

SALDANHA BAY MUNICIPALITY

REPORT TO THE MAYOR

SUBJECT: IMPLEMENTATION OF THE SUPPLY CHAIN MANAGEMENT POLICY: FIRST QUARTER (2017/18)

DIRECTORATE: FINANCE

AUTHOR: H MEEDING

CONTACT DETAILS: 022 – 701 6196

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1. PURPOSE OF THE REPORT

The purpose of this report is to inform the Mayor regarding the implementation of the Supply Chain Management (SCM) Policy adopted on 25 May 2017, R10/5–17 to perform their oversight role for the 2017/18 financial year.

2. BACKGROUND

Regulation 6(3) of the SCM Regulations (GenN 868 in GG 27636 of 30 May 2005 as amended) states the following:

“(3) The accounting officer must, within 10 working days of the end of each quarter, submit a report on the implementation of the supply chain management policy to the mayor.”

3. DISCUSSION

3.1 Capacity of SCM Unit:

The SCM unit has 12 funded posts. The Manager: SCM is busy with the short listing of the candidates for the Accountant: Contract Management position.

The workload in SCM has increased significantly since the implementation of the new financial system (decentralized to a centralized system).

Request for additional posts were submitted to the Chief Financial Officer and this office trust that the necessary funding will be made available to fund three additional posts in the Buyer Section. The capacity is still supplemented with the placement of interns on a rotational basis. This is not a sustainable solution to address capacity issues, because it impacts negatively on service delivery.

The following challenges are experienced:

- i) Slow internet speed – it takes about 30 minutes or more to generate a Central Supplier Database report (it must be noted that a CSD report must be attached to every order issued);
- ii) System problems – the SCM process can still not be followed for Mini Tenders (quotes above R30 000);
- iii) Implementation of new Preferential Procurement Regulations – Provincial Treasury has raised issues with regards to the implementation of the pre-qualification criteria (double preferencing) and other. National Treasury must still provide feedback.

3.2 Statistical information:

3.2.1 Acquisition:

<u>Description</u>	<u>2017/18</u>	<u>2016/17</u>	<u>Increase / decline</u>
Number of orders issued (July till September)	2308	2992	684 (Decrease)
Value of orders (July till September)	R 69 505 353.90	R 136 940 121.62	R 67 434 767.72 (Decrease)
Number of deviations (July till September)	688	497	191 (Increase)
Value of deviations (July till September)	R 8 424 535.25	R 7 685 996.36	R 738 538.89 (Increase)

The decrease in the number and value of orders is due to a change in Munsoft processes. During the 2016/17 year orders were issued for bids awarded or items where partial payments were made. These bids awarded items are now created in the Creditor Masterfile.

The increase in the deviations is due to the change in process with regards to fuel procured in towns such as Hopefield, St Helenabay and Langebaan where only one fuel company exist. The Auditor General has given instruction that these type of procurement must be done via a deviation process and not in terms of Clause 36(5) of the SCM Policy.

3.2.2 Competitive bidding process

The table below indicates the number and value of tenders awarded:

<u>Description</u>	<u>2017/18</u>	<u>2016/17</u>	<u>Increase / decline</u>
Number of Tenders Awarded (July till September)	14	15	1 (Decrease)
Value of Tenders Awarded (July till September)	R 31 827 690.39	R 102 472 690.17	R 70 644 999.78 (Decrease)

- The above table excludes the figures of all annual or repetitive tenders awarded.

The decrease in the value of tenders awarded is due to the award of large contracts for example the ERP tender that was awarded during July 2016.

3.2.3 Database administration:

The municipality utilize the Central Supplier Database to verify information of suppliers. The CSD is a real time system and although it has various benefits for suppliers as well as the municipality, various challenges are experienced if a supplier's tax status is not compliant. This causes delays in service delivery, because an order can only be issued after the status is compliant.

The number of locally registered suppliers has increased from 733 to 821 during the first quarter.

4. VENDOR PERFORMANCE:

Reports are received on a monthly basis from the directors on the performance of the vendors.

Training was provided on the Contract Management Module, but more detailed training must be provided to ensure that all contracts are uploaded in the required format to enhance service delivery. The Project Management Module will only be implemented during January 2018. This module is crucial to the successful implementation of a vendor performance management system.

Reports are submitted on a monthly basis to the Municipal Manager and Directors.

5. SDBIP:

Reports are submitted to the Council by the CFO on a monthly basis.

6. ADOPTION OF SCM POLICIES

The SCM Policy was reviewed and adopted by Council on 25 May 2017, R10/5-17 and the Infrastructure Procurement and Delivery Management Policy was compiled and adopted by Council on 22 June 2017, R100/6-17.

7. AUDIT FINDINGS

The Auditor General is busy auditing the municipality's performance and feedback will be provided in the next report.

8. LEGISLATIVE COMPLIANCE

Local Government: Municipal Finance Management Act (Act 56 of 2003)
Supply Chain Management Regulations
Supply Chain Management Policy: Saldanhabay Municipality
Preferential Procurement Regulation, 2017; and
All other relevant legislation, National Treasury guidelines and circulars.

9. RECOMMENDATION

(i) That the report be noted.



H MEEDING
MANAGER: SUPPLY CHAIN MANAGEMENT

10/10/2017
DATE




J LUUS
SENIOR MANAGER: FINANCIAL OPERATIONS

10/10/2017
DATE



S ROETS
ACTING CHIEF FINANCIAL OFFICER

10/10/17
DATE



P VOGES
MUNICIPAL MANAGER

10/10/2017
DATE

ANNEXURE A
SALDANHA BAY MUNICIPALITY
IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT IN TERMS OF CLAUSE 6(2)(1)(a) OF
THE SUPPLY CHAIN MANAGEMENT POLICY

REG NO	CRYPTIC DESCRIPTION OF POWER OF DUTY	IMPLEMENTED (yes / no)	MILESTONES (if applicable)	CHALLENGES AND SOLUTIONS
3	Review of SCM policy	Yes		
5	System of delegations and report on awards made within 5 working days	Yes		
6	Oversight role of Council	Yes		
7	Supply chain management unit	Yes		Challenges: Insufficient capacity remains a challenge. This impacts negatively on service delivery.
8	Training of supply chain management officials	Yes		
10	System of demand management	Yes	Progress reports (tender plan) are submitted to the Directors and Municipal Manager.	
11	System of acquisition management (quotations)	Yes		There are still various issues that must be addressed by Munsoft.
11	System of acquisition management (tenders)	Yes		Progress The implementation of the Contract and Project Management Module will assist to improve planning (it will not be necessary to issue manual early warnings and outstanding matters will immediately be escalated to the Directors for interventions).
14	Lists of accredited prospective providers	Yes		
16	Written quotations (reasons are recorded, authorized and monthly reports are submitted to CFO, MM and Council)	Yes		
17	Formal written quotations (reasons, if it was not able to obtain at least 3 written quotations are recorded, authorized and monthly	Yes		

REG NO	CRYPTIC DESCRIPTION OF POWER OF DUTY	IMPLEMENTED (yes / no)	MILESTONES (if applicable)	CHALLENGES AND SOLUTIONS
	reports are submitted to CFO, MM and Council)			
18	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.	Yes		
20	Competitive bidding process	Yes		
23	Procedure for handling, opening and recording of bids (i) record in a register all bids received in time; (ii) make the register available for public inspection (iii) Publish the entries in the register and the bid results on the website of the municipality.	Yes		
26	Committee system for competitive bids	Yes		
27	Bid specification committees	Yes		
28	Bid evaluation committees	Yes		Challenges: Departmental Evaluation Reports are not received timeously and putting pressure on committee system to finalize bids before validity lapse. Quorum problems remains a challenge.
29	Bid adjudication committees	Yes		

REG NO	CRYPTIC DESCRIPTION OF POWER OF DUTY	IMPLEMENTED (yes / no)	MILESTONES (if applicable)	CHALLENGES AND SOLUTIONS
30	Procurement of goods and services under contracts secured by other organs of state	Yes		
35	Appointment of consultants	Yes		
36	Deviation from, and ratification of minor breaches of, procurement processes	Yes		
38	Combating of abuse of supply chain management system	Yes	There were no cases brought against any official or councilor regarding abuse of the SCM system. Effective segregation of duties and delegations were implemented.	
40	Disposal: Moveable (Auction) Immovable (Corporate Services)	No		Corporate Services has developed a Disposal- and purchasing of Immovable Asset Policy for implementation. The Policy is not adopted yet.
41	Risk management	Yes		
42	Performance management	Yes		
43	Ethical Standards	Yes		
45	Inducements, rewards, gifts and favours	Yes		
46	Objections and complaints (Appeals)	Yes	No successful appeals in a Court of Law were lodged against the municipality.	
50	Contract Administration	Yes		
51	Management of expansion or variation of orders against the original contract	Yes	Parameters were included in the SCM Policy and are managed by the Manager: Expenditure (commitment register).	