



MUNICIPALITEIT **BERGRIVIER** MUNICIPALITY

REPORT TO THE MUNICIPAL COUNCIL

SUBJECT: OVERSIGHT ROLE OF COUNCIL: IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT FOR THE SECOND QUARTER AND THE FINANCIAL YEAR 2021/2022

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1. PURPOSE OF THE REPORT

The purpose of this report is to inform the Council regarding the implementation of the Supply Chain Management Policy in accordance with the oversight role of Council for second quarter of the 2021/2022 financial year.

2. BACKGROUND

For the purposes of ensuring appropriate oversight over the implementation of the Municipal Supply Chain Management Policy, the accounting officer must within 10 days of the end of each quarter, submit a report on the implementation of the supply chain management policy to the mayor.

The detail discussion in the report hereunder provides an overview of the activities, achievements and challenges that the SCM Section of Bergrivier encountered over the course of the second quarter of the 2021/2022 financial year.

It also highlights the extent to which the SCM Section complied with the legislative regime as well as the policy prescripts during the 2021/2022 financial year.

3. DISCUSSION

3.1 Capacity of SCM unit

The SCM unit comprises of:

- Manager: Supply Chain Management & Expenditure (N. Bothma)
- Head: Supply Chain Management & Assets (I Saunders)
- Accountant: Supply Chain and Assets (E Scholtz)
- **Assistant Accountant: Assets (Vacant) – critical position.**
- Senior Clerk: Bid Administration (R Hendricks)
- 1X Clerk: SCM Clerk Gr 2 (C Smit from 1 October 2021)

- 1x Principle Clerk SCM (**vacant**)
- 1X Senior Clerk: Assets and Insurance (U van Wyk)
- 1X Clerk Supplier/Contract Management (Vacant)- **critical position.**
- 1 Clerk: Logistics, Insurance, Assets (K Klaase)
- 1 x Interns (Appointed on 1 September 2020 – Me E Nero and Mr J Doman from Porterville) – Interns should be rotated and we utilise interns for critical tasks, due to shortage of staff. Me E Nero resigned and left the Municipality on 31 December 2021. We currently have a shortfall of five financial interns.

No vacancies were funded for the year and appointment of officials should be considered that the asset function can be fully operational. The approved organogram makes provision for unfunded posts. It is critical that Council should make funds available to fund the Asset Accountant position due to the fact that most of the Annual Financial Statement entries is assets. Cognisance should be taken that all though additional posts were not funded, the organogram must be reviewed on an annual basis to build the SCM unit to full capacity to ensure:

- (i) A clean audit in terms of compliance in terms of the Regulations;
 - (ii) To comply with Section 115(1) (b) Local Government: Municipal Finance Management Act (Act no 56 of 2003) with regards to segregation of duties in the SCM system to minimize the likelihood of fraud, corruption, favouritism and unfair and irregular practices; and
 - (iii) To put the necessary levels of control in place (auditing of documents and authorization of orders, etc.)
- Centralization of functions must still take place and this puts an additional burden on existing structure to comply with the following SCM regulations. The following aspects must be addressed with the appointment of officials during 2021/2022;
- (i) Regulation 10 (Demand Management) – this will be addressed with the filling of the vacancies, but not to a point where centralization can take place;
 - (ii) Regulation 41 (Risk Management) – this will be addressed with the filling of the vacancies; and
 - (iii) Regulation 42 (Performance Management) - this will be addressed with the filling of the vacancies.

Provision must be made for additional capacity during the annual review of the approved Organogram for the 2021/2022 to appoint officials to perform the following functions:

- (i) Regulation 39 (Logistics Management);
- (ii) Regulation 40 (Disposal Management);
- (iii) Additional officials must also be appointed to perform functions regarding new best governance practices implemented such as “local content and production”, irregular- Fruitless- and wasteful expenditure as well as unauthorized expenditure, and to roll out the electronic requisition system to all Departments.
- (iv) Further Regulation 106: Implementation of Local Government Framework for Infrastructure Delivery and Procurement Management (LGFIPDM) does bring another burden on the SCM

unit – all capital projects have to comply with this regulation from 1 July 2021. This reform is over the whole Municipality but with little assistance the SCM unit is the implementer and the responsible person to implement the project is the Project Manager.

3.2 Review and adoption of Supply Chain Management Policy by Council In terms of Regulation 3(1)(b) of the Supply Chain Management Policy the policy must be reviewed annually, submitted to Council and be adopted. The Supply Chain Management Policy was reviewed and adopted by Council on 25 May 2021.

3.3 The PPPFA Policy was reviewed again and was approved at Council to assist with local economic development.

3.4 In addition, I would like to report that most of the staff in this unit was affected by COVID 19 – some had the Covid 19 virus, some lost close family members placing further stress on employees.

3.5 COMPLIANCE

3.5.1 Formal Tenders Awarded: Competitive Bidding for all Contracts valued more than R30,000

The competitive bidding process and bid committee structures are functioning effectively. The Bid Committees are composed of the following members:

#	Committee	Composition & Function
1.	Bid Specification Committee- BSC	The project manager and a Senior SCM Practitioner- Considers tender specifications and approve and recommend for approval to the HOD
2.	Bid Evaluation Committee- BEC	The project manager, a Senior SCM Practitioner and any other Manager- Considers tender evaluation reports and makes recommendations to the BAC
3.	Bid Adjudication Committee- BAC	At least 4 directors and a Senior SCM Practitioner, with the CFO as Chairperson. (Not the same SCM Practitioner as BEC)- Considers recommendations from the BEC and make awards or recommend to the MM to award the tender. The Municipality follows the principle of a quorum 50% plus 1 to consider tenders.

3.4.2 Members of the bid committees are required to declare to undertake the following:

3.4.3 That all information, documentation and decisions regarding any matter before the committee is confidential and undertakes not to make known anything in this regard;

3.4.4 To treat all service providers and potential service providers equitably and will not purposefully favour or prejudice anybody; and

3.4.5 To make known details of any private or business interest he or she or any close family member, partner or associate may have in any proposed procurement or disposal of, or in any award or contract that they will immediately withdraw from participating in any matter whatsoever.

3.4.6 The members of the Bid Committees have duly undertaken to uphold the confidentiality, to be fair in all dealings and to declare their personal interests, if any. None of the members had conflicts of interest to declare.

3.4.7 The awards made by bid committees or the delegated officials are valued to the amount of **R10 760 013.19** formal tenders awarded, excluding the rates tenders.

3.4.8 0 objections were received.

6 Tenders Awarded between October 2021 and 30 December 2021 were inclusive of awards to the amount of **R10 760 013.19** as well as rates-based tenders

5 awards to Piketberg service providers and 0 to Porterville. 0 to Velddrif 2 to Eendekuil, 0 to Redelinghuis, 0 to Aurora for to service provider inside Bergrivier Municipality.

• 31 Formal Quotations awarded between October 2021 and 30 December 2021 and were inclusive of 0 awards to Piketberg service providers and 12 rate-based Quotation 1 to Porterville (Income-Property awarded- R 90020.00), 2 to Velddrif (1 Income Lease of Kiosk R700), 0 to Dwarskersbos, 0 to Eendekuil, 0 to Redelinghuis, 0 to Aurora, to service providers inside Bergrivier Municipality. The value of the Formal Quotations was R 1 959 819.46 and R111 550.00 (This excluded the amounts in yellow (income) was spent locally).

All tenders are opened in public, and the results of the opening are recorded in a Bid Opening Register and placed on the Municipal Website.

3.5 Council also requires statistical information regarding the time taken to process a tender in terms of the SCM Policy in in line with the following criteria:

Description of Measurement Criteria per Tender	First Quarter	Second Quarter
Average Calendar Days from Bid Specification Committee (BSC) to Bid Adjudication Committee (BAC)- Full Procurement Cycle	95	94
Average Calendar Days from Tender Advertisement Date to BAC	83	76
Average Calendar Days from Tender Closing Date to BAC	84	47
Average Calendar Days from Tender Closing Date to BEC- Tender Evaluation	32	26
Tender with Fastest Procurement Process: BSC to BAC	94	46
Tender with Longest Procurement Process: BSC to BAC	102	152

The time to process tenders needs to improve, but due to administrative problems, tenders were returned to user Departments to compile the evaluation reports properly after mistakes were detected by SCM.

3.6 DEVIATIONS FROM THE SCM POLICY

Section 36(1) of Council's Supply Chain Management Policy allows the Accounting Officer to dispense with the official procurement processes under certain circumstances. During the 1 July 2021 and 30 September 2021, **13** deviations to the total amount of **R845 769.03** were considered and approved as per **delegation provided by the SCM Policy**. The deviations were considered and approved in line with Section 36(1) (a) (i), (ii) & (v) of the Bergrivier SCM Policy.

Month	Total	Emergency	Impossible / Impractical / Exceptional Case	Sole Provider	Covid 19
July	R54 784.00	R-	R54 784.00	R-	R-
August	R117 275.88	R68 089.45	R49 186.43	R-	R-
September	R97 578.75	R73 428.75	R24 150.00	R-	R-
October	R4 140.00	R-	R-	R4 140.00	R-
November	R534 347.90	R499 847.90	R34 500.00	R-	R-
December	R37 642.50	R10 867.50	R-	R26 775.00	R-
TOTAL	R845 769.03	R652 233.60	R162 620.43	R30 915.00	R-
<i>Departments</i>	<i>Community</i>	<i>Finance</i>	<i>Corporate</i>	<i>Technical</i>	<i>Municipal Manager</i>
July	R-	R-	R-	R54 784.00	R-
August	R49 186.43	R-	R-	R68 089.45	R-
September	R-	R24 150.00	R-	R73 428.75	R-
October	R-	R-	R-	R4 140.00	R-
November	R34 500.00	R-	R-	R442 347.90	R57 500.00
December	R-	R26 775.00	R-	R-	R10 867.50
TOTALS	R83 686.43	R50 925.00	R-	R642 790.10	R68 367.50

4. IRREGULAR, FRUITLESS AND WASTEFULL EXPENDITURE

Section 32(1) (c) of the Municipal Finance Management Act (MFMA) determines that any political office-bearer or official of a municipality who deliberately or negligently committed, made or authorised an irregular expenditure, is liable for that expenditure. Section 32(2)(b) of the MFMA further determines that a municipality must recover irregular expenditure from the person liable for that irregular expenditure unless the irregular expenditure, after investigation by a committee of council, is certified by the council as irrecoverable and to be written-off.

Bergivier SCM Policy section 36(3) prescribes that all identified possible unauthorised, irregular, fruitless and wasteful expenditure (UJFWE) must be referred to Municipal Public Accounts Committee (MPAC) for investigation and MPAC must make recommendations with exceptions of minor breaches ratified by the Accounting Officer. Thus, by legislation irregular expenditure has to be disclosed in Annual Financial Statements (AFS). If not certified by Council to be written-off the closing balance will lead to an audit exception, that if material in nature. Further it could lead to an audit qualification in the Auditor-General's Report.

Bid Committee System

A proper bid committee system with relevant terms of reference and delegations is implemented and fully functional.

Challenges faced during the 2021/2022 book year:

- (i) Incomplete specifications are still a challenge (The measure we did put in place is that the final specifications must be signed off by the relevant Director and Manager)
- (ii) Buy-in to finalize bids timely to ensure capital spending; and
- (iii) Quorums remain a problem on Committees due to unavailability of nominated officials. – The turnover rate as indicated in paragraph 3.5 above is a good indication.
- (iv) Some departments wait until the last three months of the financial year to start a SCM process and then it is normally too late to ensure timely spending.
- (v) The cut-off date for procurement will be **13 May 2022** and no more tenders or formal quotes will be done for the current financial year.

5. AWARDS TO PERSONS IN SERVICE OF THE STATE

The Auditor General has identified businesses that have directors, etc. who are currently in service of the state. National Treasury has indicated that the municipalities During the months of August/September 2021 the SCM Unit had many correspondences with the National Treasury to take of previous employees from the listing of Employees because they are Suppliers/Contractors now and the Municipality could not be held responsible, because of lack of access to systems to provide the information. (CAATS) The processes were changed, and declarations of interest were requested from all suppliers when submitting quotations. Thus, if a supplier is identified by the AG – steps can be taken in terms of information supplied in the declaration. The PT is also assisting municipalities to verify information on the government PERSAL system.

6. DECLARATIONS OF SCM EMPLOYEES

Declarations were completed by all personnel in the unit.

7. VIREMENTS

Reporting of virements for the financial year 2021-2022 per month and department are below and the amount virement for the month from 1 July 2021 to 30 September 2021 was a total of R3 377 861.00. The high virement in August 2021 is due to the Finance Management Grant that was allocated according to the business plan.

Month	Total
July	R108 150.00
August	R2 253 838.00
September	R1 493 445.00
October	R798 000.00
November	R1 627 001.00
December	R319 200.00
TOTAAL	R6 599 634.00

8.. ESTABLISHMENT OF A FUNCTIONAL SCM UNIT

The establishment of a functional SCM unit (centralized or decentralized) will most certainly assist with compliance to legislative requirements, however, the following needs to be considered to ensure effective service delivery to operational departments:

- 8.1. Establishment or assigning procurement responsibilities to appropriate persons. Operational departments will then only submit their resource requirements as per an approved requisition.
- 8.2. Refining of supplier database to include primary and secondary business portfolios.
- 8.3. Utilization of the current Central Supplier database of National Treasury – all requisitions submitted is being verified.
- 8.4. Use current item prices as standard prices and refine to align with market related prices.
- 8.5. Vendor performance criteria should be part of standard SCM documentation highlighting the sanctions for non-compliance. This is done by the User Departments, if a Service Level Agreement is in place. The invoice submitted is accompanied with an evaluation sheet that is completed with the confirmation of goods/services received and submitted to the SCM Unit to monitor the performance of Suppliers. This is still a challenge to receive the evaluations from the user departments, but has improved.
- 8.6. Assist with reporting templates to ensure synergy in dealing with same matters by difference directorates and/or departments.
- 8.7. Developing standardized specifications for day-to-day material and/or service provider usage.
- 8.8. Increased focused on quotations below R30 000.00 where it seems like most anomalies occur, and this can help with local economic growth.

9 PROBLEM STATEMENT

In terms of this report, it can assume that there are challenges in the Supply Chain Management processes which are in many instances similar to the previous financial year.

Many of the previous year's recommendations have not been implemented i.e., Logistic, Assets and Contract Management and measuring of the Suppliers/Contractors performance.

Currently the supply chain functions are fragmented through the various departments and not all officials are conversant with the latest legislation and directives of National Treasury.

It is recommended that the responsibility and accountability of the supply chain function of logistics be under the Supply Chain Management Unit to ensure uniform compliance as well as effective delivery, but currently we encounter resource constraints to accommodate the function. A proper secured store will first have to be built and equip with the necessary selves and storage space.

The implementation of an electronic logistic system is currently not assisting the Municipality due to the fact that only one junior clerk, that is also responsible for assets and insurance, is also capturing the issues on the stores, which are located in all the respective towns within Bergrivier Municipal area. At the various stores the Municipality is making use of general workers to do store functions and in Porterville there is nobody permanent assisting with the store function. – See the latest intern audit report.

The Finance Department submitted a report in the second quarter of 2020/2021 to the standing committee to relook at the organogram and functions of the stores.

This function will only be transferred if sufficient budget is available to appoint appropriate human resources and to enhance the current financial system.

10. DISASTER MANAGEMENT

The Minister of Cooperative Governance and Traditional Affairs, as designated under Section 3 of the Disaster Management Act, 2002 (Act No. 57 of 2002) ("the Act"), in terms of section 27(5)(c) the Act, extended the national state of disaster that was declared on 15 March 2020 by Government Notice 313, published in Government Gazette 11342, to 30 September 2021, extended now to 1 November 2021, taking into account the need to continue augmenting the existing mitigation measures undertaken by organs of state to address the impact of the disaster to a further unknown date and that emergency procurement had to be done under emergency circumstances to ensure that the different Towns/Offices were sanitized with the third wave of the pandemic. The pandemic will be with us for an unknown time and till then we will have to ensure that we will continue with humanitarian support for people in need and sanitizing of our offices.

We are on alert level 1 from 1 October 2021 to 31 December 2021.

11. COST CONTAINMENT

In terms of Regulation 15(2) of the Municipal Cost Containment the Municipality does report in the Section 52 quarterly report on the savings due to cost containment measures.

RECOMMENDATION

1. That Council consider and take note of the Supply Chain Management implementation report for the period 1 October 2021 to 31 December 2021 representing the second quarter.
2. That the report be made public in accordance with section 21A of the Municipal Systems Act.