



SUPPLY CHAIN MANGEMENT IMPLEMENTATION REPORT

2016/2017 ANNUAL REPORT
To The Executive Mayor

In accordance with Regulation 6(2)(a)(i) of the Municipal Supply Chain Regulations, I submit the required report on the implementation of Cederberg Municipality's Supply Chain Management Policy for the period: July 2016 to 30 June 2017.

Acting Municipal Manager
30 June 2017

SUBJECT: REPORT REGARDING THE IMPLEMENTATION OF THE SUPPLY CHAIN MANAGEMENT POLICY: 2016/2017 FINANCIAL YEAR

Introduction

This report is a summary of the implementation of the Supply Chain Management Policy. It highlights the implementation of the Supply Chain Management of Cederberg Municipality. Regulation 6(3) of the SCM Regulations, requires the Accounting Officer to report quarterly on the implementation of the Supply Chain Management Policy to Council, in order to strengthen Council's oversight role. In accordance with Regulation 6(2)(a)(i) of the SCM Regulations the Accounting Officer must "within 30 days of the end of each financial year, submit a report on the implementation of the Supply Chain Management Policy of the municipality to the Council of the municipality."

Implementation of Supply Chain Management Policy

The Municipal Finance Management Act, No. 53 of 2003 came into effect on the 1 st of July 2004, of which Chapter 11, deals with Supply Chain Management (SCM).

The final set of regulations for SCM was approved on the 30 th of May 2005 per Government Gazette 27636, Notice 868 of 2005.

The Supply Chain Management Policy was adopted and approved by Council on 31 May 2012 to fully comply with the SCM Regulations.

The Supply Chain Management Policy has been reviewed, amended and approved by Council on 30 May 2017.

Committees

The below mentioned committees are established and are functioning fully according to Council's Supply Chain Management Policy and the Supply Chain Management Regulations. The committees are listed below:

- Bid Specification Committee (BSC)
- Bid Evaluation Committee (BEC)
- Bid Adjudication Committee (BAC)

During the 2016/2017 financial year the BAC met **9 times**, and **22 tenders** were awarded.

Staffing Issues

The staff complement of the Supply Chain Management Unit is as follows:

- Accountant Supply Chain Management

- Supply Chain Management Practitioner
- Supply Chain Management Officer
- Supply Chain Management Officer: Stores
- Financial Intern
- Database Administrator (Vacant)
- 2x Supply Chain Management: Buyers (Vacant)

Systems

- **Supplier Database**

The database for suppliers is operated on the Promis System, and is continuously updated on a daily basis. Cederberg Municipality has decided to accept an invitation from National Treasury to join the Centralised Supplier Database (CSD) with the view of using one centralized database. This decision was taken based on the advantages it holds for our suppliers as well as our organization's procurement processes. From 01 July 2017 the municipality will utilize the Centralised Supplier Database.

The total number of registered suppliers amounts to **1647**.

External Relations

- The SCM Unit works very closely with the Provincial Treasury on all the legislative requirements. A representative from the unit attend the quarterly SCM forum meetings which was hosted by the Provincial Treasury on 15-18 August 2016, 3-4 November 2016, 10 February 2017 and 02 June 2017 respectively.

Reporting

Reports of all awards made above R100 000 have been submitted to

- Provincial Treasury in terms of the supply chain management circular no 19 of 2008.

Conclusion

The Supply Chain Management Unit is continuously improving its processes and procedures in order to ensure that Council receives value for money in terms of demand

and acquisitions management. The performance of the Supply Chain Management Unit has developed into well functional unit despite the challenges that were faced since its existence. Ongoing training is still necessary for all officials who deal with supply chain management issues. The officials are committed to better their performance in the coming year from lessons learned during the financial year.

Recommendation

That Council, in terms of section 6 (2)(a) of the Supply Chain Management policy, take note of the annual report for the 2016/2017 financial year.

CEDERBERG MUNICIPALITY

IMPLEMENTATION OF SYSTEM – SUPPLY CHAIN MANAGEMENT

**SECTION 6 OF SCM POLICY:
OVERSIGHT ROLE OF COUNCIL OVER THE IMPLEMENTATION OF SCM POLICY**

PERIOD: 1 July 2016 – 30 June 2017

REG. NO.	CRYPTIC DESCRIPTION OF POWER OF DUTY	POWER CURRENTLY RESIDING	DELEGATED	IMPLE-MENTED	COMMENTS
3(1)(a)	Prepare and submit a draft supply chain management policy complying with regulation 2 to the council of the municipality for adoption.	Accounting Officer	Chief Financial Officer	YES	SCM policy adopted by council on 31 May 2012
3(1)(b)	Review at least annually the implementation of the policy.	Accounting Officer	Chief Financial Officer	YES	Done
3(1)(c)	Submit when considered necessary, proposals of amendment of the policy of the council.	Accounting Officer	Chief Financial Officer	YES	The policy amendments discussed and adopted in council on 30 May 2017
3(1)(c)	Report any deviation from the guideline standard to the National Treasury and relevant provincial treasury	Accounting Officer	Chief Financial Officer	YES	No deviations from National Treasury guidelines
3(4)	Must, in terms of section 62(1)(f)((iv) take all reasonable steps to ensure that the municipality has and implements a supply chain management policy as set out in Regulation 2.	Accounting Officer	Chief Financial Officer	YES	SCM policy approved and adopted by council on 30 May 2017
5(2)	Make a final award above R200 000(VAT included), but not exceeding R10 million (VAT included).	Municipal Council	Accounting Officer	YES	Bid Adjudication Committee meets every second week if there is any awards
5(2)	Make a final award not exceeding R200 000(VAT included) including the appointment of consultants	Municipal Council	Accounting Officer	YES	Bid Adjudication Committee meets every second week if

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					there is any awards
5(3)	Submit to the officials referred to in subsection (4) within five days of the end of each month a written report containing particulars of each final award, except procurements made out of petty cash, made during that month, including – (a) the amount of the award; (b) the name of the person to whom the award was made (c) the BEE/HDI status of that entity/person.		Chief Financial Officer	YES	Reported – Chief Financial Officer
6(2)(a) (iii)	Immediately submit a report to council whenever there are serious and material; problems in the implementation of the supply chain management policy, including such a report from any municipal entity as envisaged by this Regulation 6(2)(a)(iii)	Accounting Officer	Chief Financial Officer	N/A	To date this regulation was not reported on.
7(1)	Establish a supply chain management unit.	Municipal Council	Chief Financial Officer	YES	
12(2)(b)	Direct that: (i) written quotation be obtained for any specified procurement of a transaction value lower than R2000; (ii) formal written price quotation be obtained for any specific procurement of a transaction value lower that R10 000, or (iii) a competitive bidding process be followed for any specific procurement of a transaction value lower than R200 000.	Accounting Officer	Chief Financial Officer	YES	The departments is responsible for procurement for transactions value above R1 up to R30 000. SCM unit is responsible for procurement for transactions value above R30 000 and the competitive bidding process for

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					procurement of transaction value above R200 000
14(1)(a)(i)	Keep a list of accredited prospective providers of goods and services that must be used for the procurement requirements of the municipality through written quotations and formal written price quotations.	Accounting Officer	Chief Financial Officer	YES	Cederberg Municipality maintains its own database of prospective suppliers and is in the process to participate in the centralised supplier database (CSD) initiative and will utilize the database from 01 July 2017
14(1)(a)	Invite prospective providers of goods and services at least once a year through newspaper commonly circulating locally, the website of the municipality	Accounting Officer	Chief Financial Officer	YES	Advertised in the Ons Kontrei of 15 June 2017 and the website and notice boards
14(1)(b)	Specify the listing criteria for accredited prospective providers.	Accounting Officer	Chief Financial Officer	YES	A list of criteria accompanied the advertisements
14(1)(c)	Disallow the listing of any prospective provider whose name appears on the National Treasury's database as a person prohibited from doing business with the public sector.	Municipal Council	Accounting Officer	YES	To date no suppliers registered on National Treasury's database of defaulters
Chief	Update the list of prospective providers at least quarterly to include any additional prospective providers and any new commodities or types of services.	Municipal Council	Chief Financial Officer	YES	Started with a data clean-up project of registered suppliers on the database

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16(c)	If it is not possible to obtain at least three written quotations, record and report quarterly to the accounting officer, or another official designated by the accounting officer, the reasons for this.	Accounting Officer	Chief Financial Officer	YES	Reported – Chief Financial Officer
16(d)	Record the name of potential providers requested to provide written quotation with their quoted prices.	Accounting Officer	Chief Financial Officer	YES	
17(1)(c)i	Record the reasons for not obtaining at least three formal written price quotations.	Accounting Officer	Chief Financial Officer	YES	
17(1)(c)ii	Approve the recorded reasons for not obtaining at least three written price quotations.	Accounting Officer	Accountant : Chief Financial Officer	YES	
17(1)(d)	Record the names of the potential formal written price quotation providers and their written quotations.	Accounting Officer	Chief Financial Officer	YES	
18(c)	Must take all reasonable steps to ensure that the procurement of goods and services through written quotations or formal written price quotations is not abused.	Accounting Officer	Chief Financial Officer	YES	Has controls and procedures in place to combat abuse
18(d)	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.	Chief Financial Officer	Accountant : Supply Chain Management	YES	
22(2)	Determine a closure date for submission of bids which is less than the 30 or 14 day requirement, but only if such shorter period can be justified on the grounds of urgency or emergency or any exceptional case where it is impractical or impossible to follow the official procurement process.	Accounting Officer	Relevant Department	YES	
23(c)	(i) record in a register all bids received in time; (ii) make the register available for public inspection	Accounting Officer	Manager: Supply Chain Management	YES	Has a tender book in place where received tenders are recorded in.

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	(iii) publish the entries in the register and the bid results on the website of the municipality.				Communication Officer advertised all tender awards on the website of the municipality
24(1)	Negotiate the final terms of a contract with bidders identified through a competitive bidding process as preferred bidders, provided that such negotiation – (a) does not allow any preferred bidder a second or unfair opportunity; (b) is not to the detriment of any other bidder; and (c) does not lead to a higher price than the bid submitted. Minutes of such negotiations must be kept.	Accounting Officer	Relevant Department	YES	
26(b)	Appoint the members of the bid specification, evaluation and adjudication committees, taking into account Section 117 of the MFMA.	Accounting Officer		YES	May not be sub-delegated, delegations are kept on record
26(1)(c)	Appoint a neutral or independent observer to a bid specification, evaluation or adjudication committee for an attendance and oversight process when this is appropriate for ensuring fairness and promoting transparency.	Accounting Officer		NO	
26(3)	Apply the committee system to formal written price quotations.	Accounting Officer	Chief Financial Officer	YES	
27(1)	Compile specifications for the procurement of goods and services by the municipality.	Accounting Officer	Bid Specifications Committee	YES	Not to be sub-delegated
27(2)(g)	Approve specifications compiled by the bid specification committee prior to publication of the invitation for bids.	Accounting Officer	Accounting officer	YES	The specifications are accompanied with a questionnaire

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					that the relevant department has to complete. Meeting are held on an ad hoc basis
28(1)(a)	Evaluate bids in accordance with – (i) the specifications for a specific procurement ; and (ii) the points system as must be set out in the supply chain management policy of the municipality in terms of Regulation 27(2)(f) and a prescribed in terms of the Preferential Procurement Policy Framework Act.	Bid Evaluation Committee	Bid Evaluation Committee	YES	Has implemented a questionnaire that should be completed by the department and evaluation committee, when evaluating a tender
28(1)(b)	Evaluate each bidder's ability to execute the contract.	Bid Evaluation Committee	Bid Evaluation Committee	YES	Not to be sub-delegated
28(1)(c)	Check in respect of the recommended bidder whether municipal rates and taxes and municipal service charges are not in arrears.	Bid Evaluation Committee	Bid Evaluation Committee	YES	Has a screening list that has to be completed
28(1)(d)	Submit to the adjudication committee a report and recommendations regarding the award of the bid or any other related matter.	Bid Evaluation Committee	Bid Evaluation Committee	YES	Not to be sub-delegated
29(1)(a)	Consider the report and recommendations of the bid evaluation committee where the award value exceeds R200 000 (VAT incl).	Accounting Officer	Bid Adjudication Committee	YES	Not to be sub-delegated.
29(1)(b)(i)	For bids above R10 million, the SCMBAC will make recommendation to the Municipal Manager to make the final award.	Accounting Officer		YES	Not to be sub-delegated
29(1)(b)(ii)	Make another recommendation to the accounting officer on how to proceed with the relevant procurement.	Bid Adjudication Committee	Bid Adjudication Committee	YES	Not to be sub-delegated
29(3)	Appoint the chairperson of the bid adjudication	Accounting Officer	Chief Financial Officer	YES	Delegations given is

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	committee.				kept for record purposes
29(5)(a)	<p>If a bid adjudication committee decides to award a bid other than the one recommended by the bid evaluation committee, the bid adjudication committee must prior to awarding the bid –</p> <p>(i) check in respect of the preferred bidder whether that bidder's municipal rates and taxes and municipal service charges are not in arrears; and</p> <p>(ii) notify the accounting officer.</p>	Accounting Officer	Bid Adjudication Committee	YES	Not to be sub-delegated
29(5)(b)	<p>(i) After due consideration of the reasons for the deviation, ratify or reject the decision of the bid adjudication committee referred to in Regulation 29(5)(a); and</p> <p>(ii) If the decision of the bid adjudication committee is rejected, refer the decision of the adjudication committee back to that committee for reconsideration.</p>	Accounting Officer	Accounting Officer	YES	
29(6)	Refer any recommendation made by the evaluation committee or adjudication committee back to that committee for reconsideration of the recommendation.	Accounting Officer	Accounting Officer	YES	
29(7)	Comply with Section 114 of the MFMA within ten working days.	Accounting Officer	Accounting Officer	YES	
31(1)	Request the State Information Technology Agency (SITA) to assist the municipality with the acquisition of IT related goods or services through a competitive bidding process.	Accounting Officer	Manager : Supply Chain Management	YES	IT section is responsible for the purchasing of IT equipment for the municipality

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35(1)	Procure consulting services above the value of R200 000 (VAT incl) provided that any Treasury guidelines in respect of consulting services are taken into account when such procurements are made.	Accounting Officer	Bid Adjudication Committee	YES	
35(4)	Ensure that copyright in any document produced, and the patent rights or ownership in any plant, machinery, thing, system or process designed or devised, by a consultant in the course of the consultancy service is vested in the municipality.	Municipal Council	Relevant Department	YES	
36(1)(a)	Dispense with the official procurement processes established by the policy and to procure any required goods or services through any convenient process, which may include direct negotiations, but only – (i) in an emergency; (ii) if such goods or services are produced or available from a single provider only; (iii) for the acquisition of special worker of art or historical objects where specifications are difficult to compile; (iv) acquisition of animals or zoos; or (v) in any other exceptional case where it is impractical or impossible to follow the official procurement processes.	Accounting Officer	Chief Financial Officer	YES	Reports is quarterly submitted to the Council for all deviations

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36(1)(b)	Ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely of a technical nature.	Accounting Officer	Chief Financial Officer	YES	
36(2)	Record the reasons for any deviations in terms of Regulations 36(1)(a) and (b); and Report them to the next meeting of the Council and include as a note to the annual financial statements.	Accounting Officer	Chief Financial Officer	YES	
37(2)	Decide to consider an unsolicited bid but only if – (a) the product or service offered is a demonstrably or proven unique innovative concept; (b) the product or service will be exceptionally beneficially to, or have exceptional cost advantages for, the municipality; (c) the person who made the bid is the sole provider of the product or service; and (d) the reasons for not going through the normal bidding processes are found to be sound by the accounting officer.	Municipal Council	Accounting Officer	NO	
37(4)	Submit written comments received pursuant to Regulation 37(3), including any responses from the unsolicited bidder, to the National Treasury and the relevant provincial treasury for comment.	Municipal Council	Accounting Officer	NO	
37(5)	Consider the unsolicited bid.	Bid Adjudication Committee	Bid Adjudication Committee	NO	Not to be sub-delegated
37(7)	Take into account where considering an unsolicited bid –	Bid Adjudication Committee	Bid Adjudication Committee	NO	None

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	(i) any comments submitted by the public; and any written comments and recommendations of the National Treasury or the relevant provincial treasury.				
37(8)	Submit to the Auditor General, the relevant provincial treasury and the National Treasury the reasons for rejecting or not following any recommendations of the National Treasury or provincial treasury in regard to the unsolicited bid.	Accounting Officer	Chief Financial Officer	NO	
38(1)(a)	Take all reasonable steps to prevent abuse of the supply chain management system.	Accounting Officer	Chief Financial Officer	YES	The National Treasury Code of Conduct has been educated to municipal staff
38(1)(c)	Check the National Treasury's database prior to awarding any contract to ensure that no recommended bidder, or any of its directors, is listed as a person prohibited from doing business with the public sector.	Accounting Officer	Accountant: Supply Chain Management	YES	
38(1)(e)	Reject a recommendation for the award of a contract if the recommended bidder, or any of its directors, has committed a corrupt or fraudulent act in competing for the particular contract.	Accounting Officer		YES	
38(1)(f)	Cancel a contract awarded to a person if – the person committed any corrupt or fraudulent act during the bidding process or the execution of the contract; or (i) an official or other role player committed any corrupt or fraudulent act during the bidding process or the execution of the contract that benefited that person.	Accounting Officer	Accountant: Supply Chain Management	YES	

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38(1)(g)	Reject the bid of any bidder if that bidder or any of its directors – <ul style="list-style-type: none"> <li data-bbox="353 448 981 568">(i) has abused the supply chain management system of the municipality or has committed any improper conduct in relation to such system; <li data-bbox="353 600 931 655">(ii) has been convicted for fraud or corruption during the last five years; <li data-bbox="353 687 969 807">(iii) has willfully neglected or reneged on or failed to comply with any government, municipal or other public sector contract during the past five years; or <li data-bbox="353 839 976 959">(iv) has been listed in the Register for Tender Defaulters in terms of Section 29 of the Prevention and Combating of Corrupt Activities Act (No 12 of 2004). 	Accounting Officer	To all relevant delegates within the SCM unit	YES	
38(2)	Inform the National Treasury and relevant provincial treasury in writing of any actions taken in terms of Regulation 38(1)(b)(ii), (e) or (f).	Accounting Officer	Manager: Supply Chain Management	YES	
40(1)	The Supply chain policy must provide for an effective system of disposal management for the disposal or letting of assets, including unserviceable, redundant or obsolete assets, subject to sections 14&90 of MFMA	Municipal Council		YES	Municipality has to follow the Asset Transfer Regulations published by National Treasury, with effective date of 1 September 2008 on

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					local authorities
40(2) b	<p>Stipulate that –</p> <ul style="list-style-type: none"> (i) Immoveable property may be sold only at market related prices except when public interest or the plight of the poor demands otherwise (ii) movable assets may be sold either by way of written price quotations, a competitive bidding process, auction or at market related prices, whichever is the most advantageous to the municipality (iii) in the case of the free disposal of computer equipment, the Provincial Department of Education must first be approached to indicate within 30 days whether any of the local schools are interested in the equipment (iv) in the case of the disposal of firearms, the National Conventional Arms Control Committee has approved any sale or donation of firearms to any person or institution within or outside the Republic 	Municipal Council		YES	
40(2) c	<p>Provide that –</p> <ul style="list-style-type: none"> (i) immovable property is let at market related rates except when the public interest or the plight of the poor demands otherwise (ii) all fees, charges, rates, tariffs, scales of fees or other charges relating to the letting of immovable property are annually reviewed 	Municipal Council		YES	Municipality has to follow the Asset Transfer Regulations published by National Treasury, with effective date of 1 September 2008 on local authorities.

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40(2) d	Ensure that where assets are traded in for other assets, the highest possible trade-in is negotiated	Municipal Council			
41(1)	A Supply chain management policy must provide for an effective system of risk management for the identification, consideration and avoidance of potential risks in the supply chain management system	Accounting Officer	Chief Financial Officer	YES	A risk management matrix has been implemented
43(2)	Check with SARS whether a person's tax matters are in order before making an award to such person.	Municipal Council	Accountant: Supply Chain Management	YES	Suppliers tax clearance certificates are continuously verified.
44(3)(a)	Keep a register of all declarations in terms of Regulation 46(2)(d) and (e).	Accounting Officer	Manager: Supply Chain Management	YES	Declarations are completed by each employee on an annual basis.
46(3)(b)	Ensure that declarations from the accounting officer in terms of Regulation 46(2)(d) and (e) are recorded in the register.	Mayor	Chief Financial Officer	YES	Declarations are kept by the Internal Auditor.
46(5)	Adopt the National Treasury's code of conduct for supply chain management practitioners and other role players involved in supply chain management.	Municipal Council	Accounting Officer	YES	
47(2)	Report any alleged contravention of Regulation 47(1) to the National Treasury for considering whether the offending person, and any representative or intermediate through which such person is alleged to have acted, should be listed in the National Treasury's database of persons prohibited from doing business	Accounting Officer	Chief Financial Officer	YES	

REG. NO.	CRYPTIC DESCRIPTION OF POWER OF DUTY	POWER CURRENTLY RESIDING	DELEGATED	IMPLEMENTED	COMMENTS
	with the public sector.				
48	Disclose to the National Treasury and the relevant provincial treasury any sponsorship promised, offered or granted to the municipality whether directly or through a representative or intermediate, by any person who is – (a) a provider or prospective provider of goods or services to the municipality; or (b) a recipient or prospective recipient of goods disposed or to be disposed, of by the municipality.	Accounting Officer	Accountant: Supply Chain Management	YES	Gift registers are held at the offices of the various directorates, where municipal officials declare gifts received from suppliers.