



SCM Regulation (6)(2)(a)(i) of the Municipal Supply Chain Management Regulations

SUPPLY CHAIN MANAGEMENT ANNUAL IMPLEMENTATION REPORT 2012-2013

(Notice 56/2013)

NAMA KHOI

MUNISIPALITEIT

MUNICIPALITY



Navrae / Enquiries:
Ons Verwysing / Our Reference 8.2.1

Alle korrespondensie moet gerig word
aan die: MUNISIPALE BESTUURDER

All correspondence to be addressed to:
MUNICIPAL MANAGER

Posbus / P.O.Box 17
Privaatsak / Private Bag X22
SPRINGBOK 8240
☎ (027) 7188100
☎ (027) 7121635
✉ Email: springbok@namakhoi.org.za
Web: www.namakhoi.gov.za

SUPPLY CHAIN MANAGEMENT ANNUAL IMPLEMENTATION REPORT 01 July 2012 to 30 June 2013

Introduction

The Local Government: Municipal Finance Management Act, No 56 of 2003, (the 'MFMA') requires the municipality to have and implement a Supply Chain Management Policy which gives effect to the provisions of Part 1 of Chapter 11 of the Act that deals with 'Supply Chain Management'.

On the 30th May 2005 the Municipal Supply Chain Management Regulations were issued. As a Medium Capacity Municipality Nama Khoi Municipality had to comply with the provisions of the Regulations from 01 January 2006. The SCM Policy, together with the applicable set of delegations was approved by Council on 31 August, 2005 at a legally constituted Council meeting. Although the MFMA prohibits a Councillor from being a member of a bid committee or any other committee evaluating or approving quotations, bids or tenders the council has an oversight role to ensure that the accounting officer implements all supply chain management activities in accordance with this policy. For the purposes of such oversight the Regulations require that the accounting officer must - (a) Within 30 days of the end of each financial year, submit a report on the implementation of the policy to the Council.

In accordance with the SCM Regulation (6)(2)(a)(i) of the Municipal Supply Chain Management Regulations, I hereby submit the legislative required report on the SCM implementation of Nama Khoi Municipality for the period 01 July 2012 to 30 June 2013. The report is a summary of the SCM implementation and highlights and will aim to enhance and strengthen council oversight role.

The scope of the implementation review will include the following:

1. Implementation of the SCM policy	3
2. The Bid Committee System	3
3. Municipal Supply Chain Management Unit Organisational Structure & Personnel	4
4. Competency Levels of the Supply Chain Management Unit	5
5. Implementation of Preferential Procurement Regulations 2011	5
6. Demand Management - Supplier database	5
7. Supply Chain Management acquisition processes	6
8. Reporting to National Treasury	6
9. Database of Restricted Suppliers.....	6
10. SCM information on Website	7
11. Bids awarded by the Bid Adjudication Committee (Above R 200,000-00)	7
12. Bids awarded by the Municipal Manager – Formal written price quotations (R 30,000-00 to R 200,000-00).....	7
13. Supply Chain Management Deviations – 2012/2013	7
14. Awards to persons in the service of the state	7
15. Transversal contracts (SCM Regulation 32)	8
16. Unsolicited bids (SCM Regulation 37).....	8
17. Gifts, Inducements, favours and Sponsorships (SCM Regulation 47 & 48)	8
18. Awards to close family members of persons in the service of the state	8
19. Recommendations for improvement and implementation	8
20. Conclusion	9

1. Implementation of the SCM policy

Ref.	Details	Paragraphs of policy	Effective dates
0.00	SCM policy adopted	SCM Policy adopted	31 August 2005
0.01	SCM policy amended (22 June 2006 per Council Resolution 4.3)	12(1)(a), 37(2)(c), 43(3)	22 Jun3 2006
0.02	SCM policy amended (6 November 2007 per Council Resolution 6)	12(1)(a), 43(1)	6 November 2007
0.03	SCM policy amended (19 November 2010 per Council Resolution 3.1.24)	12(1)(a)	19 November 2010

No amendments were made in 2012/2013 to the SCM Policy. However the SCM policy was amended as part of the 2013/2014 budget process.

2. The Bid Committee System

The following committees have been established:

- The bid specification committee
- The bid evaluation committee
- The bid adjudication committee

The Bid Committee system for competitive bids has been actively applied within the municipality over the past financial year. Officials are still being invited on an ad-hoc basis to participate in the committees as and when required, but with written delegations in order to participate in the committees. Officials are required to declare any possible conflict of interests at the meetings and recuse themselves in the event of a possible conflict.

(a) The bid specification committee

The bid specification committee compiles the specifications for the procurement of goods or services by the municipality. The committee is appointed by the Accounting Officer and must be composed of one or more officials of the municipality, preferably a Supply Chain Management Practitioner and the manager responsible for the function involved, and may when regarded appropriate by the Accounting Officer, include external specialist advisors. The Accounting Officer is appointed for each tender.

(b) The bid evaluation committee

The bid evaluation committee is appointed by the Accounting Officer and must as far as possible be composed of-

- officials from departments requiring the goods or services; and
- at least one supply chain management practitioner of the municipality.

NAMES	DEPARTMENT
Christo Bonn (Chairman)	Development & Planning (PMU)
Ruzan Gertse	SCM
R Hartley	Economic Development
B Williams	Community Services
W Bowers	Finance/BTO

(c) The bid adjudication committee

The bid adjudication committee must consist of at least four senior managers of the municipality which must include –

- the chief financial officer or, if the chief financial officer is not available, another manager in the budget and treasury office reporting directly to the chief financial officer and designated by the chief financial officer;

- at least one senior supply chain management practitioner who is an official of the municipality; and
- a technical expert in the relevant field who is an official of the municipality, if
- the municipality has such an expert.

The Bid Adjudication Committee has been fully functional and has been involved in all bids exceeding R 200 000 and due to a conservative approach even awards to a lesser value.

NAMES	DEPARTMENT
N Mdaka (Chairman)	CFO
Portia Van Den Heever	SCM
Pieter Opperman	Manager: Electrical Services
Matt Booyesen	Manager: Community Services
J Cloete	Manager: Technical Services
J Mapanka	Manager: Corporate Services

3. Municipal Supply Chain Management Unit Organisational Structure & Personnel

In terms of Paragraph 7 of the Municipal Supply Chain Management Regulations (MSCMR) the municipality must establish a Supply Chain Management Unit (SCMU) to implement its supply chain management policy. The SCMU must operate under the direct supervision of the Chief Financial Officer or may be delegated to an official in terms of Section 82 of the MFMA.

During the reporting period the staff complement that performed the duties and functions in terms of the SCM policy were as follows:

Snr Accountant: Expenditure - Supply Chain Management– B R Boois	Co-ordinates and controls the implementation of the SCM Policy Bid committees
Assistant Accountant: Supply Chain Management– R Gertse	Assists with the co-ordinates and controls the implementation of the SCM Policy Bid committees SCM Supplier Database Tenders and contracts
Stores controller – C T Abrahams	Supply Chain Management Practitioner Processing of procedures for procurement up to R 30 000 – Request Quotations Processing of Orders Supervise staff in Stores Setting of Inventory levels Ensure that stock is safeguarded
Stores clerk – J Rooi	Processing of Stock Issues Receipt of Goods Issuing of fuel (Petrol & Diesel)
SCM Administrative Officer – P Van Den Heever	Processing of Orders SCM Database SCM Deviations Bid Committees CIDB Administration
SCM Administrative Officer – E Witbooi	Processing of Orders SCM Database SCM Deviations

4. Competency Levels of the Supply Chain Management Unit

As per Government Gazette No. 29967 issued on the 15 June 2007 – The Municipal Regulations on Minimum Competency Levels, 2007 (Effective from 1 July 2007), Regulation in terms of section 168 of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) officials appointed in the SCM unit should attain the following;

- a) Higher education qualification
- b) Work related experience
- c) Core managerial and/or occupational competencies
- d) Competency in the prescribed unit standards

The following officials have been exposed to SCM training and workshops in order to comply with the Regulations:

Official Designation	Experience and Qualifications	Training Competencies
B R Boois – Senior Accountant: Supply Chain Management & Expenditure	Completed a National Diploma: Financial Management (NQF Level 6) Passed Financial Accounting 3 (UNISA) Current (2) SECOND YEAR Bachelor in Accounting Sciences: Financial Accounting (UNISA) (NQF Level 7) 01 July 2007 (6 years in position)	Certificate: SCM for Municipalities and municipal entities SAMDI Awaiting final moderation and qualification CMFM – Certificate in Municipal Finance (NQF Level 6)
R Jacobs - Assistant Accountant: Supply Chain Management & Expenditure	01 July 2007 (6 years in position)	Need to complete competency levels it by the 30 June 2014

5. Implementation of Preferential Procurement Regulations 2011

The revised Preferential Procurement Regulations, 2011 was promulgated by the Minister of Finance on 8 June 2011 in Government Gazette No 34350. These Regulations came into effect on the 7 th December 2011.

These Regulations are implemented on a continuous basis by Nama Khoi Municipality.

6. Demand Management - Supplier database

In terms of the Municipal Financial Management Act (MFMA) (Act 56 of 2003) Nama Khoi Municipality is required to have a Preferred Suppliers Database. The municipality has implemented a supplier database. An annual advert was placed in the newspapers (Die Burger, Die Gemsbok, Namakwalander), website and notice boards to invite prospective suppliers to register on the municipal vendor database. Service providers may register on the database at any stage and there is no closing date for registration.

Challenges with the supplier database remains that suppliers are unwilling to register on the database. A new development or modification were also requested from the financial system provider to allow the municipality to review the status of suppliers on a quarterly basis in terms of SCM Regulation 12 and sent out a standard template letter to inform them that their need to provide the information to be re-instated on the database.

The current database application form has been proven to be a cumbersome document to complete and will the document be reviewed in order to make it more accessible and invitations to register and update the current database be advertised during September 2012. Information will also be included from MBD 8.

Registration of suppliers on our database is an ongoing process.

7. Supply Chain Management acquisition processes

The following thresholds are currently being adhered to in order to support the strategic and operational commitments of the municipality:

(a) Petty cash purchases

Goods are purchased by way of petty cash purchases, up to a transaction value of R2 000 (VAT included).
Transaction value R 300-00;

(b) Written or verbal quotations

Goods and services are procured by way of written or verbal quotations for a transaction value over R2 000 up to R10 000 (VAT included);

(c) Formal written price quotations

Goods and services must be procured by way of formal written price quotations form procurements of a transaction value over R10 000 up to R200 000 (VAT included);

(d) A competitive bidding process

Goods and services are procured by way of a competitive bidding process for-

- procurement above a transaction value of R200 000 (VAT included); and
- the procurement of long term contracts.

The development of an SCM Manual and Procurement Procedures was set as a prime objective for the 2012/2013 financial year.

8. Reporting to National Treasury

Reports of all awards made above R 100,000-00 have been submitted to National Treasury in terms of MFMA circular no 19 of 2008.

“Approval of tenders not recommended

- 114. (1)** *If a tender other than the one recommended in the normal course of implementing the supply chain management policy of a municipality or municipal entity is approved, the accounting officer of the municipality or municipal entity must, in writing, notify the Auditor-General, the relevant provincial treasury and the National Treasury and, in the case of a municipal entity, also the parent municipality, of the reasons for deviating from such recommendation.*
- (2)** *Subsection (1) does not apply if a different tender was approved in order to rectify an irregularity.*

With reference to section 114 of the Municipal Finance Management Act, Act 56 of 2003 no notifications have been made during the year.

9. Database of Restricted Suppliers

Accounting officers were required, prior to the award of any contract above R100 000, to verify whether the recommended bidder or any of its directors are prohibited from doing business with the public sector by forwarding an e-mail for such verification to restrictions@treasury.gov.za. The requirement to submit a request is no longer applicable as this is addressed with the publication of the database. With effect from the date of issuance of the circular (MFMA Circular 56), prior to the award of any contract (this includes contracts emanating from written price quotations in excess of R10 000, competitive bids and limited bids), accounting officers are required to verify the status of recommended bidders [including their director(s)/ owner(s)/trustee(s)] by checking the Database of Restricted Suppliers in order to ensure that no recommended bidders or any of their directors / owners / trustees are listed as companies or persons prohibited from doing business with the public sector . The amended verification procedures provided above therefore amends the verification procedures contained in MFMA Circular No 46 dated 17 March 2008. The verification procedures relating to the “Register for Tender Defaulters” remains unchanged.

No awards were made to entities on the list of prohibited suppliers during 2012/2013.

10. SCM information on Website

Reports on SCM and bid invitations were also available on the municipality's official website at www.namakhoi.gov.za/scm. Challenges were being experienced during the year and as a result not all the information pertaining to SCM was uploaded onto the website, but was advertised on notice boards instead. The administration is currently looking at resolving the matter by training and capacity building initiatives.

11. Bids awarded by the Bid Adjudication Committee (Above R 200,000-00)

Attached find the bids that were awarded by the Bid Adjudication Committee in terms of the SCM Policy and the Preferential Procurement Policy for the 2012/2013 financial year.

12. Bids awarded by the Municipal Manager – Formal written price quotations (R 30,000-00 to R 200,000-00)

Attached find the bids that were awarded by the Municipal Manager – Formal written price quotations in terms of the SCM Policy and the Preferential Procurement Policy for the 2012/2013 financial year.

13. Supply Chain Management Deviations – 2012/2013

Regulation 36(2) Details of deviations approved by the Accounting Officer in terms of Regulation 36(1).

Type of Deviation	Total Amount	Single Supplier	Single Supplier	Impractical	Impractical	Emergency	Emergency
July	512,142	83,505	30	354,324	36	74,313	2
August	632,558	81,634	16	537,520	56	13,404	5
September	374,125	40,386	8	291,662	30	42,077	2
October	530,986	48,098	9	449,783	36	33,105	3
November	878,728	173,034	17	603,417	41	102,277	13
December	505,231	126,182	33	371,949	22	7,100	3
January	654,975	35,801	8	512,103	31	107,071	4
February	420,888	52,910	15	365,589	34	2,388	2
March	547,147	90,475	9	386,884	33	69,789	1
April	1,175,763	444,644	32	687,151	48	43,968	7
May	910,023	141,386	23	743,475	47	25,163	1
June	493,285	12,094	4	480,508	43	684	1
	7,635,852	1,330,147	204	5,784,366	457	521,339	44

14. Awards to persons in the service of the state

In terms of Council's Supply Chain Management Policy, Paragraph 44, the municipality is prohibited from doing business with any person in the service of the state. There were deviations from this paragraph that were approved by the Accounting Officer during 2012/2013.

Supplier	Supplier Relationship	Product or service	Employee/ the capacity in which the person was in the service of the state for the past twelve months	Awards R
Faros Auto Repairs	Employed by Nama Khoi Municipality	Parts - new starter	John Faro	5,230.50

Amount of awards

5,230.50

15. Transversal contracts (SCM Regulation 32)

Supplier	Product or service	Other State Organ of	Period of Contract	Fee
Mubesko Africa	Preparation of AFS and implementation of GRAP	Cape Agulhas Municipality	01 May 2010 to 30 September 2013	Tariffs based on a fixed % discount to Auditor - General
Cloete Bouers	Building of RDP Houses in Concordia	Namakwa District Municipality (NDM)	To be negotiated	Fee to be negotiated – not more than prices in terms of contract with NDM

16. Unsolicited bids (SCM Regulation 37)

None were approved during the financial year.

17. Awards to close family members of persons in the service of the state

The Municipality does not encourage awarding of contracts by employees in decision making positions to close family members or friends. To this extent, the Municipality requires of all employees to make full disclosure of businesses owned by close family and / or friends and it is further expected that such individuals must not directly or indirectly be involved in the awarding of such business.

The notes to the annual financial statements must disclose particulars of any award of more than R2 000 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve months, which particulars shall include:–

- (a) the name of that person;
- (b) the capacity in which that person is in the service of the state; and
- (c) the amount of the award.

Supplier	Product or service	Employee/ the capacity in which the person is in the service of the state	Relationship	Amount (R) 2012
WLK Building&Civils Member: R Warne	Steinkopf:Construction of paving and kerbing (EPWP) Kerk Street	J S Cloete – HOD Technical Services	Brother – in Law	387,611.40

Amount of awards

387,611.40

18. Gifts, Inducements, favors and Sponsorships (SCM Regulation 47 & 48)

None were reported for 2012/2013 financial year.

19. Recommendations for improvement and implementation

That the following be implemented in 2012/2013 to address the outstanding issues as addressed in the report and that progress in terms of implementation of these issues be reported as part of the quarterly reports to the Mayor:

- 18.1. Training of SCM committee members

- 18.2. A risk analysis and review of the risk appetite of the municipality regarding SCM must be undertaken during the 2012/2013 financial year and will due cognisance be taken to the risk management model that was recommended.
- 18.3. Finalise and formalise the SCM Delegations that are not a part of the SCM policy.
- 18.4. Prepare a Draft Petty cash Policy
- 18.5. Prepare a Draft Blacklisting listing policy.
- 18.6. Prepare a Draft a Gift Policy for councillors and staff members.

20. Conclusion

The implementation of Supply Chain Management in the municipality has become an accepted reality in the and the Supply Chain Management (SCM) unit is continuously improving its procedures in order to ensure that Council receives value for money in terms of demand and acquisition management.

Projects and procurement is being planned with cognisance of the requirements of the Supply Chain Management legislative framework. However more work should be done in order to improve strategic sourcing to enhance the value the municipality can derive in improved sourcing and supplier development.

The current shortcomings in the implementation of the Supply Chain Management Policy are constantly addressed. Council's SCM policy fully complies with the requirements of the SCM Regulations, and is ideally set to ensure that procurement processes of the municipality is fair, equitable, transparent, competitive and cost effective and comply with the prescriptions of the Municipal Finance Management Act.

I trust that you find the above in order.

(Signed copy on archives)_

**N A BAARTMAN
MUNICIPAL MANAGER**

28 July 2013