

# THEMBISILE HANI LOCAL MUNICIPALITY



## SCM IMPLEMENTATION REPORT

BUDGET AND TREASURY OFFICE

**FOURTH QUARTER REPORT ON THE IMPLEMENTATION OF SUPPLY CHAIN  
MANAGEMENT POLICY**

**FINANCIAL YEAR 2018-2019**

**PERIOD: APRIL – JUNE 2019**

**1. INTRODUCTION AND BACKGROUND**

In terms of the Local Government Municipal Finance Management Regulations, section 6.3 stipulates that the accounting officer must with 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 board of directors of the municipal entity as the case may be.

Paragraph 6 (3) of the Council's Supply Chain Management Policy requires the accounting officer to submit a report on the implementation of the said policy to the executive mayor within 10 days of the end of each quarter in line with the MFMA Act and Regulations.

Section 21 A of the Municipal Systems Act (Act 32 of 2000) is also applicable. In complying with the above provisions, the following quarterly reports on the implementation of Supply Chain Management Policy are available for public comment.

**2. PROGRESS AND COMPLIANCE**

The Supply Chain Management Unit (SCM) is fully established and functional. The SCM unit operates under the direct supervision of the Chief Finance Officer (CFO) and the SCM Manager is responsible for the day-to-day management of the unit. The position of the Accountant: SCM has been filled and the Accountant assumed their responsibility on the 1<sup>st</sup> of May 2019.

Bid committees are fully functional and discharging their duties effectively.

**2.1 COMPLIANCE AND REPORTING**

Procurement of goods and services still takes place through the utilisation of service providers who are registered in the Central Supplier Database. However, there is still a challenge with linking the Central Supplier Database with the municipal financial system. Only suppliers registered on the Central Suppliers Database are doing business with Thembisile Hani Local Municipality.

## 2.2 QUARTERLY REPORTS

Monthly procured goods and services within the R30 000.00 – R 200 000.00 threshold are reported to the Chief Financial Officer by the 7<sup>th</sup> of each month. The MFMA compliance report is regulated in the MFMA Act and Regulations, Act 56 of 2003, Section 18 which gives guidance on the procedures for procuring goods and services through written or verbal quotations and formal written quotations. The section stipulates the following:

- That all requirements in excess of R30 000.00 (VAT included) that are to be procured by means of formal written quotations must, in addition to regulation 17, be advertised for at least seven days on the municipal website and in the official notice boards of the municipality.
- That when using the list of accredited prospective providers the accounting officer must promote on-going competition amongst providers, including by inviting providers to submit quotations on a rotation basis
- That the accounting officer must take all reasonable steps to ensure that the procurement of goods and services through written or verbal quotations or formal written price quotations is not abused.
- That the accounting officer or chief financial officer must on a monthly basis be notified in writing of all written or verbal quotations and formal written price quotations accepted by an official acting in terms of a sub-delegation; and
- Requirements for proper record keeping.

In terms of sub-regulation 12 (1) In terms of Sub - regulation 12 (1) (c) of the Municipal Supply Chain Management Regulations, goods, works or services estimated in excess of R10 000, 00 up to R200 000, 00 (inclusive of applicable taxes), can be acquired from the relevant service-providers through the formal written price - quotations.

**Table 2.2.1 Summary of goods and services through written or verbal quotations and formal written price quotations from April to June 2019**

Threshold	Quantity	Rand value of the awards
R10 000 up to R200 000.00	71	R 3 559 609.26

**Notes:** Suppliers are appointed on a rotational basis, however suppliers that are appearing more than two times are appointed for a period of one year and others for three years as and when required that is,

- Zitho Travel - Accommodation and meals
- Basadzi – Advertising Services

Accommodation and travel requests are the biggest contributors to the quarterly expenditure that is incurred. Attached hereto are the SCM implementation reports for the period: April – June 2019 as annexure “A”.

A competitive bidding process specifies that goods and services above the transaction value of R200 000.00, VAT included and long term contracts may be procured by the municipality only through a competitive bidding process. Attached hereto is the tender register as Annexure “B”.

**Table 2.2.2 Summary of goods and services procured through a competitive bidding process for 2018/2019**

Threshold	Quantity	Rand value of the awards
R 200 000.00 above	3	Appointed on varying rates as per individual proposals

The accounting officer has dispensed with the official procurement processes established by the policy and procured required goods and services through Regulation 36 of the MFMA. Attached hereto is the deviations register as annexure “C”.

**Table 2.2.3 Summary of goods and services procured through deviation process**

Threshold	Quantity	Rand value of the awards
R 0 – 200 000.00	1	R 6 265.00

The accounting officer must promptly inform the Mayor, the MEC for Local government and Auditor General in writing of any Unauthorised, Irregular, Fruitless and Wasteful expenditure incurred.

**Table 2.2.4 Summary report of Irregular expenditure to 30<sup>th</sup> June 2019**

Threshold	Quantity	Rand value of the awards
R 200 000 and Above		R 1 074 642,02

Attached hereto is the list of the UIF and W in the fourth quarter as annexure “D”.

**2.3 IMPROVEMENTS AND COMPLIANCE TO INTERNAL CONTROLS**

The SCM committees are fully established and have been discharging their responsibilities in the form of meeting timeously to ensure the turn-around times for procurement of good and services is improved. The committees are as follows:

- Bid specification committee
- Bid evaluation committee
- Bid adjudication committee

Internal controls within the SCM unit have been strengthened and improved significantly by introducing the following measures to ensure compliance with the policy and regulations.

- The register for deviations which ensures that all deviations are tracked evaluated by SCM and recorded to ensure completeness.
- Searchworks system which scans company directors to detect those in the service of the state
- SCM officials now have access to the CIDB website to advertise infrastructure projects, however we have challenges when advertising projects on the E-Tender portal due to their interface not working.

