

SALDANHA BAY MUNICIPALITY

REPORT TO THE MAYOR

SUBJECT: IMPLEMENTATION OF THE SUPPLY CHAIN MANAGEMENT POLICY: SECOND QUARTER (2018/19)

DIRECTORATE: FINANCE

AUTHOR: H MEEDING

CONTACT DETAILS: 022 – 701 6916

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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 14 funded posts. Two posts were advertised during the second quarter and filled. SCM officials were appointed in these posts and their positions will be advertised during January 2019. The Senior Accountant: Acquisition and Demand has resigned and the position will be advertised during January 2019.

The turnaround time of orders remains an issues although overtime is worked on a regular basis. It is imperative that the unit must be capacitated to improve turnaround time and hence improve service delivery.

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 (October till December)	2494	2468	26 (Increase)
Value of orders (October till December)	R 58 083 427	R 76 472 722	R 18 389 294 (Decrease)
Number of deviations (October till December)	757	767	10 (Decrease)
Value of deviations (October till December)	R 11 734 908	R 9 192 258	R 2 542 650 (Increase)

Deviations are strictly monitored and the high expenditure on deviations relates to Security Services where an appeal was received that created delays in the process of appointment of the new service provider.

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 (October till December)	9	15	6 (Decrease)
Value of Tenders Awarded (October till December)	R41 599 922,98	R 97 494 317.66	R 55 894 394.68 (Decrease)

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

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.

The number of locally registered suppliers has increased from 890 in the second quarter of 2017/2018 to 2951 during the second 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:**

Monthly reports are submitted to the Directors and Municipal Manager 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 2018, R6-5-18 and the Infrastructure Procurement and Delivery Management Policy was compiled and adopted by Council on 22 June 2017, R100/6-17.

7. **AUDIT FINDINGS**

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.



H MEEDING
MANAGER: SUPPLY CHAIN MANAGEMENT

10/1/2019

DATE

**IMPLEMENTATION OF THE SUPPLY CHAIN MANAGEMENT POLICY: SECOND QUARTER
(2018/19)**



S VORSTER
CHIEF FINANCIAL OFFICER

10/1/19

DATE



H METTLER
MUNICIPAL MANAGER

10/1/19

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 outstanding issues that must be addressed by Munsoft (new developments).
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,	Yes		

REG NO	CRYPTIC DESCRIPTION OF POWER OF DUTY	IMPLEMENTED (yes / no)	MILESTONES (if applicable)	CHALLENGES AND SOLUTIONS
	authorized and monthly 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. The revised delegations will address some of the issues experienced i.e. fixed days for committee meetings.
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)	Yes		A tender was advertised for the disposal of movable assets. Corporate Services: R77/8-17 Management and Administration of Immovable Property
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).	