

## **SPECIAL EXCO AGENDA**

### **ALFRED DUMA LOCAL MUNICIPALITY**

NOTICE IS HEREBY GIVEN THAT A **SPECIAL** MEETING OF THE EXECUTIVE COMMITTEE WILL BE HELD ON **THURSDAY 27 JULY 2017** IN THE COUNCIL CHAMBER, TOWN HALL BUILDING, COR. MURCHISON AND QUEEN STREETS, LADYSMITH AT **10:00** TO GIVE CONSIDERATION TO THE MATTERS SET OUT HEREUNDER



**P S MNTAKA**

**ACTING EXECUTIVE DIRECTOR CORPORATE SERVICES**

Office of the Executive Director Corporate Services  
21 July 2017

### **A G E N D A**

1. NOTICE CONVENING THE MEETING
2. MOMENT OF SILENT REFLECTION
3. CREDENTIALS
4. LEAVE OF ABSENCE
5. PRESENTATION NIL
6. MOTION OF CONDOLENCES AND FELICITATIONS
7. MINUTES OF PREVIOUS MEETING NIL
8. REPORT OF THE MUNICIPAL MANAGER:
  - 8.1 A ITEMS - STANDING ITEMS
  - 8.2 B ITEMS - RECOMMENDATIONS CONSIDERED BY EXCO AND REFERRED TO COUNCIL NIL
  - 8.3 C ITEMS - RECOMMENDATIONS FINALISED BY EXCO UNDER DELEGATED POWERS NIL
  - 8.4 D ITEMS - REPORTS
  - 8.5 E ITEMS - CONFIDENTIAL ITEMS - RECOMMENDATIONS CONSIDERED BY EXCO AND REFERRED TO COUNCIL NIL
  - 8.6 F ITEMS - CONFIDENTIAL ITEMS - RECOMMENDATIONS FINALISED BY EXCO UNDER DELEGATED POWERS NIL
  - 8.7 G ITEMS - CONFIDENTIAL REPORTS NIL
9. CONFIRMATION OF MINUTES

# INDEX

## D - ITEMS

### **Reports**

D 9	REPORT TO COUNCIL REGARDING THE IMPLEMENTATION OF THE ALFRED DUMA LOCAL MUNICIPALITY'S SUPPLY CHAIN MANAGEMENT POLICY FOR THE 2016/2017 FINANCIAL YEAR
D 10	BUDGET STATEMENT: JUNE 2017 <i><u>(Attachment under separate cover)</u></i>

**REPORT TO COUNCIL REGARDING THE IMPLEMENTATION OF THE ALFRED DUMA  
LOCAL MUNICIPALITY'S SUPPLY CHAIN MANAGEMENT POLICY FOR THE  
2016/2017 FINANCIAL YEAR  
(DEPARTMENT OF FINANCE)**

**ROUTING**

MCM	- 25 July 2017
SPECIAL FPC	- 27 July 2017
SPECIAL EXCO	- 27 July 2017
COUNCIL	- 27 July 2017
MPAC	- 16 August 2017

**PURPOSE**

To inform the various Committees of Council regarding the implementation of the Alfred Duma Local Municipality's Supply Chain Management Policy for the 2016/2017 financial year.

**BACKGROUND**

In terms of the Supply Chain Management regulations 6 (2)(a) and 6 (3), the Accounting Officer is required to submit an annual report to Council regarding the implementation of the Supply Chain Management Policy.

The report is attached as **Annexure A** as shown on **Pages 1 – 4.**

**LEGAL COMMENTS**

Noted

**RISK COMMENTS**

No risk(s) were identified.

**FINANCIAL IMPLICATIONS**

Nil

**CHALLENGES**

None.

**CONFIRMATION OF CREDIBILITY AND RELIABILITY OF INFORMATION: EXECUTIVE  
DIRECTOR FINANCE (CFO)**

1. I hereby confirm that according to the information availed to me in respect of this item that to the best of my knowledge the information submitted to the committee is acceptable and that the relevant stakeholders were performing their tasks/duties according to the Auditor-General's instruction of 2011.
2. That should more information to the contrary to what was made available to the

committee becomes available at a later stage, I reserve the right to revisit my findings.

**RECOMMENDATIONS BY THE EXECUTIVE DIRECTOR FINANCE (CFO)**

That Council note the report regarding the implementation of the Alfred Duma Local Municipality's implementation of the Supply Chain Management Policy for the 2016/2017 Financial Year.

**RECOMMENDATIONS: SPECIAL FPC – 27/07/17**

Will be tabled at the meeting.

**RECOMMENDATIONS: MCM – 25/07/2017**

Will be tabled at the meeting.

FOR INFORMATION

A handwritten signature in black ink, appearing to read 'M. Hloba', enclosed within a circular scribble.

**M HLOBA**  
**EXECUTIVE DIRECTOR FINANCE (CFO)**

Reference: Mr NH Nkosi/gv Ext: 1128

Date: 20/07/2017

File Reference: 6/1/1/1

ANNEXURE 'A'

# REPORT TO COUNCIL REGARDING THE IMPLEMENTATION OF THE ALFRED DUMA LOCAL MUNICIPALITY'S SUPPLY CHAIN MANAGEMENT POLICY FOR THE 2016/2017 FINANCIAL YEAR

## 1. Adoption of Policy

- The amended Supply Chain Management Policy, inclusive of changes that were made into the Preferential Procurement Regulations and Petty cash, was approved by Council on 30 March 2017.

## 2. Establishment of the SCM Unit.

- The Supply Chain Management (SCM) unit is centralized and resides within the office of the Executive Director: Finance (CFO) of the municipality, under the supervision of the Director: Finance. There are nine (9) vacant posts in the unit namely two (2) Assistant Managers: SCM, three (3) Accountants: SCM, one (1) Procurement Officer: SCM and three (3) SCM Clerks.

## 3. Threshold Values and its Delegations

Purchase Value	Required Process
Petty Cash R0 to R2 000	<ul style="list-style-type: none"> <li>➤ One (1) verbal quote from database of suppliers.</li> <li>➤ Approved by Head of Department.</li> <li>➤ Reported to MCM monthly. However, it was resolved at MCM that these need to be submitted direct to Finance.</li> <li>➤ Transaction should not exceed R2000 vat incl.</li> </ul>
Above R10 000 to R29 999	<ul style="list-style-type: none"> <li>➤ At least three (3) written quotations (from the database of suppliers when available).</li> <li>➤ <b>Expenditure approval by the Executive Director of the Department, or as per the Delegations Register and Manager: SCM/ Assistant Manager: SCM.</b></li> </ul>
Above R30 000 to R199 999	<ul style="list-style-type: none"> <li>➤ Suppliers registered on the Central Suppliers Database (CSD) to be utilised.</li> <li>➤ Seven (7) day advertisement on Municipal Website and Municipal Notice Boards.</li> <li>➤ 80/20 Preference Point System applies.</li> <li>➤ <b>Expenditure approval by Executive Director of the Department, or as per the Delegations Register, Manager: SCM/ Assistant Manager : SCM, Executive Director : Finance (CFO), Director: Finance and Accounting Officer.</b></li> </ul>

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Above R200 000 to R50m	<ul style="list-style-type: none"> <li>➤ Formal Bid Committee process is required.</li> <li>➤ Preferential Procurement Policy Framework Act and Supply Chain Management Regulations - 80/20 Preference Point System applies.</li> <li>➤ <b>Approval by Bid Adjudication Committee and/or Accounting Officer.</b></li> </ul>
Above R50m	<ul style="list-style-type: none"> <li>➤ Formal Bid Committee process is required.</li> <li>➤ Preferential Procurement Policy Framework Act and Supply Chain Management Regulations- 90/10 Preference Point System applies.</li> <li>➤ <b>Approval by Bid Adjudication Committee and/or Accounting Officer.</b></li> </ul>

#### 4. **Suppliers Database**

- The municipality is utilising the Central Suppliers Database as directed by the National Treasury to source quotations.
- Some information still needs to be verified by the SCM unit as the system is not yet automatically verifying all bidders' information, for example BBBEE certificate

#### 5. **Bid Documents**

- The Municipality utilises bid documents as prescribed by National Treasury. General and Special Conditions of contract and Municipal Bid Documents are always part of the bid document. The municipality is in the process of having the Standard for Infrastructure Procurement and Delivery Management (SIPDM) being approved by Council

#### 6. **Bid Committee Structures (As per attached list)**

The following committees have been established.

- Bid Specification Committee
- Bid Evaluation Committee
- Bid Adjudication Committee
- Asset Disposal Committee
- Appeals Committee

All committee members were appointed by the Accounting Officer. They are bound to declare their interest (if any) at the start of each committee meeting, which is captured in the attendance register. Committee members for the 2016/2017 financial year have been appointed by the Accounting Officer.

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**The bid office ensures that the following process is adhered to:**

- Bid Specification Committee Meetings are co-ordinated.
- Invitations to bid are placed in the relevant media and on the Municipal Website.
- Closing dates are clearly stipulated.
- Bid Evaluation Committee Meetings are co-ordinated.
- Bid Adjudication Committee Meetings are co-ordinated.
- Regret letters are drafted and sent to unsuccessful bidders.
- A Fourteen (14) day period is allowed for objections and complaints.
- Client Departments are consulted in terms of the appointment letters.
- Appointment letters are verified by the CFO, Legal section and the Internal Audit unit.
- Appointment letters are forwarded to the office of the Municipal Manager for signature.
- All bids are verified by the Internal Audit unit prior to it being awarded by the Municipal Manager.

**7. Training of SCM Staff**

- There is a shortage of training for SCM staff in the unit. New and amended prescripts are continuously issued by relevant bodies. However, there is no training to capacitate the staff within the unit. This matter will be taken up with the HR section in the Department: Corporate Services.

**8. Auditing of SCM Processes**

- The Internal Audit unit conducts random audits on the SCM unit on a regular basis to assist the unit in identifying any problems and non – compliance. For the 2016/2017 financial year, the following internal audit reports were issued:
  - Audit report on Awarded Bids.
  - Supply Chain Management audit: 2016/2017 Financial Year

**9. Effective Supply Chain Management Unit**

**Processing of Goods and Services through the Tender Process within 60 days after the tender is advertised:**

- 90% of tenders served in the Bid Evaluation Committee meeting within 14 days after the closing date of the bid.
- 90% of tenders served in the Bid Adjudication Committee meeting within 14 days after the sitting of the Bid Evaluation Committee meeting.

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**Challenges encountered during the period:**

- Budget constraints.
- Price Benchmarking delayed the Evaluation process.
- Submission of samples delayed the process of the Adjudication process.

**Attached, please find Annexure A (SDBIP Portfolio of Evidence for the 2016/2017 Financial year).**

**10. Unauthorised, Irregular Fruitless and Wasteful Expenditure together with SCM Deviations incurred during the Period**

- Irregular expenditure incurred during the 2016/2017 Financial Year amounts to R0.00.
- Supply Chain Management Deviations incurred during the 2016/2017 Financial Year amounts to R754 940.81.
- Unauthorised expenditure incurred during the 2016.2017 Financial Year amounts to R2 569 943.42.
- Fruitless and Wasteful expenditure not recovered during 2016.2017 Financial Year amounts to **R575 021.14.**

**Attached, please find Annexure B (Registers for Supply Chain Management Deviations and Fruitless and Wasteful expenditure)**

**11. Supply Chain Management Reports**

- CIDB reporting is up-to-date.
- Treasury reporting is in progress and on-going. The unit is having a challenge with the website.

**12. Contract Management**

- The Performance Management unit is currently dealing with the performance of contractors as per the service level agreement prepared by the Legal Section in consultation with the client departments and the SCM unit. Provincial Treasury is currently on site assisting the SCM unit with contract management.

**13. Audit Opinion for the 2015/2016 Financial Year**

- The Auditor General has audited the Supply Chain Management Unit during the 2015/2016 yearly audit and all queries raised were addressed.

**14. New Controls Implemented by the SCM Unit**

The following new controls/improvement of controls have been developed:

- A checklist that tracks the entire bid process has been improved.
- Movement register is signed for every movement of Bid.
- Register for opening of bid documents has been improved.



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**BUDGET STATEMENT: JUNE 2017**  
**(DEPARTMENT OF FINANCE – MFMA BUDGET OFFICE)**

**ROUTING**

FPC	: 27 July 2017
EXCO	: 27 July 2017
Council	: 27 July 2017

**PURPOSE**

To provide the status of Council's Budget during June 2017 in respect of the 2016/2017 Financial Year for information.

**BACKGROUND**

Section 71 of the Municipal Finance Management Act, No 56 of 2003, states that:

*"The Accounting Officer must by no later than 10 working days after the end of each month submit to the Mayor of the municipality and the relevant provincial treasury a statement in the prescribed format on the state of the Municipality's Budget."*

Attached Annexure "A" - pages 1 to <sup>75</sup>~~89~~, which reflects the Monthly Budget Statement in respect of June 2017.

**FINANCIAL IMPLICATIONS**

As indicated in the Section 71 Report referred to under the background.

**COMMENTS BY LEGAL SECTION**

Noted and supported.

**RISK COMMENT**

Noted.

**CHALLENGES**

None.

**CONFIRMATION OF CREDIBILITY AND RELIABILITY OF INFORMATION: EXECUTIVE DIRECTOR: FINANCE (CFO)**

1. I hereby confirm that according to the information availed to me in respect of this item that to the best of my knowledge the information submitted to the committee is acceptable and that the relevant stakeholders were performing their tasks/duties according to the Auditor-General's instruction of 2011.

2. That should more information to the contrary to what was made available to the committee becomes available at a later stage, I reserve the right to revisit my findings.

**RECOMMENDATION BY FPC: 27/07/2017**

Will be tabled at the meeting.

**FOR CONSIDERATION**

A handwritten signature in black ink, appearing to read 'M HLOBA', enclosed within a hand-drawn circle.

**M HLOBA**

**EXECUTIVE DIRECTOR: FINANCE (CFO)**

Reference: Mrs ZL Hlatshwayo – ext. 1162

20 July 2017/zlh

File Ref. 5/1/3/1/1