reason to believe That such contract was not validly procured;</li> <li>(c) there are demonstrable discounts or Benefits for the municipality; and</li> <li>(d) that other organ of state and the provider have consented to such procurement in writing.</li> </ul>	Municipal Manager	Chief Financial Officer	YES	Regulation 32 appointments are listed in Annexure B
35(1)	Procure consulting services up to the value of R200 000 (VAT included) provided that any Treasury guidelines in respect of consulting services are taken into account when such procurements are made.	Municipal Manager	Bid Adjudication Committee	YES	
35(1)	Procure consulting services above the value of R200 000 (VAT included) provided that any Treasury guidelines in respect of consulting services are taken into account when such procurements are made.	Municipal Manager	Bid Adjudication Committee	YES	

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35(4)	Ensure that copyright in any document produced, and the patent rights or ownership in any plant, machinery, thing, system or process designed or devised, by a consultant in the course of the consultancy service is vested in the municipality.	Municipal Manager	Managers	YES	
36(1)(a)	<p>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-</p> <ul style="list-style-type: none"> <li>(i) in an emergency;</li> <li>(ii) if such goods or services are produced or available from a single provider only;</li> <li>(iii) for the acquisition of special works of art or historical objects where specifications are difficult to compile;</li> <li>(iv) acquisition of animals or zoos; or</li> <li>(v) in any other exceptional case where it is impractical or impossible to follow the official procurement processes.</li> </ul>	Municipal Manager	<p>Managers – &amp;ltamp R30 000</p> <p>BAC - &gt; R30 000</p>	YES	Process for deviations are in place
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.	Municipal Manager		YES	
36(2)	<p>Record the reasons for any deviations in terms of Regulations 36(1)(a) and (b); and</p> <p>Report them to the next meeting of the council and include as a note to the annual financial statements</p>	Municipal Manager	Manager: SCM	YES	Reported monthly at the Executive Mayoral Committee
37(2)	<p>Decide to consider an unsolicited bid but only if-</p> <ul style="list-style-type: none"> <li>(a) the product or service offered is a demonstrably or proven unique innovative concept;</li> <li>(b) the product or service will be exceptionally beneficial to, or have exceptional cost advantages for, the municipality;</li> <li>(c) the person who made the bid is the sole</li> </ul>	Municipal Manager	Bid Adjudication Committee	YES	No Unsolicited bids were considered

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	provider of the product or service; and (d) the reasons for not going through the normal bidding processes are found to be sound by the accounting officer.				
37(3)	Make public in accordance with section 21A of the Municipal Systems Act the decision to consider an unsolicited bid that complies with Regulation 37(2) together with- (a) reasons as to why the bid should not be open to other competitors; (b) an explanation of the potential benefits for the municipality were it to accept the unsolicited bid; and (c) an invitation to the public or other potential suppliers to submit their comments within 30 days of the notice.	Municipal Manager		YES	No Unsolicited bids were considered
37(4)	Submit written comments received pursuant to Regulation 37(3), including any responses from the unsolicited bidder, to the National Treasury and the relevant provincial treasury for comment.	Municipal Manager		YES	No Unsolicited bids were considered
37(5)	Consider the unsolicited bid.	Municipal Manager	Bid Adjudication Committee	YES	No Unsolicited bids were considered
37(5)	Award the bid or make recommendations to the accounting officer depending on the delegations to the adjudication committee.	Municipal Manager	Bid Adjudication Committee for bids up to R10 million (VAT included) and Accounting Officer for bids above R10 million (VAT included) after consideration of recommendation of Bid Adjudication Committee	YES	No Unsolicited bids were considered
37(7)	Take into account when considering an unsolicited bid- (i) any comments submitted by the public; and	Municipal Manager	Bid Adjudication Committee	YES	No Unsolicited bids were considered

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	(ii) any written comments and recommendations of the National Treasury or the relevant provincial treasury.				
37 (8)	Submit to the Auditor General, the relevant provincial treasury and the National Treasury the reasons for rejecting or not following any recommendations of the National Treasury or provincial treasury in regard to the unsolicited bid.	Municipal Manager	Chief Financial Officer	YES	No Unsolicited bids were considered
38(1)(a)	Take all reasonable steps to prevent abuse of the supply chain management system.	Municipal Manager	Chief Financial Officer	YES	The Code of Conduct for SCM Officials and those officials involved in SCM processes was communicated to all relevant officials
38(1)(b)	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.	Municipal Manager	Chief Financial Officer	YES	
38(1)(c)	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.	Municipal Manager	Manager: SCM	YES	The report on the National Treasury website are consulted
38(1)(d)	Reject any bid from a bidder- (i) if any municipal rates and taxes or municipal service charges owed by that bidder or any directors to the municipality are in arrears for more than three months; (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.	Municipal Manager	To all relevant delegates	YES	
38(1)(e)	Reject a recommendation for the award of a	Municipal Manager	To all relevant	YES	

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	contract if the recommended bidder, or any of its directors, has committed a corrupt or fraudulent act in competing for the particular contract.		delegates		
38(1)(f)	Cancel a contract awarded to a person if- (i) 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.	Municipal Manager	Chief Financial Officer	YES	
38(1)(g)	Reject the bid of any bidder if that bidder or any of its directors- (i) has abused the supply chain management system of the municipality or has committed any improper conduct in relation to such system; (ii) has been convicted for fraud or corruption During the last five years; (iii) has wilfully neglected or 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 of section 29 of the prevention and Combating of Corrupt Activities Act (no 12 of 2004).	Municipal Manager	To all relevant delegates	YES	
38(2)	Inform the National Treasury and relevant provincial treasury in writing of any actions taken in terms of Regulation 38(1)(b)(ii), (e) or (f).	Municipal Manager	Chief Financial Officer	YES	
43(2)	Check with SARS whether a person's tax matters are in order before making an award to such person	Municipal Manager	Manager: SCM	YES	
45	Disclose on the notes to the annual financial statements of the municipality particulars of any award of more than R2000 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	Municipal Manager	Chief Financial Officer	YES	

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	<p>in the previous twelve months, including-</p> <ul style="list-style-type: none"> <li>(a) the name of that person;</li> <li>(b) the capacity in which that person is in the service of the state; and</li> <li>(c) keep the amount of the award.</li> </ul>				
46(3)(a)	Ensure that declarations from the accounting officer in terms of Regulation 46(2)(d) and (e) are recorded in the register.	Municipal Manager		YES	Register kept at the office of the Municipal Manager
46(5)	Adopt the National Treasury's code of conduct for supply chain management practitioners and other role players involved in supply chain management.	Municipal Manager		YES	The Code of Conduct for SCM Officials and those officials involved in SCM processes was communicated to all relevant officials
47(2)	Report any alleged contravention of Regulation 47(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.	Municipal Manager	Chief Financial Officer	YES	
48	<p>Disclose to the National Treasury and the relevant provincial treasury any sponsorship promised, offered or granted to the municipality whether directly or through a representative or intermediary, by any person who is-</p> <ul style="list-style-type: none"> <li>(a) a provider or prospective provider of goods Services to the municipality; or</li> <li>(b) a recipient or prospective recipient of goods Disposed or to be disposed of by the Municipality.</li> </ul>	Municipal Manager	Chief Financial Officer	YES	
50(1)	Appoint an independent and impartial person to assist in the resolution of disputes and to deal with objection, complaints or queries as described more fully in Regulation 50(1) to perform his or her functions effectively.	Municipal Manager		YES	The Manager: Legal Services has been appointed to deal with objections, complaints and queries. Where the official is unable to deal with the matter a person from outside the organisation is appointed
50(3)	Responsible to assist the person appointed in	Municipal Manager		YES	

REG. NR.	CRYPTIC DESCRIPTION OF POWER OR DUTY	POWER CURRENTLY RESIDING	DELEGATED	COMPLIANT	COMMENTS
	terms of Regulation 50(1) to perform his or her functions effectively.				



## 1. Demand Management

A procurement plan was compiled for the 2015/2016 financial year and was tabled at the August 2015 Finance Portfolio committee meeting. The plan was executed in its totality on 30 June 2016..

## 2. Acquisition Management

### 2.1. Procurement

During 2015/2016 financial year 3746 (3251 in 2014/2015) requisitions was processed by the SCM unit to the value of R 42 994 715.20 (R26 783 230.18 in 2014/2015).

Table 2 provides a summary of requisitions processed per department, whilst table 3 provides a summary of requisitions processes per month.

Table 2

Department	Requisition Quantity	Requisition R value	% of total nr	% of total value
Corporate Services	533	5 166 248.49	14.23	12.02
Streets, stormwater and parks	840	12 824 925.41	22.42	29.83
Water, Sewerage and Sanitation	270	1 524 299.25	7.21	3.55
Community Services	246	1 534 691.92	6.57	3.57
Human Resources	74	1 411 521.93	1.98	3.28
Traffic	16	71 236.48	0.43	0.17
Office of the Mayor	9	69 567.83	0.24	0.16
Financial Services	189	2 051 432.95	5.05	4.77
Electrical Services	1324	15 160 983.54	35.34	35.26
Office of the Municipal Manager	133	1 975 051.98	3.55	4.59
Information Technology	50	630 500.23	1.33	1.47
Planning and Development	61	573 257.72	1.63	1.33
Internal Audit	1	997.50	0.03	0.00
<b>Total</b>	<b>3746</b>	<b>42 994 715.23</b>	<b>100.00</b>	<b>100.00</b>

Table 3

Month	Requisition Quantity	Requisition R value	% of total nr	% of total value
July	25	190 222.70	0.69	0.44
Aug	325	2 556 423.16	8.93	5.95
Sept	406	5 935 163.93	11.15	13.80
Oct	434	3 023 250.62	11.92	7.03
Nov	440	3 269 463.03	12.09	7.60
Dec	333	5 259 679.97	9.15	12.23
Jan	142	2 197 741.25	3.90	5.11
Feb	358	3 200 738.50	9.84	7.44
Mar	309	4 271 780.61	8.49	9.94
Apr	302	5 822 306.10	8.30	13.54
May	312	3 291 446.07	8.57	7.66
Jun	360	3 976 499.26	6.98	9.25
<b>Total</b>	<b>3746</b>	<b>42 994 715.20</b>	<b>100</b>	<b>100</b>

### 3.2. Tenders

During the 2015/2016 financial year 81 (58 in 2014/2015) tenders was registered at the SCM unit of which 55 were formal tenders and 26 informal tenders. Ten (10) out the 81 tenders were cancelled. The awards made led to an expense of R103 388 456.41 (Vat Excluded). Four (4) Regulation 32 appointments were made that led to an expense of R373 771.93 and of which three appointments value can only be determined at the end of the contract period. Out of the 81 tenders awarded, four (4) period contracts were also awarded for which the expense will only be determined at the end of the contract period and fifteen (15) tenders are under evaluation and has not been awarded by 30 June 2016. Sixteen (16) of the 81 tenders were awarded to local suppliers amounting to R1 989 480.50 (VAT excl.) and one period tender of which the amount can only be determined at the end of the contract period, nineteen (19) tenders were awarded to suppliers in the Eden District amounting to R 81 253 645.08 (VAT excl.) and one (1) period tenders of which the amount can only be determined at the end of the contract period. Sixteen (16) tenders to suppliers in the Western Cape region which amounts to R 15 318 831.31 and one (1) period tenders of which the amount can only be determined at the end of the contract period (VAT excl.). Four (4) tenders to suppliers in Other Provinces which amounts to R 3 826 499.25 and one (1) period tenders of which the amount can only be determined at the end of the contract period (VAT excl.). A tender for the uptake of a long-term loan of R43 000 000.00, was awarded in the 201516 financial year, with an interest rate of 11.31% which amount to a total interest of R29 923 426.92 over the period of 10 years. It should also be noted that during the period under review eight (8) objections was lodged against Hessequa Municipality of which eight (8) was rejected. Twenty six (26) tenders validity period was also extended.

Consultants were appointed as follows:

<b>Consulting Engineers</b>			
<b>Consultant</b>	<b>Nr of Projects</b>	<b>Total amount Paid to Contractors for completion of Projects (VAT excl.)</b>	<b>Total Fees paid to Consulting Engineer for Project Management (VAT excl.)</b>
<b>Water &amp; Sewage</b>			
HES-WRS 07/1415 UPGRADING OF BULK SEWERAGE RIVERSDALE RK SAUER CONSTRUCTION	WEC CONSULT	R 11 504 764.51	R 880 866.02
HES-WRS 06/1415 CONSTRUCTION OF SLUDGE DRYING BEDS FOR THE ALBERTINIA WASTE WATER TREATMENT WORKS BENVER CIVILS AND PLANT HIRE	HESSEQUA CONSULTING ENGINEERS	R 2 220 000.00	R 408 725.00
HES-WRS 02/1516 UPGRADING OF WATER MAINS IN STILL BAY AND JONGENSFONTEIN WF CONSTRUCTION	HESSEQUA CONSULTING ENGINEERS	R 5 086 015.00	R 471 940.60
HES-WRS 03/1516 UPGRADING OF WATER MAINS IN ALBERTINIA WF CONSTRUCTION	HESSEQUA CONSULTING ENGINEERS	R 2 172 500.00	R 243 900.00
HES-WRS 01/1516 UPGRADING OF WATER MAINS IN RIVERSDALE WF CONSTRUCTION HESSEQUA CONSULTING	HESSEQUA CONSULTING ENGINEERS	R 2 085 600.00	R 246 724.00

ENGINEERS WF CONSTRUCTION			
HES-WRS 06/1516 UPGRADING OF JONGENFONTEIN WASTE WATER TREATMENT WORKS A2 LOODGIETERS	LYNERS CONSULTING ENGINEERS AND PROJECT MANAGERS	R 2 180 750.00	R 315 000.00
HES-WRS 07/1516 CONSTRUCTION OF NEW FENCING - MELKHOUTFONTEIN WASTE WATER TREATMENT WORKS SHARON ROSE TRADING CC	HESSEQUA CONSULTING ENGINEERS	R 411 814.7	R 130 076.84
HES-WRS 05/1516 IMPROVING THE DRINKING WATER QUALITY FOR GOURITSMOND URHWEBO E-TRANSAND	COBUS LOUW PROFESSIONAL ENGINEERS	R 596 837.00	R 155 573.00
HES-WRS 08/1516 UPGRADING OF SEWER INFRASTRUCTURE IN MELKHOUTFONTEIN PHAMBILI CIVILS	HESSEQUA CONSULTING ENGINEERS	R 3 343 434.6	R 919 086.93
<b>Storm water, Roads, Parks &amp; Traffic</b>			
HES-SSPO 01/1516 RESEAL OF STREETS IN THE HESSEQUA MUNICIPAL AREA ENTSHA HENRA CC	HESSEQUA CONSULTING ENGINEERS	16 453 910.00	R 1 614 300.00
HES-SSPO 04/1516 NEW PAVED STREETS IN JONGENFONTEIN AND WITSAND URHWEBO E-TRANSAND	LYNERS CONSULTING ENGINEERS AND PROJECT MANAGERS	R 898 026.66	R 310 703.30
HES-SSPO 07/1516 REPAIRS TO HITCHCOCK STREET IN WITSAND. MEYER BETON	LYNERS CONSULTING ENGINEERS AND PROJECT MANAGERS	R 1 100 000.00	R 184 000.00
HES-SSPO 06/1516 PAVING OF ROADS IN RIVERSDALE FOR THE HESSEQUA MUNICIPALITY BENVEN CIVILS AND PLANT HIRE	HESSEQUA CONSULTING ENGINEERS	R 1 186 300.00	R 195 030.00
HES-SSPO 15/1516 UPGRADING OF ROADS AND STORMWATER IN SLANGRIVIER ACV	HESSEQUA CONSULTING ENGINEERS	R 4 809 078.75	R 367 113.95

CIVILS			
HES-SSPO 14/1516 UPGRADING OF STORMWATER RETICULATION SYSTEM IN MELKHOUTFONTEIN	HESSEQUA CONSULTING ENGINEERS	R 2 839 200.00	R 542 267.16
HES-SSPO 16/1516 REPAIR OF EXTENSIVE FLOOD DAMAGE TO VARIOUS ROADS AND STORMWATER INFRASTRUCTURE IN RIVERSDALE BENVEN CIVILS AND PLANT HIRE	WEC CONSULTING ENGINEERS AND PROJECT MANAGER	R 31 185 239.80	R 1 346 934.36
HES-SSPO 03/1516 UPGRADING OF TIDAL POOL IN GOURITSMOND PHAMBILI CIVILS	COBUS LOUW PR. ENG	R 513 436.00	R 83 343.60
DEVIATION FOR THE OFFICIAL PROCUREMENT SYSTEM BAC 03-06- 2016 Upgrading of sewerage pump stations in Still Bay, Melkhoutfontein and Jongensfontein HSM Amanzi Pump and Sewerage Engineers CC	HESSEQUA CONSULTING ENGINEERS	R 754 400.00	R 92 338.06
<b>Electrical Services</b>			
HES-EL 01/1516 ELECTRICAL CAPITAL PROJECTS 2015/16 AND 2016/17 FOR RIVERSDALE, HEIDELBERG AND WITSAND MDL ELECTRICAL	CMB CONSULTING ENGINEERS	R 9 035 000.00	R 498,000.00
HES-EL 02/1516 ELECTRICAL CAPITAL PROJECTS 2015/16 AND 2016/17 FOR ALBERTINIA, GOURITS AND STILL BAY MDL ELECTRICAL	CMB CONSULTING ENGINEERS	R 5 665 000.00	R 313,000.00
HES-EL 03/1516 STILBAAI WEST - SUPPLY, INSTALLATION AND COMMISSIONING OF 11 KV NETWORK STRENGTHENING V E RETICULATION (PTY) LTD	DE VILLIERS AND MOORE CONSULTING ENGINEERS	R 6 539 890.50	R 900 000.00
<b>Total projects, Contractor fees and amount awarded</b>	<b>21</b>	<b>110 581 197.52</b>	<b>10 394 076.03</b>

<b>to Consulting Engineers</b>		
*Tender not yet awarded		
<b>Financial Services</b>		
<b>Description</b>	<b>Consultant</b>	<b>Total fees paid</b>
BAC 03-08-2015 PREPARATION OF ANNUAL FINANCIAL STATEMENTS AND VARIOUS ISSUES OF FINANCIAL MANAGEMENT (Collab 886814)	DUCHARME CONSULTING	R 79 200.00
BAC 27-07-2015 SCOA CONTENT ALIGNMENT: CONSULTATION AND TRAVELING (Collab 886730)	PAYDAY SOFTWARE SYSTEMS (PTY)LTD	R 26 600.00
Regulation 32 appointments Transversal agreement with Knysna Municipality for the appointment of a financial services service provider. remainder of the 3 year term which expires on 28 February 2017	MUBESKO AFRICA (PTY) LTD	N/A
SECTION 3.2.10 DEVIATION FROM THE OFFICIAL PROCUREMENT PROCESS UPDATE OF LONG TERM FINANCIAL PLAN	INCA PORTFOLIO MANAGERS	R 50 000.00
CONSIDERATION OF DEVIATIONS SEC 3.2.10 OF HESSEQUA MUNICIPAL SCM POS  RENDERING OF PROFESSIONAL SERVICES BY BRASIKA CONSULTING (PTY) LTD	BRASIKA CONSULTING (PTY) LTD	R 28 350.00
<b>Municipal Manager</b>		
BAC 17-07-2015 RENEWAL OF AGREEMENT WITH IGNITE ADVISORY SERVICES FOR THE USE OF PMS, ERM, COMPLIANCE ASSIST AND AUDIT ASSIST	IGNITE ADVISORY SERVICES	VARIOUS
BAC 10-07-2015 BUSINESS CONNEXION: VIRTUAL ENVIRONMENT, REDHAT OPERATIONG SYSTEM AND MIGRATION FROM OLD TO NEW SERVER (Collab 882359) SECTION 88 (1) (a) (v)	BUSINESS CONNEXION (PTY) LTD	R 394 735.95

<b>Total projects and total fees paid</b>	<b>7</b>	<b>R 578 885.95</b>
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Extensions were granted for the following contracts and tenders:

<b>Tender Description</b>	<b>Amount awarded (VAT excl)</b>	<b>Extension amount (VAT excl.)and %</b>
BAC 28-08-2015 IMPLEMENTATION OF THE SMS FUNCTIONALITY IN THE COLLABORATOR SYSTEM(Collab nr 890749) BUSINESS ENGINEERING (0.84%)	R 1 792 659.11	R 15 000.00 (VAT Excl)
HES-SSPO 08/1415 UPGRADING OF ALOERIDGE STORMWATER IN RIVERSDALE MOVE IT CIVILS (PTY) LTD (5.54%)	R 1 222 980.00 (VAT Excl)	R 67 811.40 (VAT Excl)
HES-EL 08/1415 IMPLEMENTATION OF ENERGY SAVING MESURES AND INITIATIVES FOR HESSEQUA MUNICIPALITY: AIR-CONDITIONING INSTALLATION ANIL M JESSA CC T/A DHANESH ELECTRICAL (9.00%)	R 792 677.00 (VAT Excl)	R 71 374.83 (VAT Excl)
HES-EL 01/1415: SUPPLY, INSTALLATION AND COMMISSIONING STILL BAY WEST 66/11KV SUBSTATION Extension of time VE RETICULATION (PTY) Ltd	R15 757 523. 76 (VAT excl.)	N/A
Tender HES-EL 01/1415: SUPPLY, INSTALLATION AND COMMISSIONING STILL BAY WEST 66/11KV SUBSTATION Extension of time DE VILLIERS AND MOORE CONSULTING ENGINEERS (PTY) LTD	R1 600 000.00 (VAT excl.)	N/A
Tender HES-EL 08/1415: ENERGY SAVING MEASURES-AIR CONDITIONING INSTALLATION – DHANESH M ANIL	R 792 677.00 (VAT excl.)	R 85 870.00 (VAT excl.)
TENDER TD 03/204 REGULATION 32 APPOINTMENT: PREPARATION OF AFS AND FINANCIAL ACCOUNTING SERVICES SUPPORT. DUCHARME CONSULTING	R 79 200.00 (VAT Excl) + Traveling Costs at R 4.80/km	R7, 700.00 (VAT Excl)
Consideration of additional fees and extension of the service to include the Heidelberg week at Preekstoel 1 November 2015 until 30 April 2016 Hessequa Life Saving Club	R496 000.00	R 617 000.00
EXTENSION OF TENDER HES-SSPO 04/1516: New paved streets in Preekstoel, Jongensfontein and Witsand URHWEBO E-TRANSAND	898 026.66	100 000.00
EXTENTION OF COLLABORATOR AGREEMENT WITH BUSINESS ENGINEERING (Collab 946330) BUSINESS ENGINEERING	1 792 695.11	105 385.00
EXTENTION OF TENDER HES-SSPO 04/1516 (EXTENTION OF TIME) NEW PAVED STREETS IN JONGENSFONTEIN & PREEKSTOEL. (COLLAB 957588) URHWEBO E-TRANSAND	completion period of 13 weeks	be extended to 17.5 weeks
BAC 30-06-2016 EXTENTION OF TENDER HES-SSPO 02/1415 SUPPLY OF COLD PREMIX IPATCH	219 298.25	R 17 543.86
BAC 30-06-2016 EXTENTION OF TENDER HES-WRS 04/1213 COLLECTING OF RECYCABLE WASTE IN HESSEQUA MUNICIPAL AREA COLLAB	2 494 774.80	193 076.05

HENQUE WASTE		
BAC 30-06-2016 EXTENTION OF TENDER HES-FIN 03/1314 THE SELLING OF PREPAID ELECTRICITY BY VARIOUS VENDERS IN HESSEQUA MUNICIPALITY	VARIOUS	VARIOUS
*Contract value cannot be determined		

### 2.3. Deviations

For the 2015/2016 financial year, a total of 880 (512 in 2014/2015) requests for deviations were processed, out of which 0 requests were rejected. The total amount spent through deviations was R13 094 749.00 (R11 865 504.01 in 2014/2015). This is a 41.82% year on year increase in volume, and a 9.39% increase in value compared to the 2014/2015 financial year. The deviations processed were 24.17% of the total requisitions processed and 30.46% of the total value of requisitions.

Requests for deviations were received based on the following reasons:

Sole Suppliers: 20

Emergency or Urgency: 276

Exceptional circumstance: 584

### 2.4. Supplier Database

The supplier database of Hessequa Municipality has been growing at a steady pace with 2206 suppliers currently registered on our supplier database. The suppliers registered per geographical area are as follows:

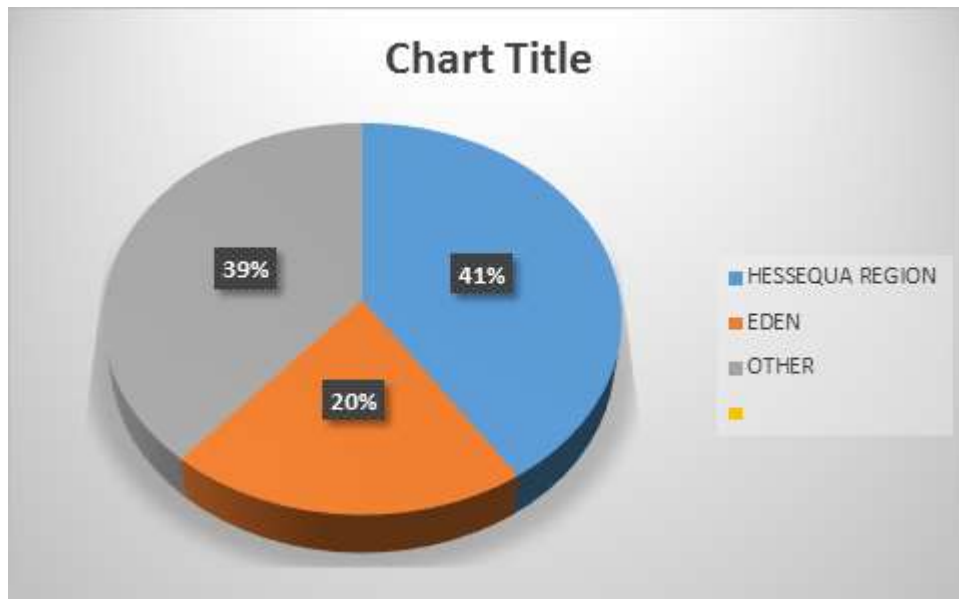
Area	Number	Non-compliant
Riversdale	334	216
Heidelberg	138	102
Albertinia	111	104
Still Bay/ Melkhoutfontein	155	105
Slangrivier	30	21
Gouritsmond	18	18
Eden Region	465	287
Other	955	539
<b>Total</b>	<b>2206</b>	<b>1392</b>

If one considers the information in the table above, it means that 39% of our suppliers registered are not compliant with our listing criteria. Locally 41% of our registered suppliers are not compliant. This makes it difficult for the municipality to procure locally and support the local business community. If one considers that 41% (figure 1) of our registered suppliers are situated in the Hessequa region, then it is a major cause for concern. It should also be noted that the reason for this non-compliance is because the suppliers cannot provide us with a current and valid tax clearance certificate. The supplier database comprise of 148 categories whilst the following categories have less than three suppliers registered:

Locksmith services: 2 suppliers  
Vending Services 2 suppliers  
Picture Framing 2 Suppliers  
Towing Services 2 Suppliers



Figure 1



### 3. Logistics Management

No official system for logistics management is currently in place at Hessequa Municipality and does an urgent need exist to have such a system implemented. An investigation into an optimal logistics management system will be launched during September 2015, which will provide direction in terms of the best way to implement such a system.

### 4. Disposal Management

During 2015/2016 financial year no moveable assets were disposed of.

### 5. Risk, Performance and Contract Management

With regards to risk management, Hessequa Municipality has fairly stringent measurements in place when it comes to mitigating risk with the appointment of suppliers. This is due to the fact that we are very vigilant when it comes to the evaluating of suppliers, especially in terms of appointing them for projects with an amount in excess of R30 000. The bid committee system is in place and strives to mitigate risk to the greatest extent. Delegations have also been assigned to ensure that risk is mitigated.

Tools to measure the performance of suppliers are in place. A system for contract management and administration is also in place.

## RECOMMENDATIONS AND CONCLUSION

Overall the implementation of the SCM policy is very good, especially if one considers the limited capacity the SCM unit has. Issues which are still an ongoing concern is the implementation of an adequate system for

demand management which encourages integrated planning through the use of cross-functional teams, to ensure that the procurement of goods and services are done in such a manner that value for money as an objective is obtained. The establishment of workable and user-friendly logistics system is of the outmost importance to ensure an efficient, effective and economical supply chain. The creation of an environment of constant improvement is also important not only to officials with regards to the compliance aspects of SCM but also to encourage improved performances through innovation and the improvement of systems and processes. Thus, it is important that officials are first and foremost adequately trained with regards to the compliance aspects of SCM before we move to training on performance excellence.

In conclusion I would like to thank council, senior management and all other officials involved or affected by the SCM process for their support, tributes and criticism during the 2015/2016 financial year. All of you have contributed in the SCM unit going from strength to strength. The improvements the SCM unit has made correlates to the improvement of the organization as a whole, thus we appreciate your contributions. The SCM unit would also like to thank the CFO, Ms Viljoen for her support, as well as the members of the various bid committees who with vigilance, dedication and pride in taking on the added responsibility of ensuring that goods and services are procured through a system which is fair, equitable, transparent, competitive and cost-effective. A special mention of thanks goes out my team at the SCM unit, without whom none of these achievements would have been possible. Thank you for your hard work, dedication and commitment.