

SALDANHA BAY MUNICIPALITY

REPORT TO THE MAYOR

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

DIRECTORATE: FINANCE

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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 Accountant: Contract Management was appointed during the quarter and resumed his duties on 1 April 2018.

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).

Two additional posts were approved in the Buyer Section for 2018/19 and the posts will be advertised during June 2018. The capacity will remain a problem, because National Treasury is in the process of amending the thresholds for the different ranges in procurement processes. This will mean that the threshold for the invitation of tenders will be lifted from R200 000 to R750 000. Quotes must then be request for all transactions with a value of less than R750 000 (VAT inclusive).

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 – issues are followed up with Munsoft.
- 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 has still not provided 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 (January till March)	2130	2266	136 (Decrease)
Value of orders (January till March)	R 29 882 947	R 144 405 908	R 114 522 961 (Decrease)
Number of deviations (January till March)	673	639	34 (Increase)
Value of deviations (January till March)	R 7 335 556	R 5 083 689	R 2 251 867 (Increase)

The decrease in the number of orders are due to the Festive Season (annual leave of officials in the municipality). The large decrease in the amount is due to ESCOM accounts that are paid directly by Creditors (exempted from SCM processes).

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 (January till March)	24	8	15 (Increase)
Value of Tenders Awarded (January till March)	R 91 445 667	R 55 171 762	R 36 273 905 (Increase)

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

<u>Description</u>	<u>2017/18</u>	<u>2016/17</u>
Number of Tenders Awarded (July till September)	14	8
Number of Tenders Awarded (October till December)	18	15
Number of Tenders Awarded (January till March)	24	8

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

The Tender Section and Bid Committees were placed under tremendous pressure during the third quarter by departments that do not adhere to due dates, poor planning and not taking factors such as the Builder Holiday in consideration.

Herewith a summary of the bids that had to be evaluated and awarded since December 2018.

- Project related tenders and other (116 tender documents that had to be evaluated)
- Term tenders (149 tender documents that had to be evaluated)

The major reason for the delays:

- Delays in specifications finalization (6-week delay)
- Reports from departments (5 tenders ± one month and 6 tenders two months)
- Bottle neck of tenders at SCM described below (Take note that there are only two officials responsible for pre-evaluation of bids – there are also not capacity in the unit to redeploy people to deal with bottle necks).

Monthly reports are submitted to Management on progress on the Procurement Plan.

The following process is going to be followed to address the above:

- Portfolio Councilors are going to be part of planning process (compilation of the Procurement Plan);

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- ii) Departments must obtain approval from the Municipal Manager to amend dates on the Procurement plan; and
- iii) The Procurement Plan report will be discussed at the EMT meetings and the minutes of the meeting must be submitted to the Mayor.

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 890 to 979 during the third 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.

A Supplier Open Day is planned during May to inform suppliers on supply chain management processes. Mr Adonis is also attending the Supplier Open Day

4. VENDOR PERFORMANCE:

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

Training was attended by Ms Meeding, Ebersohn and Mr Khuselo. Ms Meeding is busy compiling a draft Policy and to define system changes required.

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.


H. MEEDING
MANAGER: SUPPLY CHAIN MANAGEMENT

9/4/2018
DATE


S VORSTER
CHIEF FINANCIAL OFFICER

9/4/2018
DATE


P VOGES
MUNICIPAL MANAGER

9/4/2018
DATE

3.72. *Port Folio*
Are Port Folio Councillors part
of the Procurement Plan -
not adjudication? For further
not for letters?

Discussion with Dr Voges :

Port Folio Councillors will form part of planning process
(not part of competitive bidding process). MFMA 117 + 118

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 issues that must be addressed by Munsoft. Calls are logged and reported to 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		

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		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.

REG NO	CRYPTIC DESCRIPTION OF POWER OF DUTY	IMPLEMENTED (yes / no)	MILESTONES (if applicable)	CHALLENGES AND SOLUTIONS
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 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		

REG NO	CRYPTIC DESCRIPTION OF POWER OF DUTY	IMPLEMENTED (yes / no)	MILESTONES (if applicable)	CHALLENGES AND SOLUTIONS
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).	