

SALDANHA BAY MUNICIPALITY

REPORT TO THE MAYOR

SUBJECT: REPORT OF THE IMPLEMENTATION OF THE SUPPLY CHAIN MANAGEMENT POLICY: FOURTH QUARTER: 2017/18

DIRECTORATE: FINANCE

AUTHOR: H MEEDING

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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. All funded posts are filled. Interns are not appointed at SCM on temporary basis anymore and this causes problems as the unit is still understaffed

although all funded posts are filled. The structure does not make provision for unfunded posts.

Funding was made available for two additional posts. This, however, is still not in the least sufficient to make an impact on the turnaround time for orders that impacts directly on service delivery requirements.

3.2 Statistical information:

3.2.1 Acquisition:

Description	2017/18	2016/17	Increase / decline
Number of orders issued (April till June)	2102	2108	6 (Decrease)
Value of orders (April till June)	R 58 696 890	R 58 367 649	R 329 241 (Increase)
Number of deviations (April till June)	562	738	176 (Decrease)
Value of deviations (April till June)	R 10 794 505	R 6 169 942	R 4 624 563 (Increase)

The main reason for the increase in the rand value of deviations are due to a deviation of R3 912 875 for emergency ablution facilities awarded to Absolute Ablutions during May 2018. The drought crisis also had an impact on the emergency procurement of the municipality to ensure water services could be continually provided to the community. The detailed information was included in the reports to Council.

The table below indicates the number of advertisements placed on the website for procurement between R30 000 and R200 000 during the 2017/18 financial year:

Period	Number of advertisements placed for procurement between R30 000 and R200 000: 2017/18	Number of advertisements placed for procurement between R30 000 and R200 000: 2016/17
July – February	241	201
March – June	171	105
Total	412	333

Poor planning is still an issue. Furthermore, term tenders was not finalized timeously. 41% of advertisements for procurement above R30 000 was placed during the last three months of the financial year.

This impacts negatively on spending. Additional pressure is furthermore placed on SCM officials (two officials responsible for request of quotations and two officials responsible for checking compliance and the issuing of the orders) to perform their functions and this is a high risk which can result in mistakes or non-compliance.

3.2.2 Competitive bidding process

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

Description	2017/18	2016/17	Increase / decline
Number of Tenders Awarded (April till June)	20	7	13 (Increase)
Value of Tenders Awarded (April till June)	R 32 056 427	R 3 296 860	R 28 759 567 (Increase)

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

The table below indicates the comparative figures of the number of tenders awarded per quarter for the 2015/16 and 2016/17 financial years:

<u>Description</u>	<u>2017/18</u>	<u>2016/17</u>
Number of Tenders Awarded (July till September)	14	15
Number of Tenders Awarded (October till December)	15	14
Number of Tenders Awarded (January till March)	23	8
Number of Tenders Awarded (April till June)	20	7
TOTAL	72	44

Proper planning is a burning point in the municipality. A procurement plan is compiled on an annual basis to ensure timeous spending of the capital budget. There were nine (9) planned tenders on the procurement plan. Twenty (20) tenders were awarded.

Meetings are scheduled for 16 July 2018 to finalize the procurement plan for 2018/19. Feedback will be provided to Council.

3.2.3 Database administration:

The Central Supplier Database (CSD) was implemented on 1 July 2017. The CSD is a real-time system that is used to verify supplier information before an award is made.

The biggest challenge experienced is that the CSD is still not verifying the BEE status of suppliers. This functionality was supposed to be available since October 2016. Suppliers are thus still requested to submit their BEE status as prescribed in the Preferential Procurement Regulations, 2017.

The table below indicate the number of suppliers registered on the system:

Region:	Number of suppliers registered on system 2017/18	Number of suppliers registered on system 2016/17	Increase / decrease
Saldanha Bay Municipal Area	1064	979	85

4. VENDOR PERFORMANCE:

Feedback are received on a monthly basis from departments on the performance of the vendors. A consolidated report is send on a monthly basis to Management and a quarterly basis to Council. The Conditions of Contracts prescribe the process that must be followed by Departments when under performance is detected.

A draft contract management manual was submitted with the procurement plan to all Directors for inputs and to align the functions with the current structure. This is a mammoth task, because it impacts on job descriptions, implementation of controls to ensure proper management of contracts, alignment of functions across the municipality, development of electronic system, uploading of all current contracts on the system and ensure that there is an audit trail of the process (asset life cycle). It is imperative that contract management functions are formulized to ensure that value for money are received during execution phase.

5. SDBIP:

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

6. ADOPTION OF SCM POLICIES

The SCM Policy and the Infrastructure Procurement and Delivery Management Policy was reviewed and adopted by Council on 31 May 2018, R6/5-18.

7. AUDIT FINDINGS

The municipality maintained their clean audit status and no findings were raised on SCM matters.

8. LEGISLATIVE COMPLIANCE

Local Government: Municipal Finance Management Act (Act 56 of 2003)
Municipal 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

13/7/2018
DATE



T WILLIAMS
ACTING CHIEF FINANCIAL OFFICER

13/7/2018
DATE



P VOGES
MUNICIPAL MANAGER

13/7/2018
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	All reports were submitted within 3 days after the end of the month.	
6	Oversight role of Council	Yes	Reports are submitted on a quarterly basis to the Mayor and annual basis to Council as prescribed.	
7	Supply chain management unit	Yes		Insufficient capacity remains a challenge. See par.3.3.
8	Training of supply chain management officials	Yes	IPDM training: Planning and Budgeting SCM (Manager: SCM, CFO, Director IPS, Senior Manager: Electro Technical Services, Senior Manager: PMU)	
10	System of demand management	Yes	Progress reports (tender plan) are submitted to the Municipal Manager.	
11	System of acquisition management (quotations)	Yes		Certain functionality is still not available (Quotations above R30 000 and Reporting). Munsoft indicated that this is new developments.
11	System of acquisition management (tenders)	Yes		Quorum problems remain a challenge. See par. 3.2.2.
14	Lists of accredited prospective providers	Yes		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	All reports were submitted within 3 working days after the end of the month.	
20	Competitive bidding process	Yes	All reports were submitted within 3 working days after the end of the month.	
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		Poor planning remains a challenge. See par. 3.2.2.
28	Bid evaluation committees	Yes		Departmental Evaluation Reports are not received timeously and putting pressure on committee system to finalize bids before validity lapse. Quorum problems remains a challenge. Revised delegations were prepared to make provision

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				for specific days on which committee meetings will commence and that delegated officials must request authorization from the Municipal Manager to be excused from meetings.
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	All reports were submitted within 3 days after the end of the month.	
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		

REG NO	CRYPTIC DESCRIPTION OF POWER OF DUTY	IMPLEMENTED (yes / no)	MILESTONES (if applicable)	CHALLENGES AND SOLUTIONS
46	Objections and complaints (Appeals)	Yes	One successful appeal in a Court of Law was lodged against the municipality. The Municipal Manager is preparing a report to Council on this matter.	
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).	