



# MUNICIPALITEIT **BERGRIVIER** MUNICIPALITY

## REPORT TO THE MUNICIPAL COUNCIL

**SUBJECT: OVERSIGHT ROLE OF COUNCIL: IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT POLICY IN TERMS OF SECTION 6(1)(3) OF THE MUNICIPAL REGULATIONS FOR THE FOURTH QUARTER AND THE FINANCIAL YEAR 2021/2022**

**DIRECTORATE:** FINANCE

**AUTHOR:** N BOTHMA

**CONTACT DETAILS:** 022 – 922 6065

**DATE:** 30 JUNE 2022

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### 1. INTRODUCTION

In terms of clause 6(1) (3) of the Municipal Supply Chain Regulations, 2005, which deals with the Oversight role of council of a municipality or board of directors of a municipal entity:

- (1) The Council of a Municipality and board of directors of a Municipal Entity must maintain oversight over the implementation of its supply chain management policy.
- (2) 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 of the municipality or the board of directors of the municipal entity, as the case may be.

### 2. SCM POLICY AND PROCEDURES

- (1) 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 31 May 2022.
- (2) The Municipality applied and obtained an exemption from the Minister of Finance that was valid until 30 May 2022 and also amended the PPPFA Policy that was approved by Council.
- (3) All SCM delegations are being followed.
- (4) 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. FUNCTIONING OF THE SCM UNIT

3.1 All staff in the Unit declared their interest.

3.2 All SCM staff signed the Code of Conduct.

#### 3.3 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.**
- Administrator: Bid Administration (R Hendricks)
- 1X Clerk: SCM Clerk Gr 2 (C Smit from 1 October 2021)
- 1x Principle Clerk SCM (**vacant**) (**WOULD COMBINE THIS POSITION WITH THE ADMINISTRATOR POSITION AND GET IT RE-EVALUATED**)
- 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 two financial interns. Interviews were conducted during March 2022 and we could appoint three new interns, one in internal audit and two in the financial services department.

No vacancies were funded for the year and the 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 2022/2023 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 Department.

#### **4 FUNCTIONING OF THE BID COMMITTEES**

**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.

- 4.1 Members of the bid committees are required to declare to undertake the following:
- 4.2 That all information, documentation and decisions regarding any matter before the committee is confidential and undertakes not to make known anything in this regard;
- 4.3 To treat all service providers and potential service providers equitably and will not purposefully favour or prejudice anybody; and
- 4.4 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.

4.5 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.

The awards made by bid committees or the delegated officials are valued to the amount of **R6 311 596.85** formal tenders awarded, excluding the rates tenders.

0 objections were received.

8 Tenders Awarded between 01 April 2022 and 30 June 2022 were inclusive of awards to the amount of **R 6 311 596.85** as well as rates-based tenders

1 awards to Piketberg service providers and 0 to Porterville. 1 to Velddrif 0 to Eendekuil, 0 to Redelinghuis, 0 to Aurora for to service provider inside Bergrivier Municipality.

• 14 Formal Quotations awarded between April 2022 and 30 June 2022 and were inclusive of 2 awards to Piketberg service providers and 1 rate-based Quotation 0 to Porterville. 0 to Velddrif, 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 96 6325 000 and R119 000.00

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.

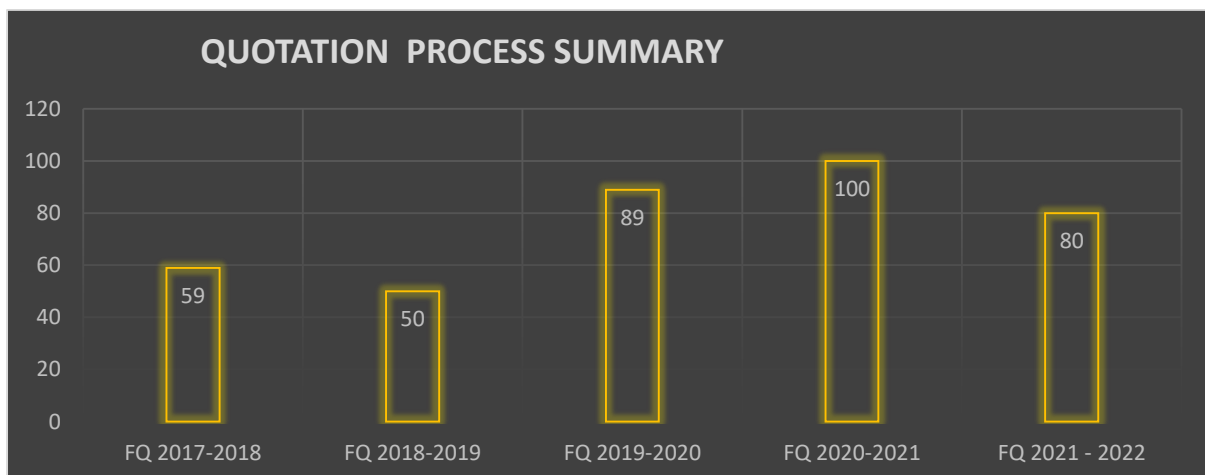
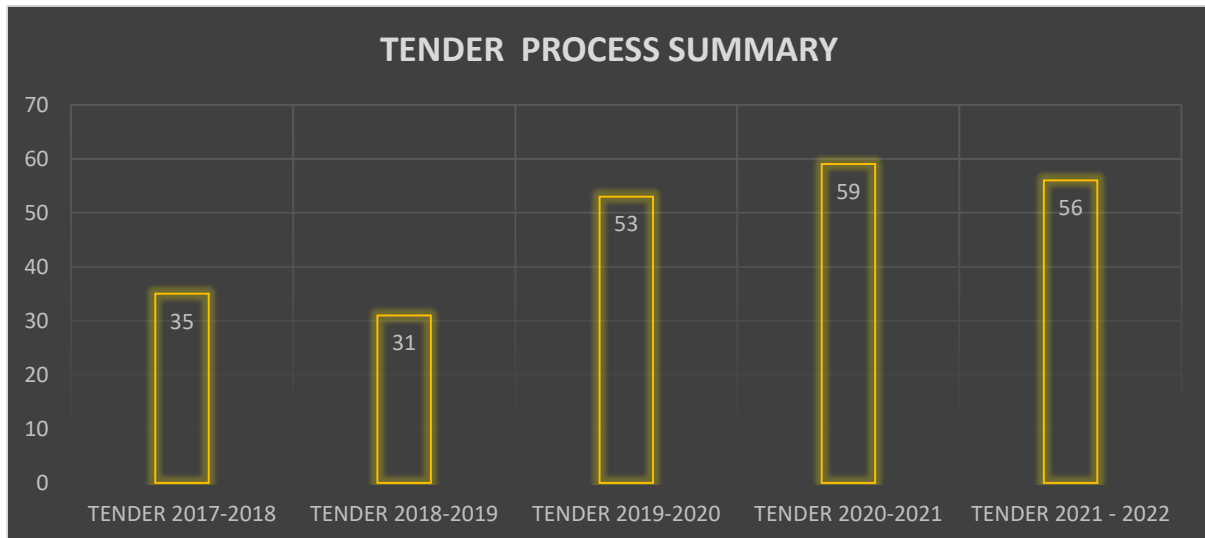
4.6 Council also requires statistical information regarding the time taken to process a tender in terms of the SCM Policy in in line with the following criteria:

Description of Measurement Criteria per Tender	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Average Calendar Days from Bid Specification Committee (BSC) to Bid Adjudication Committee (BAC)- Full Procurement Cycle	95	94	111.80	81.44
Average Calendar Days from Tender Advertisement Date to BAC	83	76	87.25	72.00
Average Calendar Days from Tender Closing Date to BAC	84	47	62.20	42.00
Average Calendar Days from Tender Closing Date to BEC- Tender Evaluation	32	26	48.85	20.66
Tender with Fastest Procurement Process: BSC to BAC	94	46	62	43
Tender with Longest Procurement Process: BSC to BAC	102	152	244	139

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.

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

The tender processes are less in numbers due to the fact that better planning is been put in place to streamline the processes. The annual tenders are done for three year periods. Underneath is a comparison of total tenders from the previous financial year's and this financial year.



#### 4.7 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.

#### 4. 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 June 2022, **20** deviations to the total amount of **R1 613 385.78** 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 Bergvriër 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	R499 847.90	R499 847.90	R-	R-	R-
December	R41 658.75	R10 867.50	R-	R30 791.25	R-
January 2022	R57 500.00	R-	R57 500.00	R-	R-
February	R314 985.00	R-	R314 985.00	R-	R-
March	R24 093.75	R-	R9093.75	R-	R15 000.00
April	R202 021.75	R-	R202 021.75	R-	R-
May	R4 000.00	R-	R4 000.00	R-	R-
June	R195 500.00	R-	R195 500.00	R-	R-
<b>TOTAL</b>	<b>R1 613 385.78</b>	<b>R652 233.60</b>	<b>R911 220.93</b>	<b>R34 931.25</b>	<b>R15 000.00</b>
<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	R-	R-	R-	R442 347.90	R57 500.00
December	R-	R30 791.25	R-	R-	R10 867.50
January 2022	R57 500.00	R-	R-	R-	R-
February	R-	R314 985.00	R-	R-	R-
March	R4 000.00	R-	R5 093.75	R-	R15 000.00
April	R-	R-	R-	R202 021.75	R-
May	R4 000.00	R-	R-	R-	R-
June	R-	R-	R-	R-	R195,500.00
<b>TOTALS</b>	<b>R114 686.43</b>	<b>R369 926.25</b>	<b>R5 093.75</b>	<b>R844 811.85</b>	<b>R278 867.50</b>

Herewith find the deviations totals to see how the deviations over the past financial year was managed to decrease the total deviations:-  
There was 27 deviation applications and eight was not approved.

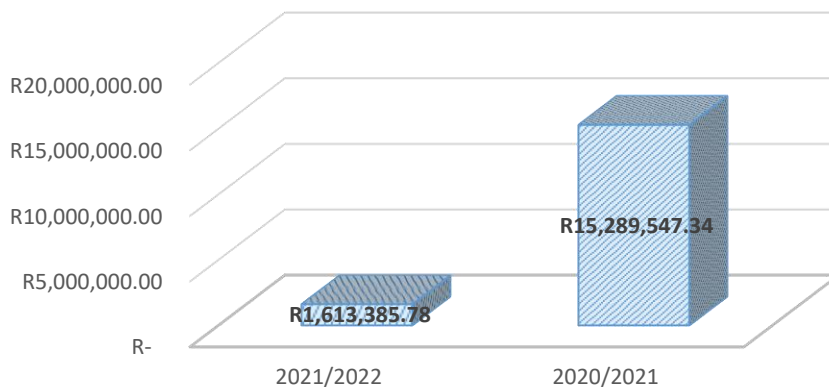
**Deviations from Supply Chain Management Regulations were identified on the following**

	2021/2022	2020/2021
Section 36(1)(a)(i) - Emergencies	R 652 233,60	R 1 592 973,33
Section 36(1)(a)(ii) - Single provider	R 34 931,25	R 848 146,53
Section 36(1)(a)(iii) - Specialised services/Covid 19	R 15 000,00	R 72 150,00
Section 36(1)(a)(iv) - Acquisition of animals for zoo's		
Section 36(1)(a)(v) - Impractical to follow official procurement process	R 911 220,93	R12 776 277,48
<b>Total</b>	<b>R1 613 385,78</b>	<b>R15 289 547,34</b>

**Deviations from Supply Chain Management Regulations can be allocated as follows:**

Vote 1 - Municipal Manager	R 278 867,50	R 1 372 443,03
Vote 2 - Finance	R 369 926,25	R 19 120,02
Vote 3 - Corporate Services	R 5 093,75	R 3 112 734,45
Vote 4 - Technical Services	R 844 811,85	R10 636 935,83
Vote 5 - Community Services	R 114 686,43	R 148 314,01
All the deviations were ratified by the Municipal Manager and reported to Council.	<b>R1 613 385,78</b>	<b>R15 289 547,34</b>

## COMPARISON FROM THE PREVIOUS FINANCIAL YEAR



### 6. REPORTING ON REGULATION 32

There were no section 32 appointments

### 7. REPORTING ON THE CENTRAL SUPPLIER DATABASE (CSD)

The CSD is sometimes off line, and will hamper the SCM Unit to do an order, or Suppliers do not update their information regularly. The SCM unit did place an advertisement to request Suppliers to regularly update their information on SCD.

### 8. REPORTING ON REGULATION 33

The bid documentation, evaluation and adjudication criteria and general conditions of a contract must be in accordance with applicable legislation. There were no section 33 applications for the year from July 2021 to March 2022. We are in the process to do Section 33's for our ERP and Valuation roll.

### 9. REPORTING ON THE PROCUREMENT PLAN

The Procurement Plan is a challenge due to the fact that Procurement Plans are not submitted with the Budget Process. Departments do not follow the due dates submitted, but for the 2022/2023 financial year the Procurement Plan will be submitted monthly to the Chairpersons of the different Standing Committees of Council.

Another suggestion is that all capital projects should be linked to the SDBIP.

### 10. VARIATION ORDERS WITHIN 1 to 20%

The following variation orders for the financial year was approved:-

Number	Tender/FQ number	Tender Awarded	Amount requested	% Exceed	Service Provider Name	Approved	Period
23	T8.3.12.2021	03.08.2021	R42 000.00	14,79%	FE Outdoor Renovation	Yes	2021/22
24	T8.2.77.2021	15.12.2021	R11 730.00	10,51%	Zeevas Cleaning Services	Yes	2021/22
25	T8.3.37.2021	01.12.2021	R73 716.00	19,64%	TTR 080914 PTY LTD	Yes	2021/22



## **11. MUNICIPAL WEBSITE**

All Bids, formal written quotations awarded and purchases above R100 000 are published monthly on the Bergrivier website.

The Service Level Agreement Register is published monthly on the Bergrivier website.

The Contract Register is published monthly on the Bergrivier website.

## **12. UNSOLICITED BIDS**

There were no unsolicited bids for the period July 2021 to 31 March 2022.

## **13. E-TENDER PORTAL**

The e-tender portal is from time to time off line, but due to resource constraints no tenders are published on the e-portal.

## **14. 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.

Bergrivier SCM Policy section 36(3) prescribes that all identified possible unauthorised, irregular, fruitless and wasteful expenditure (UIFWE) 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 a qualified audit outcome.

## **15. 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.

## **16. VIREMENTS**

Reporting of virements for the financial year 2021-2022 for the months from 1 July 2021 to 30 June 2022 below is a total of R12 298 197.12. 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
January 2022	R3 137 221.00
February 2022	R1 004 325.12
March 2022	R754 410.00
April 2022	R625 889.00
May 2022	R3 465 454.00
June 2022	R802 607.00
TOTAAL	R12 298 197.12

## 17. 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:

17.1. Establishment or assigning procurement responsibilities to appropriate persons. Operational departments will then only submit their resource requirements as per an approved requisition.

17.2. Refining of supplier database to include primary and secondary business portfolios.

17.3. Utilization of the current Central Supplier database of National Treasury – all requisitions submitted is being verified.

17.4. Use current item prices as standard prices and refine to align with market related prices.

17.5. 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.

17.6. Assist with reporting templates to ensure synergy in dealing with same matters by difference directorates and/or departments.

17.7. Developing standardized specifications for day-to-day material and/or service provider usage.

17.8. Increased focused on quotations below R30 000.00 where it seems like most anomalies occur, and this can help with local economic growth.

## **18. 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 shelves 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 internal 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.*

## **19. 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, for example we had a positive case in our offices on 6 June 2022 and the offices were vacated and sanitised.

We were on alert level 1 from 1 July 2021 TO 23 June 2022. The Government Gazette repealed regulation 16A, 16B and 16C.

The necessary reporting is done monthly on the COVID 19 expenditure.

## **20. 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 July 2022 to 30 June 2022 representing the third quarter.
2. That the report be made public in accordance with section 21A of the Municipal Systems Act.