

SALDANHA BAY MUNICIPALITY

REPORT TO THE MAYOR

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

DIRECTORATE: FINANCE

AUTHOR: H MEEDING

CONTACT DETAILS: 022 – 701 6196

DATE: 6 JULY 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, 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.

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 rejected and no funding were received for additional posts for the 8th year in a row. 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.

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 (April till June)	2108	2371	263 (Decrease)
Value of orders (April till June)	R 58 367 649	R 47 364 081	R 11 003 568 (Increase)
Number of deviations (April till June)	738	337	401 (Increase)
Value of deviations (April till June)	R 6 169 942	R 7 084 304	R 914 362 (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 to 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 (April till June)	7	15	8 (Decrease)
Value of Tenders Awarded (April till June)	R 3 296 860	R 79 967 088	R 76 670 228 (Decrease)

- 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)	15	8
Number of Tenders Awarded (October till December)	14	24
Number of Tenders Awarded (January till March)	8	6
Number of Tenders Awarded (April till June)	7	15
TOTAL	44	53

Better planning has taken place during the 2016/17 year. The bulk of tenders were awarded during the first half of the year when comparing the figures of the first half of this financial year with the figures for the same periods during the previous year. There is still room for improvement.

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 677 to 733 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 Standard Operating procedure in dealing with sub-standard performances by vendors will be finalized by 31 July 2017. This process will be implemented with the contract and project management module to ensure successful implementation. However, the contract management and project management module will only be implemented July and August 2017.

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.

The new Preferential Procurement Regulations were implemented on 1 April 2017.

7. AUDIT FINDINGS

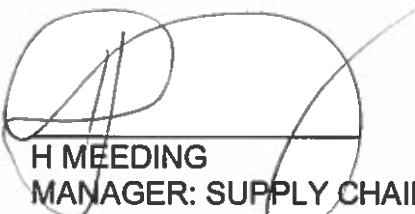
The municipality maintained their clean audit status. Monthly feedback is provided to the Senior Manager Financial Operations on the corrective actions. Only one conclusive finding was raised against the municipality and the change in Policy was already communicated with all role players for implementation.

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

7/7/2017
DATE


J LOUW
ACTING CHIEF FINANCIAL OFFICER

7/7/2017
DATE


G SMITH
ACTING MUNICIPAL MANAGER

7/7/17
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		
6	Oversight role of Council	Yes		
7	Supply chain management unit	Yes		Challenges: Insufficient capacity remains a challenge. No funding was received for any additional posts. This impacts negatively on service delivery.
8	Training of supply chain management officials	Yes	IPDM training	
10	System of demand management	Yes	Progress reports (tender plan) are submitted to the Municipal Manager.	
11	System of acquisition management (quotations)	Yes		mSCOA testing was done, but the supply chain management module could not be tested in totality due to challenges experienced at Munsoft.
11	System of acquisition management (tenders)	Yes		Challenges Planning has improved. Quorum problems remain a challenge. Progress See par. 3.2.2.
14	Lists of accredited prospective providers	Yes		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.	

REG NO	CRYPTIC DESCRIPTION OF POWER OF DUTY	IMPLEMENTED (yes / no)	MILESTONES (if applicable)	CHALLENGES AND SOLUTIONS
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.	
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		Challenges: There was an improvement in planning, but additional control measures must be put in place by Directors to ensure capital spending.
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.
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	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).	