



# JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

## REPORT TO THE EXECUTIVE MAYOR

1. **SUBJECT:** SCM 3<sup>rd</sup> Quarter Report for 2016/17 (01 Jan 2017 until 31 March 2017).

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 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.

The amendment of the SCM policy for 2016/17 was approved by the Council on the 30<sup>th</sup> March 2017.

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**

The management is trying all the efforts to ensure that all the recent changes on the Regulations, PPPFA, MFMA Circulars and Practice note are fully implemented without any delay.

### **Circular 81 – Web Based Central Supplier Database (CSD)**

The above circular are fully implemented, only registered suppliers on the National Central Suppliers Database (NCSD) of National Treasury do businesses with the municipality.

Furthermore, the management encourage and extend the request to our local service providers to register in National Supplier Database.

### **Circular 83 - E-Tender Portal**

The circular gives directive to all the municipalities and departments to advertise all the bids in the E-Tender Portal to comply with Sec 217 (part 1 of Chapter 11) of the Constitution, to give all the service providers in South Africa an opportunity to participate in the bids advertised.

### **Revised PPPFA of 2017 – Amendments of the Preferential Points system**

The Regulation on PPPFA was revised this year and due for implementation from the 1<sup>st</sup> April 2017.

The communication and workshop relating to the implementation of this new PPPFA was held in Kimberly on the 27<sup>th</sup> March 2017.

The revised PPPFA gives effect to the following changes:

- Threshold of 80/20 – applicable to procurement of goods or services from R30 000 to R50 million
- Threshold of 90/10 – applicable to procurement of goods or services from R50 million and above.

The information sharing and Consultations on above will be done in the fourth Quarter and SCM policy will be updated again for alignment with this regulations. However, all the bids and quotations to be advertised in the fourth quarter should comply with the new preferential points system.

### **b) Auditor General's Findings on the implementation of the SCM policy (Note 33 of the Final Audit Report for 2015/16).**

During the 2015/16 Audit, management had a challenge of the compliance as it relates to validation of Original Tax Clearance Certificate and the (dishonest) service providers employed by the state doing business with the municipality (MBD4).

The strict consideration of the only registered service providers in the National Supplier Database is a compliance issue and it will be enforced to mitigate the above mentioned issues.

### **c) Preparation for mSCOA readiness**

During the 13<sup>th</sup> and 14<sup>th</sup> March 2017, the SCM unit in consultation with Sebata has embarked on updating the vendor take on Sheet in preparation for mSCOA.

The purpose of this exercise is to extract the information from the CSD of each service provider we intend to use and populate it into the vendor take on sheet provided by Sebata. Sebata will then take that information and put it in their system (EMS).

The SCM unit is also assisting the service providers which are struggling to register themselves in the National Central Suppliers Database (NCSD) and to update this vendor take on sheet for mSCOA.

#### d) SCM Support

The management has a unit which maintain its extensive administrative and committee secretariat to the Bid Adjudication Committee and Bid Specification Committee. This function ensures compliance in respect of formal committee practice and record.

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

#### e) Progress on the implementation of the procurement plan

- **Bids, Quotations and Contracts Administration**

The management has noticed the improvement in the Contract administration during the 2015/16 Audit and encourages further the project managers and directors to monitor the performance of the service providers and to keep the records thereof.

The following bids were advertised during the 1<sup>st</sup> Quarter and 2<sup>nd</sup> Quarter of 2016/17 FY and will be finalised in April 2017 as indicated in below.

#### **Outstanding bids from 1<sup>st</sup> Quarter until 3<sup>rd</sup> Quarter of 2016/17**

Bid Number	Bid Description	Date advertised	Closing Date	Date awarded	Responsible Dept	Progress / Reason for the delay
BID NO:04/2016/17	Request for Bids: Alterations And Additions To Roof Structure And Installation Of Palisade Fencing  Minimum Requirements: CIDB Grade: 4 GB & NHBC Certificate, with similar experience	23/09/2016 Kathu Gazette	20th Oct 2016 at 12h00	Adjudication stage	Basic Services & Infrastructure and Corporate Services	The BAC recommended that the bid be adjudicated after the Budget Adjustment. In the next meeting, the BAC will make the recommendation to the Acting Municipal manager
BID NO:05/2016/17	Appointment of a Panel of Attorneys for the John Taolo Gaetsewe District Municipality (JTGDM) for a period of two (2) years on as an when required basis	23/09/2016 Kathu Gazette	20th Oct 2016 at 12h00	Adjudication stage	BTO and Basic Services & Infrastructure	The bid in the Bid Adjudication stage and will be resolved in the fourth Quarter.
BID NO:09/2016/17	Supply and Delivery of Stationery for a period of 36 months	15/10/2016 Kathu gazette	10th Nov 2016 at 12h00	Evaluation stage	Corporate Services	The bid in the Bid Evaluation stage and will be resolved in the fourth Quarter.
BID NO:10/2016/17	Supply and Delivery of groceries and cleaning materials for a period of 36 months	15/10/2016 Kathu gazette	10th Nov 2016 at 12h00	Adjudication stage	Corporate Services	The bid in the Bid Adjudication stage and will be resolved in the fourth Quarter.
BID NO:13/2016/17	Construction of a Strong room	11/11/2016 DFA	09th Dec 2016 at 12h00	Adjudication stage	Basic Services & Infrastructure	The bid in the Bid Adjudication stage and will be resolved in the fourth Quarter.
BID NO:14/2016/17	Supply and Delivery of Tents	17/02/2017 DFA	10th March 2017 at 12h00	Adjudication stage	Community Services	The bid in the Bid Adjudication stage and will be resolved in the fourth Quarter.
BID NO:17/2016/17	Provision of Banking services for 5 years	01/03/2017 DFA	25th April 2017 at 12h00	Advert stage	Budget & Treasury Office	The bid will close in the Q4 and it will be evaluated before the end of May 2017

The above mentioned projects will be finalised in the fourth Quarter of 2016/17.

### Outstanding Quotations for the 3<sup>rd</sup> Quarter of 2016/17

The information provided below are for all the awarded quotations advertised for 7 days in the Notice Board and the municipal website during the financial year 2016/17.

Quote Number	Bid Description	Advert Date	Closing Date	Awarded to	Bid Price Awarded ( R)
11/2016/17	Provision of Conference Facilities, Break- Away Rooms and Catering Services in Kuruman/Kathu for IDP Lekgotla	02/02/2017	07/02/2017	Red Sands	R 43 260.00
12/2016/17	Supply and delivery of Buildig Material to Batharos	16/02/2017	24/02/2017	Awaiting CFO to sign	N/A
13/2016/17	Supply and delivery of Buildig Material to Olifanshoek	16/02/2017	24/02/2017	Awaiting CFO to sign	N/A
14/2016/17	Supply and delivery of Computers	23/02/2017	03/03/2017	Awaiting CFO to sign	N/A

Only one Quotation has been finalized as indicated above and the other pending Quotations will be finalized in the Fourth Quarter 2016/17.

#### 4.3 Deviations below R200 000

The deviation register is maintained as per Regulation 36 of the MFMA and management is reporting the deviations on a monthly basis to the Acting Municipal Manager and quarterly to the Council with a view to minimize the deviations.

The management anticipate to minimize the number of deviations in this financial year. The total deviation for this Quarter is **R292 808.53**

#### 4.4 Section 116 and Irregular Reports

The management has gone through all the files from July 2016 until October 2016 to detect the irregular expenditures relating to non- compliance to CSD because the strict application of CSD took place in the November after the CSD Training and the registration of SCM officials to work on the CSD system. The report will be sent to the Council for consideration and approval.

Amongst the non- compliance relates to the advertising of bids in the National website (e-Tender) of which the Training was also needed prior to the placement of our bids in their website.

**NOTE:** *From now on, our advert will be placed on the e-Tender for compliance and thus will have an impact in the development of our local SMMEs because the Small projects and other procurement of Goods intended for the local SMMEs will no longer be guaranteed. These opportunities will be available country wide.*

Therefore, this Irregular report is attached for reference and for Council to Condone.

As it relates to the extension of any contract, there are no submission for the extension of any contract, therefore the report on the Section 116 is null for the 3<sup>rd</sup> Quarter 2016/17.

### 5. RECOMMENDATION

a) That the contents of the Report be NOTED.