

SALDANHA BAY MUNICIPALITY

REPORT TO THE MAYOR

SUBJECT: REPORT OF THE IMPLEMENTATION OF THE SUPPLY CHAIN
MANAGEMENT POLICY: THIRD QUARTER

DIRECTORATE: FINANCE

AUTHOR: H MEEDING

CONTACT DETAILS: 022 – 701 6196

DATE: 6 APRIL 2017

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 26 May 2016, R5/5–16 to perform their oversight role for the 2016/17 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 and Senior Bid Administrator post will be discussed at the next appointment committee meeting. The capacity is still supplemented with the placement of interns on a rotational basis. This is however not a sustainable solution to address capacity problems.

All municipalities have to comply by 1 July 2017 to the mSCOA requirements. Munsoft was appointed to provide a complete enterprise resource planning solution and part of the solution is a centralized electronic supply chain system. The implementation of the centralized electronic supply chain process is creating an additional workload in SCM.

Request for additional posts were included in the new organogram that will be presented to Council. No additional posts were funded for the 7th year.

The following solutions are considered at this stage:

- i) To inform departments to expedite their planning to provide for additional time to follow due process; or
- ii) To re-deploy competent personnel from directorates to the SCM unit to create sufficient capacity to ensure effective service delivery.

3.2 Statistical information:

3.2.1 Acquisition:

<u>Description</u>	<u>2016/17</u>	<u>2015/16</u>	<u>Increase / decline</u>
Number of orders issued (October till December)	2266	2710	444 (Decrease)
Value of orders (October till December)	R 144 405 908	R 55 168 127	R 89 237 781 (Increase)
Number of deviations (October till December)	639	403	236 (Increase)
Value of deviations (October till December)	R 5 083 689	R 5 414 782	R 331 093 (Decrease)

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. The necessary changes were already communicated with all role players.

3.2.2 Competitive bidding process

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

<u>Description</u>	<u>2016/17</u>	<u>2015/16</u>	<u>Increase / decline</u>
Number of Tenders Awarded (January till March)	8	6	2 (Increase)
Value of Tenders Awarded (January till March)	R 55 171 762	R 20 618 099	R 34 553 663 (Increase)

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

<u>Description</u>	<u>2016/17</u>	<u>2015/16</u>
Number of Tenders Awarded (July till September)	8	24
Number of Tenders Awarded (October till December)	15	14
Number of Tenders Awarded (January till March)	8	6

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

It is clear that better planning has taken place during the 2016/17 year when comparing the figures of the first quarter of this financial year with the figures for the same periods during the previous year.

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 576 to 677 suppliers.

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. The Manager: SCM in co-operation with the Director EPS and Manager: Legal Services is busy compiling a standard operating procedure to formulize the process. This process will be implemented on 1 July 2017 (this standard operating procedure must be aligned with the contract and project management module to ensure successful implementation).

5. SDBIP:

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

6. **AUDIT FINDINGS**

The municipality maintained their clean audit status. Monthly feedback is provided to the Senior Manager Financial Operations on the corrective actions. Only one conclusive finding was raised against the municipality and the change in Policy was already communicated with all role players for implementation.

7. **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, 2011; and
All other relevant legislation, National Treasury guidelines and circulars.

8. **RECOMMENDATION**

- (i) That the report be noted.



H MEEDING
MANAGER: SUPPLY CHAIN MANAGEMENT

10/4/2017
DATE



J LUUS
SENIOR MANAGER: FINANCIAL OPERATIONS

10/4/2017
DATE



S VORSTER
CHIEF FINANCIAL OFFICER

11/4/2017
DATE



G SMITH
ACTING MUNICIPAL MANAGER

12/1/17
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	Implemented comprehensive operational delegations to ensure effective service delivery in SCM unit.	
6	Oversight role of Council	Yes		
7	Supply chain management unit	Yes		<p>Challenges: Insufficient capacity remains a challenge.</p> <p>Solutions: Matter was addressed during restructuring process (organogram).</p>
8	Training of supply chain management officials	Yes	All engineers have attended the session on the implementation of the Model Policy for Infrastructure Procurement and Delivery Management on 20 January 2017 where the policy will be tailor-made to address SBM's specific needs. Training was provided to manager and users of the SCM modules on Munsoft.	
10	System of demand management	Yes	Progress reports are submitted to the Municipal Manager.	
11	System of acquisition management (quotations)	Yes	The Manager: SCM has written a new module for Munsoft for Quotations above R30 000. Training was provided.	The implementation is an ongoing process as mSCOA will also impact on business processes. The implementation of IMIS impacts also on existing processes.
11	System of acquisition management (tenders)	Yes		<p>Challenges Insufficient planning and incomplete specifications leads to delays in processes and appeals. Turnaround time must be reduced.</p> <p>Progress</p>

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				See par. 3.2.2.
14	Lists of accredited prospective providers	Yes	The CSD was successfully implemented from 1 July 2016.	Progress 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.	Reporting challenges on Munsoft is almost addressed.
17	Formal written quotations (reasons are recorded, authorized and monthly reports are submitted to CFO, MM and Council)	Yes	All reports were submitted within 3 working days after the end of the month.	Challenge See Clause 16.
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	Monitoring did take place via reporting.	
27	Bid specification committees	Yes		Progress User departments convene before the final Specification meetings to ensure that all issues are addressed. All role players such as Health and Safety (Mr. Makok) are involved. Minutes are

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				<p>presented to the Specification Committee for consideration.</p> <p>Challenges: Insufficient planning and incomplete specifications lead to delays in the award of bids.</p> <p>Solutions: The Manager: SCM has requested to build a specification library to save time on re-inventing the wheel each time a tender must be advertised. Feedback from Provincial Treasury is still outstanding.</p>
28	Bid evaluation committees	Yes		<p>Challenges: Departmental Evaluation Reports are not received timeously and putting pressure on committee system to finalize bids before validity lapse. Quorum problems.</p>
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		
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	The Municipal Manager uphold one appeal and the matter was resolved.

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			segregation of duties and delegations were implemented.	
40	Disposal: Moveable (Auction) Immovable (Corporate Services)	Yes		Corporate Services has developed a 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 in a Court of Law were lodged against the municipality.	
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).	