

SALDANHA BAY MUNICIPALITY

REPORT TO THE MAYOR

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

DIRECTORATE: FINANCE

AUTHOR: A ADONIS

CONTACT DETAILS: 022 – 701 6922

DATE: 08 JANUARY 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 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 Accountant: Contract Management was externally advertised. The Manager SCM is busy with the shortlisting of the candidates.

The workload in SCM has increased significantly since the implementation of the new financial system and the transition to MSCOA (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) System problems – the SCM process can still not be followed for Mini Tenders (quotes above R30 000). This was addressed within a formal letter to the Financial service provider;
- ii) 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 (October till December)	2 468	2 179	289 (Increase)
Value of orders (October till December)	R 76 472 722	R67 097 742	R 9 374 980 (Increase)
Number of deviations (October till December)	767	513	254 (Increase)
Value of deviations (October till December)	R 9 192 257	R7 647 571	R 1 544 686 (Increase)

The increase in the number and value of orders is due to better planning by the departments. The increase in advertisement of quotations and competitive bids during the first and second quarter also gave rise to an increase in the amount of orders issued.

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 (October till December)	15	14	1 (Increase)
Value of Tenders Awarded (October till December)	R 97 494 317.66	R 52 140 060	R 70 644 999.78 (Increase)

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

The increase in the value of tenders awarded is mainly due to the awarding of the following large tenders during December 2017:

No.	Description	Total tendered amount	Date awarded
VR 065/02/2	Upgrading of Oostewal street in Langebaan from KM 12.84 to Jon Olafsson street phase 2	R 26 615 760,01	2017/12/21
SBM 03/17/18	Construction of a class B Landfill Cell at Vredenburg landfill and associated infrastructure	R 45 758 387,94	2017/12/21

### 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 821 to 890 during the second quarter.

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.

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**

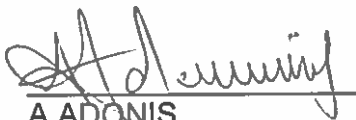
The municipality maintained their clean audit status during the 2016/2017 Audit. Monthly feedback is provided to the Senior Manager Financial Operations on the corrective actions.

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.

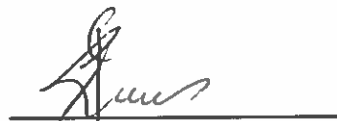
9. **RECOMMENDATION**

- (i) That the report be noted.



A ADONIS  
ACTING MANAGER: SUPPLY CHAIN MANAGEMENT

2018/01/08  
DATE



J LOUW  
ACTING CHIEF FINANCIAL OFFICER

9/1/2018  
DATE



P VOGES  
MUNICIPAL MANAGER

10/1/2018  
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		<b>Challenges:</b> 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. These issues were addressed within a formal letter issued to the Financial service provider.
11	System of acquisition management (tenders)	Yes		<b>Progress</b> 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		

REG NO	CRYPTIC DESCRIPTION OF POWER OF DUTY	IMPLEMENTED (yes / no)	MILESTONES (if applicable)	CHALLENGES AND SOLUTIONS
17	Formal written quotations (reasons, if it was not able to obtain at least 3 written quotations are recorded, authorized and monthly reports are submitted to CFO, MM and Council)	Yes		
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		<b>Challenges:</b> 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).	