

SALDANHA BAY MUNICIPALITY

REPORT TO THE MAYOR

SUBJECT: REPORT OF THE IMPLEMENTATION OF THE SUPPLY CHAIN MANAGEMENT POLICY: FIRST QUARTER: 2018/19

DIRECTORATE: FINANCE

AUTHOR: H MEEDING

CONTACT DETAILS: 022 – 701 6196

DATE: 08 OCTOBER 2018

FILE NO: 8/1

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 31 May 2018, R6/5-18 to perform their oversight role for the 2018/19 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 Senior Accountant: Acquisition and Demand Management, Senior Accountant: Compliance and Senior Bid Administrator: Specifications positions were filled. The SCM Practitioner: Demand and Quotations and Accountant: Contract Management are still vacant, but was advertised and short listing process is finalized.

The officials are under a lot of pressure as departments has submitted a large number of Request for Goods during the first quarter. Overtime is worked on a regular basis to finalize orders – the back log however remains.

3.2 Statistical information:

3.2.1 Acquisition:

<u>Description</u>	<u>2018/19</u>	<u>2017/18</u>	<u>Increase / decline</u>
Number of orders issued (July till September)	2664	2308	356 (Increase)
Value of orders (July till September)	R 47 969 404.82	R 69 505 353.90	R 21 535 949.08 (Decrease)
Number of deviations (July till September)	765	688	77 (Increase)
Value of deviations (July till September)	R 13 339 178.97	R 8 424 535.25	R 4 914 643.72 (Increase)

The increase in the deviations is due to the tenders for the supply and delivery of electrical material and the provision of security services that had to be extended on a month to month basis due to the tenders not yet awarded for the new financial year. The tenders were extended on a month to month deviation until the contracts has been awarded.

3.2.2 Competitive bidding process

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

<u>Description</u>	<u>2018/19</u>	<u>2017/18</u>	<u>Increase / decline</u>
Number of Tenders Awarded (July till September)	11	14	3 (Decrease)
Value of Tenders Awarded (July till September)	R 4 393 129.32	R 31 827 690.39	R 27 434 560.68 (Decrease)

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

Most of the tenders awarded during the first quarter is supply and delivery of goods tenders.

3.2.3 Database administration:

Section 5 of the MFMA provides authority to National Treasury to investigate any system of financial management and internal control in a municipality and to recommend appropriate improvements.

MFMA Circular 81 dated March 2016 was issued and instructed municipalities to make use of the Central Supplier Database (CSD) from 1 July 2016 to assist the municipalities to perform validation functions on key supplier information.

“Central Supplier Database”: means a single database that serves as the source of all supplier information for all spheres of government. A municipality or municipal entity must keep a list of prospective suppliers in terms of Regulation 14 of the Supply Chain Management Regulations.

The CSD is a real-time system that is used to verify supplier information with each award that is made.

SCM has launched an awareness projects to contact all suppliers on the database to verify information and also to link them to the correct commodities to ensure that quotations are sourced from them on a rotation basis.

The number of registered supplier has increased from 733 in the First Quarter of 2017/2018 to 2788 in the First Quarter of 2018/2019.

The unit is also driving a process to ensure that all suppliers are registered for the correct commodities to ensure effective and efficient service delivery.

4. VENDOR PERFORMANCE:

Reports are received on a monthly basis from the directors on the performance of the vendors. Reports are submitted on a monthly basis to the Municipal Manager and Directors and on a quarterly basis to Council.

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 31 May 2017, R6/5-18.

7. AUDIT FINDINGS


The Auditor General is busy with their annual audit of SCM processes.

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.

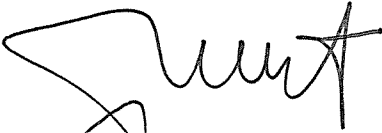
9. RECOMMENDATION

- (i) That the report be noted.


H MEEDING
MANAGER: SUPPLY CHAIN MANAGEMENT

9/10/2018
DATE

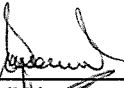
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S ROETS
ACTING CHIEF FINANCIAL OFFICER

9/10/18.

DATE



G LOUW
ACTING MUNICIPAL MANAGER

09/10/18

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		Adopted on 31 May 2018, R6/5-18
5	System of delegations and report on awards made within 5 working days	Yes	All reports were submitted within 3 days after the end of the month.	
6	Oversight role of Council	Yes	Reports are submitted on a quarterly basis to the Mayor and annual basis to Council as prescribed.	
7	Supply chain management unit	Yes		Insufficient capacity remains a challenge. See par.3.1.
8	Training of supply chain management officials	Yes	Two practitioners attended training.	
10	System of demand management	Yes	Progress reports (tender plan) are submitted to the Municipal Manager.	
11	System of acquisition management (quotations)	Yes		Certain functionality is still not available (Quotations above R30 000 and Reporting). Munsoft indicated that this is new developments.
11	System of acquisition management (tenders)	Yes		Quorum problems remain a challenge.
14	Lists of accredited prospective providers	Yes		See par. 3.2.3.
16	Written quotations (reasons are recorded, authorized and monthly reports are submitted to CFO, MM and Council)	Yes	All reports were submitted within 3 days after the end of the month.	
17	Formal written quotations (reasons are recorded, authorized and monthly reports are	Yes	All reports were submitted within 3 working days after the end of the month.	

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	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	All reports were submitted within 3 working days after the end of the month.	
20	Competitive bidding process	Yes	All reports were submitted within 3 working days after the end of the month.	
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	Monitoring did take place via reporting.	
27	Bid specification committees	Yes		Poor planning remains a challenge.
28	Bid evaluation committees	Yes		Departmental Evaluation Reports are not received timeously and putting pressure on committee system to finalize bids before validity lapse. Quorum problems remains a challenge. Revised delegations were prepared to make provision for specific days on which committee meetings will

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				commence and that delegated officials must request authorization from the Municipal Manager to be excused from meetings. This must however still be signed off by the Municipal Manager.
29	Bid adjudication committees	Yes		
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	All reports were submitted within 3 days after the end of the month.	
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)	Yes		Corporate Services has developed a Disposal- and purchasing of Immovable Asset Policy for implementation.
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 were lodged against the municipality.	

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50	Contract Administration	Yes	All awards on CIDB were made within 21 days after signing of contract.	
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).	