



JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

REPORT TO IMPLEMENTATION OF THE MUNICIPALITY'S SUPPLY CHAIN MANAGEMENT POLICY FOR OVERSIGHT PURPOSES.

1. **SUBJECT:** SCM 2nd Quarter Report for 2018/19

2. **PURPOSE**

This report briefly analyses the ongoing implementation of the municipality's Supply Chain Management Policy for oversight purposes.

3. **STRATEGIC INTENT**

This report is intended to highlight critical areas when implementing the Supply Chain Management policy.

Furthermore, the report gives the political office bearers an opportunity to grasp issues pertinent to the implementation of the Supply Chain Management Policy.

4. **CONTENTS**

4.1 **Legal and Policy Implications**

In accordance with Section 6(3) of the Council's Supply Chain Management Policy, the Municipal Manager must submit a Quarterly Report on the implementation of its Supply Chain Management Policy.

Furthermore, the Supply Chain Management activities are governed by various legislation which *inter alia* included revised PPPFA, MFMA, BBBEE and CIDB Act. Compliance to the Acts is paramount in order to ensure that the municipality has a procurement system that is fair, transparent, effective and economical.

4.2 **Salient Details of Supply Chain Management Activities**

The municipality remains on course with the implementation of its SCM Policy, and has steadily improved overall service delivery.

A summary of SCM Activities is given below:

a) Supply Management Reforms

Management continue to ensure that all the all the procurement of goods and services comply to the revised Regulations, PPPFA, MFMA Circulars (CSD and E-Tender portal) and Practice notes.

The following policies have been updated and adopted by the Council as required by the legislation:

- Standard for Infrastructure Procurement and Delivery Management (SIPDM) Policy Framework for 2018/19 FY

- Supply Chain Management Policy for 2018/19 FY

b) Internal & External Auditor's Findings on the implementation of the SCM policy

Management acknowledged the findings raised by our internal Auditors as this has assisted the SCM unit a lot in preparing for the External Audit of 2017-18.

During the 2017-18, the External Auditors has detected one error from SCM Unit, which relates to the Local Content and further expressed their satisfactory on how drastically SCM unit has improved (from Red/Queries to Clean/Green audit)

The management is so proud and delighted on how SCM Unit has performed remarkably in the history of JTGDMD ever.

c) Implementation of mSCOA SCM module

The mSCOA SCM module is not yet functional as expected. We have been using the Manual Requisition(s) and Purchase order (from the Legacy system).

Despite how many times the problems with Sebata were reported, that could not assist. The NT/PT was also notified of these challenges.

d) SCM Unit Functionality

The SCM Unit continues to be fully functional e.g. through providing administrative and committee secretariat to the Bid Committees. This function ensures compliance in respect of formal committee practice and record.

Management furthermore acknowledge with thanks the important inputs made by the provincial treasury and JTGDMD management in all SCM activities, all enabling us to strive more resolutely towards excellent corporate governance.

e) Contract Management

The performance of contractors is evaluated on monthly basis as required by section 116 of the MFMA. Generally, the performance of contractors for various services is satisfactory. The contract register has been developed and it is updated continuously.

Amendment of Contracts - Section 116(3):

1. EMS Contract

Sebata Municipal Solutions was appointed in 2016 for the supply of an integrated financial management and internal control system for mSCOA implementation for a period of three years;

- The above-mentioned contract has expired in September. However, the Integrated Financial Management System is needed for the daily financial transactions of the municipality;
- In accordance with MFMA mSCOA Circular 5, the mSCOA Project Steering Committee must make an assessment and determine whether the municipality will remain with its existing package (Sebata) or whether a new system should be procured;
- Upon completion of the above process, Council would be notified of the decision of the Project steering Committee and the way forward;

- Based on the reasons outlined above, Council's concurrence is hereby sought to amend Sebata's Contract, to run on a month to month basis.
2. **Bid No: 16/2015/16** was awarded to ***Credit Intelligence*** for the Collections of outstanding debts for a period of 24 months, and the contract has expired on the 30th October 2018. The municipal manager deemed it necessary to extend the contract on a month to month basis, in order to allow the Consultants to finalise the process of debt collections that is currently underway.

Legal Implications

- Section 1116(3) of the MFMA prescribes that the contract procured through the supply chain management policy may be amended only after the reasons for the proposed amendment have been tabled in the Council of the municipality

PROGRESS ON THE IMPLEMENTATION OF THE PROCUREMENT PLAN

The bids following bids were advertised in the e-Tender portal and municipal website during the 2018/19 financial year.

TENDER REGISTER/PROGRESS AS AT 31 DECEMBER 2018

Bid Number	Bid Description	Date advertised	Closing Date	Date awarded	Awarded to	Bid Price Awarded (R)	Responsible Dept
BID NO:01/2018/19	Provision of security services for a period of 36 months	10-Jun-18	08-Aug-18	Still at the Award stage	N/A	N/A	Corporate Services
BID NO:02/2018/19	Proposal for provision of professional services for RRAMS & ISDG	03-Aug-18	24-Aug-18	15 th October 2018	Reneilwe Construction & Projects	R533 580.00	Basic Services & Infrastructure
BID NO:03/2018/19	Supply & Delivery of fencing material	20-Aug-18	31-Aug-18	15 th October 2018	Around the Moon	R359,530.00	Basic Services & Infrastructure

QUOTATION REGISTER/PROGRESS AS AT 31 DECEMBER 2018

Quote Number	Bid Description	Advert Date	Closing Date	Awarded to	Bid Price Awarded (R)	Date awarded	Responsible Dept	Date Evaluated
Quote no: 01/2018/19	Supply & Delivery of food parcel	03/08/2018	10/08/2018	Masego Maintenance & Projects	R 98 600.00	17/08/2018	Disaster Management unit	15/08/2018
Quote no: 02/2018/19	Supply & delivery of building material	23-Aug-18	2018/08/31	Obolokeng	R 150 379.40	23-Oct-18	Basic Services & Infrastructure	04-Sep-18
Quote no: 03/2018/19	Supply & delivery of promotional materials	23-Aug-18	2018/08/31	N/A Tlhapi Media and Communications	R 121 750.00	05-Dec-18	Basic Services & Infrastructure	21-Nov-18
Quote no: 05/2018/19	Supply & delivery of PPE for EPWP	06-Nov-18	14-Nov-18	Bolelang Africa Trading	R 51 608.00	05-Dec-18	Basic Services & Infrastructure	21-Nov-18

4.3 Deviations below R200 000

Section 36 (2) of the Supply Chain Management Regulations provides that, in providing equitable and effective service delivery to the community, critical goods and services required may be procured on *exceptional* circumstances, *emergency* of a situation, or which the normal procurement process could not be followed due to *sole provider, impractical, and impossibility*.

During the quarter under review, there were such procurement done, which are now reported to Council as per attached Annexure A.

The Deviation for the 2nd Quarter has started with high deviation amount, which mainly resulted from the Study registration fees. However, management has a plan to minimize the number of deviations in this financial year. The total deviation for the 2nd quarter is **R 329 267.40 (Refer to Annexure A)**

4. RECOMMENDATION

- 1) That the contents of the **SCM Report** be noted.
- 2) That **deviations** outlined herein as authorised by the Municipal Manager for the quarter ended 31st December 2018 be noted by Council
- 3) That the deviations mentioned in (2) above, be disclosed as a note to the Annual Financial Statements
- 4) That it be noted that for the period under review there was no irregular expenditure incurred.
- 5) That Council condone the decision of the Municipal Manager in respect of **amendment to EMS Contract – Sebata Municipal Solutions**.
- 6) That Council condone the decision of the Municipal Manager in respect of **amendment to Contract 16/2015/16 – Credit Intelligence**, and authority be granted to extend the Contract until a new service provider has been appointed.

ANNEXURE A

DEVIATION REPORT FOR 2ND QUARTER 2018/19 FY									
ITEM	DATE	PURCHASE ORDER	APPOINTED SERVICE PROVIDER	SERVICE NEEDED	PURCHASE ORDER AMOUNT	REASON FOR DEVIATION	ACTUAL AMOUNT PAID	DEPARTMENT	COUNCIL RESOLUTION
1	05/10/2018	90371	University of Witwatersrand	Training for CPMD	R 174 000.00	Exceptional Case: Impractical to follow the normal SCM process as the officials has registered with the accredited service provider	R 174 000.00	Corporate Services	
2	05/10/2018	53087	THE INSTITUTE OF INTERNAL AUDITORS	MEMBERSHIP FEES FOR INTERNAL AUDITORS	R 14 110.50	Exceptional Case: The institute of Internal Auditors is the professional body for internal auditors, such as annual membership fees.	R 14 110.50	Internal Audit	
3	12/10/2018	90379	South African Planning Institute	SAPI Conference	R 28 500.00	Exceptional case: Impractical to follow the SCM process as the	R 28 500.00	BS&I	

						said conference will be the only one to be held on that date.			
4	19/10/2018	90381	Universtiy of Johannesburg	Bursary: NN Mpata	R 42 861.50	Exceptional Case: Impractical to follow the normal SCM process as the student had already enrolled with the Institution	R 42 861.50	Corporate Services	
5	30/10/2018	90389	Top Car Panelbeaters	Insurance excess fee: 15 JTGDM NC	R 5 000.00	Exceptional Case: Impractical to follow the normal SCM process because its excess payment to the insurance	R 5 000.00	Corporate Services	
6	09/11/2018	90394	Tip Top Panelbeaters	Insurance excess fee: 17 JTGDM NC	R 5 000.00	Exceptional Case: Impractical to follow the normal SCM processes because it's excess payment to the insurance	R 5 000.00	Corporate Services	

7	29/11/2018	90407	PROSPEN Africa	Administrati on and Office Manageme nt Training	R 59 795.40	Exceptional case: The content of the course offered is more applicable to the duties of the Pas/Administrati on and the training would significantly augment their work skills	R 59 795.40	Corporate Services	
						Total Amount	R 329 267.40		