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THE ADMINISTRATOR



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6/1/11  
8/11/13



**SIPALITEIT - MUNICIPALITY - UMASIPALA-WASE  
AUFORT-WES/BEAUFORT WEST/BHOBHOFOLO**

*KANTOOR VAN DIE DIREKTEUR : FINANSIËLE DIENSTE*

*OFFICE OF THE DIRECTOR : FINANCIAL SERVICES*

Rig asseblief alle korrespondensie aan die Munisipale Bestuurder/Kindly address all correspondence to the Municipal Manager/Yonke imbalelwano mayithunyelwe kuMlawuli kaMasipala

Verwysing Reference 6/1/11  
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**MEMORANDUM TO THE MUNICIPAL MANAGER**

**SUPPLY CHAIN MANAGEMENT QUARTERLY IMPLEMENTATION REPORT: 4<sup>th</sup> QUARTER: 01 APRIL – 30 JUNE 2015**

**1. EXECUTIVE SUMMARY**

In terms of paragraph 1.9 of Council's Supply Chain Management Policy, the Accounting Officer must submit a report on the implementation of the policy to the Executive Mayor, within 10 days after the end of each quarter.

**2. AWARDS OF COMPETITIVE BIDS AND FORMAL QUOTATIONS IN TERMS OF SUB-DELEGATIONS**

In terms of Section 5(3), an official or bid adjudication committee to which the power to make final awards has been sub-delegated must within five days of the end of each month submit to the accounting officer a written report containing particulars of each final award made by such official or committee during that month.

The Municipal Manager has sub-delegated the power to award Competitive Bids to the Bid Adjudication Committee and Formal Written Price Quotations to the Heads of Departments. The Awards made in terms of these sub-delegations are attached per **Annexure A**. Attached please find

MUNISIPALITEIT		ODDOR
DRD	Side Ref:	08.07.2015: Item 5.50

as Addendum 1 the awards that was made by Bid Adjudication Committee and Directors for quarter 01 April to 30 June 2015.

### **3. MONTHLY REPORT ON DEVIATIONS AND MINOR BREACHES**

The Supply Chain Management Policy states in Paragraph 10.3.1: "The accounting officer may dispense with the official procurement processes established by this policy and may procure any required goods or services through any convenient process, which may include direct negotiations, but only –

- (b) if such goods or services are produced or available from a single provider only;
- (d) in any other exceptional case where it is impractical or impossible to follow the official procurement processes"

- **The schedule of deviations as approved by the Accounting Officer is annexed as Addendum 2.**
- **There are no minor breaches to be reported.**

### **4. SUPPLY CHAIN MANAGEMENT COMPLIANCE ASSESSMENT**

In terms of Section 5 (3) and 5 (4) of the Municipal Finance Management Act 53 of 2003, the Provincial Treasury must amongst others, fulfill its responsibilities in terms of this Act, assist the National Treasury in enforcing compliance with the measures established in terms of Section 216(1) of the Constitution and must monitor compliance with this Act by municipalities in the Province.

Provincial Treasury has visited Beaufort West municipality on 20 May 2015 to assess whether or not the Municipality adheres to its supply chain management policy and other statutory requirements governing supply chain management.

**The methodology adopted included but was not limited to the following:**

- An evaluation against the supply chain management legislation, policy and procedure;
- Random sampling of source documents;
- Interviews with supply chain management practitioners and other role players and
- Observation, questionnaires, inspection analysis, verification, analytical review of source documents.

The detailed report from Provincial Treasury is annexed as Addendum 3.

#### 5. AWARDS TO CLOSE FAMILY MEMBERS OF PERSONS IN THE SERVICE OF THE STATE

In terms of the Municipal Supply Chain Management Regulations, Paragraph 45, awards given to close family members or persons in the service of the state, above R2 000, should be disclosed in the notes to the Annual Financial Statements.

Business	Date	Invoice	Amount	Interest
Karoo Motors Werks winkel	30//04/2015	15057198	R24 960.30	Spouse, Mrs Anna-Marie van der Merwe is employed with the Department of Health Services
	04/05/2015	15057237	R66 219.18	
		15058432	R39 55.22	
Ingozi Construction & General Services	01/04/2015	15056679	R13 500.00	Spouses, Mr. F Pieters and Mr. B Visser is currently employed at the Beaufort West Municipality.
	29/06/2015	15058434	R2 000.00	
B&B Sweiswerke	30/04/2015	15057182	R33 412.35	Son, Mr A.C Du Plessis is currently employed by Department of Education as a teacher.
	06/05/2015		R4 975.00	
	09/06/2015		R2 800.00	
	09/06/2015		R7 882.00	
	15/06/2015		R5 800.00	
Karoo Drukkery	04/05/2015	15057231	R5 090.00	Wife, Mrs. S Munro is employed at the Department of Health.
	05/05/2015		R17 100.00	
Karoo Beton Werke	28/05/2015		R7 800.00	Spouses, Mr A Swanepoel en Mrs E Klazen are employed with the Department of Correctional Services and Education.
Avril's	26/06/2015	15058297	R4 500.00	Daughter, Me. M Johnson

Catering				employed with the Department of Correctional Services.
Beaufort West Luxury Coaches	16/06/2015		R15 000.00	Son, Warren Johnson, is employed at the Beaufort West Municipality. Daughter in law, B Johnson is employed as a traffic officer at Department of Community Safety.

#### 6. Publication of the Supply Chain Management Report

Please note that as required by section 21(a) of the Systems Act, this report must also be advertised in the local media and be placed on Council's notice boards and website. It is accordingly requested that your office please comply with this requirement.



Mr. F Sabbat

**DIRECTOR: FINANCIAL SERVICES**

Addendum 1

FORMAL WRITTEN QUOTATIONS AND BIDS AWARDED BY BID ADJUDICATION COMMITTEE AND DIRECTORS

Bid #	Item	Bids Received	Bid Amount	Awarded to	Remarks
SCM 16/2015	Supply and Delivery of Fencing Material	<ul style="list-style-type: none"> <li>▪ Flashcor 146 CC</li> <li>▪ October Sky Plant Hire &amp; Supplies</li> <li>▪ Sharon Rose Trading CC</li> </ul>	<ul style="list-style-type: none"> <li>▪ R 138 892,29</li> <li>▪ R 116 611,85</li> <li>▪ R 80 940,00</li> </ul>	<ul style="list-style-type: none"> <li>▪ Sharon Rose Trading CC</li> </ul>	
SCM 21/2015	Supply and delivery of Protective Clothing for 3 year period	<ul style="list-style-type: none"> <li>▪ Central Karoo Events</li> <li>▪ Proudly Karoo</li> <li>▪ Safe Pro</li> <li>▪ CK Safety &amp; Laundry</li> <li>▪ TRF Sport</li> <li>▪ Wise concepts &amp; marketing Solutions</li> <li>▪ Bluestone Designs</li> <li>▪ Pienaar Bros</li> </ul>	<ul style="list-style-type: none"> <li>▪ Bidders submitted unit prices per item</li> </ul>	<ul style="list-style-type: none"> <li>▪ Central Karoo Events</li> <li>▪ Proudly Karoo</li> <li>▪ Safe Pro</li> <li>▪ TRF Sport</li> <li>▪ Wise concepts &amp; marketing Solutions</li> <li>▪ Bluestone Designs</li> <li>▪ Pienaar Bros</li> </ul>	Bids were awarded to bidder that scored the highest points for price and preference for items requested.
SCM 22/2015	Supply and Delivery of waterworks material	<ul style="list-style-type: none"> <li>▪ Ikapa Reticulation and Flow CC</li> </ul>	<ul style="list-style-type: none"> <li>▪ R 278 114,40</li> <li>▪ R 236 800,80</li> </ul>	<ul style="list-style-type: none"> <li>▪ Ikapa Reticulation and Flow CC</li> </ul>	Bids received from October Sky and DPI

		<ul style="list-style-type: none"> <li>▪ October Sky Plant Hire &amp; Supplies</li> <li>▪ DPI Trading</li> <li>▪ Civil Corp CC</li> </ul>	<ul style="list-style-type: none"> <li>▪ R 232 218,00</li> <li>▪ R 250 686,00</li> </ul>			Trading were found non-responsive.
SCM 23/2015	Supply And Delivery Of One New Diesel Driven Truck Fitted With A Hydraulic Crane And Tipper Load Body	<ul style="list-style-type: none"> <li>▪ Golden Dividend 536</li> <li>▪ Imperial Truck Centre</li> <li>▪ Moipone Group of Companies</li> <li>▪ AAD t/a Truck &amp; Bus</li> <li>▪ Shorts Nissan</li> <li>▪ Phambili Services</li> </ul>	<ul style="list-style-type: none"> <li>▪ R 1 076 616,00</li> <li>▪ R 1 197 000,00</li> <li>▪ R 1 203 067,00</li> <li>▪ R 1 598 513,98</li> <li>▪ R 1 000 210,00</li> <li>▪ R 1 074 820,50</li> <li>▪ R 1 304 969,40</li> </ul>	<ul style="list-style-type: none"> <li>▪ AAD t/a Truck &amp; Bus</li> </ul>		
SCM 24/2015	Supply and Delivery of a 1 ton utility trailer	<ul style="list-style-type: none"> <li>▪ Rico Trailers</li> <li>▪ Challenger Trailers</li> <li>▪ Savannah Trailers</li> <li>▪ Integral Safety Products</li> </ul>	<ul style="list-style-type: none"> <li>▪ R 29 526,00</li> <li>▪ R 37 039,85</li> <li>▪ R 41 488,00</li> <li>▪ R 42 704,40</li> </ul>	<ul style="list-style-type: none"> <li>▪ Savannah Trailers</li> </ul>	<ul style="list-style-type: none"> <li>▪ Rico Trailers and Trailer deposits requested upfront before delivery, therefore quotation from Savannah Trailers were accepted.</li> </ul>	
SCM 26/2015	Supply and delivery of a 1.3 ton flatbed drop side diesel LDV	<ul style="list-style-type: none"> <li>▪ Hyundai Graaff Reinet</li> </ul>	<ul style="list-style-type: none"> <li>▪ R 242 076,00</li> </ul>	<ul style="list-style-type: none"> <li>▪ Hyundai Graaff Reinet</li> </ul>		
SCM 27/2015	Supply and delivery of financial DASHBOARD tool for the	<ul style="list-style-type: none"> <li>▪ Globetom Trading</li> </ul>	<ul style="list-style-type: none"> <li>▪ R 278 816,64</li> </ul>	<ul style="list-style-type: none"> <li>▪ Globetom Trading</li> </ul>		

SCM 28/2015	Financial Department	Supply and delivery of G5 Calcrete	Flashcor 146 CC	R 180 000,00	Flashcor 146 CC	
SCM 29/2015		Upgrading of Kwa - Mandlenkosi Library - Carpentry	Mr Fix it Flashcor 146 CC	R 45 536,00 R 126 237,90	Mr Fix it	
SCM 29/2015		Upgrading of Kwa - Mandlenkosi Library - Renovations	Brilliant Maintenance Mr Fix It Flashcor 146 CC	R 220 192,10 R 230 000,00 R 208 403,40	Flashcor 146 CC	
SCM 30/2015		Professional Services: Short Term Insurance Portfolio 01 July 2015 – 30 June 2018	Lateral Unison Marsh AON Nico Swart Consultancy Westwood	R 2 624 427,00 R 2 433 975,00 R 2 055 950,00 R 1 703 712,00 R 2 771 459,26	AON	

Addendum 2

DEVIATIONS APPROVED BY MUNICIPAL MANAGER FOR APRIL						
APPLICABLE PARAGRAPH IN SCM POLICY	SUPPLIERS	AMOUNT	DATE	REASON FOR DEVIATION		
(b)	Sole Supplier					
	Spectrum Communications	R 9 671,00	01/04/2015	Telemetry system was created by spectrum and must be repaired by them.		
	Middleton Geomatics	R 4 788,00	01/04/2015	Replace the pegs for Erf 8980 - beacon relocation.		
	Penny Pinchers	R 5 009,33	01/04/2015	Materials needed urgently to do repairs on buildings. Sole local supplier that can supply the stock.		
	Elster Kent Kent Metering	R 267 124,66	01/04/2015	The sole manufacturer of Elster meters and strainers.		
		R 71 135,66	29/04/2015			
	Actebis	R 2 827,20	07/04/2015	Transport and dispose of hazardous waste.		
	PG Glass	R 6 650,00	01/04/2015	Supplier made custom build sliding door for the VIP lounge at the Rustdene sports pub.		
	Landis & Gyr	R 3 043,80	01/04/2015	Manufacturer and supplier of electricity meters.		
	(d)	Any exceptional case where it is impractical or impossible to follow the	R 2 640,00	07/04/2015	Rent scaffolding for work to be done at Mandela Square and Municipal buildings.	



	official procurement processes.						
(d)(v)	The appointment of any person to provide professional advice or services is less than R200 000 or any greater amount.	S B Naidu  Ignite Advisory services	R 6 129,27 R 5 104,92 R 29 233,88	20/04/2015 20/04/2015 28/04/2015	Bajju services in Beaufort West.  Service provider for Performance Management system.		
(d)(i)	Any contract relating to the publication of notices and advertisements by the municipality.	SM Consultants  Media 24	R 26 400,00  R 6 468,59	21/04/2015  22/04/2015	Service provider for the distribution of traffic summonses.  Publication of advertisement SCM 23/2015 in Die Burger, newspaper circulating in Western Cape.		
(d)(ii)	Any contract with an organ of state, a local authority or a public utility corporation or company.	Department of Transport	R 17 222,00	28/04/2015	Prodiba is appointed by the department of transport for the issuing of driving license cards.		
(d)(vi)	Ad-hoc repairs to plant and equipment where it is not possible to ascertain the nature or extent of the work required in order to call for bids.	The Workshop  Raakvat Verhurings  Barlow world	R 3 910,00  R 2 120,86  R 17 411,66	01/04/2015  16/04/2015  29/04/2015	Sole local supplier that can do mechanical repairs. The clutch was repaired.  In the absent of the Municipality's Bomag, which was repaired, they rented one.  Agent for CAT machinery-repairs for CZ 7713.		

**DEVIATIONS APPROVED BY MUNICIPAL MANAGER FOR MAY**

APPLICABLE PARAGRAPH IN SCM POLICY		SUPPLIERS	AMOUNT	DATE	REASON FOR DEVIATION
(b)	Sole Supplier	B & B Sweiswerke	R 4 975,00	06/05/2015	Pull and drag borehole pump in Lemoenfontein North.
		Raakvat Verhuring	R 2 850,00	28/05/2015	Sole supplier that rent out the poker Vibrator in Beaufort West.
		PG Glass	R 13 058,70	29/05/2015	Sole local service provider that can supply and install aluminum glass sliding doors for library in Church Street.
		Penny Pinchers	R 106 769,81	29/05/2015	Only local supplier that has material available for repair works
			R 7 877,78	19/05/2015	
			R 4 323,91	26/05/2015	
				R 8 206,18	15/05/2015
	Karoo Beton Werke	R 7 800,00	28/05/2015	Manufacturer of concrete material locally.	
	Essop Multi save	R 7 155,02	19/05/2015	The expenditure was for the ward committee public participation process in Menweville for ward 7.	
(d)	Any exceptional case where it is impractical or	Tango Plant & Hire	R 6 840,00	05/05/2015	Recycling have to use a fork lifter on a daily basis, Tango Plant & Hire is the only company that could provide us this service.

	impossible to follow the official procurement processes	New Fountain Ministries	R 5 500,00	08/05/2015	The church was hired for indigent applications in Prince Valley. Must be renewed every year.
		New Fountain Ministries	R 2 000,00	27/05/2015	The church was hired for the budget meeting including sound.
(d)(v)	The appointment of any person to provide professional advice or services is less than R200 000 or any greater amount	SM Consultants	R 18 450,00	27/05/2015	Service provider for the distribution of traffic summonses.
(d)(ii)	Any contract with an organ of state, a local authority or a public utility corporation or company	Department of Transport	R 5 372,00	15/05/2015	Prodiba is appointed by the department of transport for the issuing of driving license cards.
(d)(vi)	ad-hoc repairs to plant and equipment where it is not possible to ascertain the nature or extent of the work required in order to call for bids.	Barloworld Equipment	R 17 411,66	04/05/2015	CZ 7713 - Grader - Specialized works by Barloworld agents & transport included.
		WCC Cables	R 210 480,00	27/05/2015	Repair of switchgears and transformers.
		George Lawnmowers	R 2 094,64	27/05/2015	Repair of water pump - agent for parts.
		Karoo Lugreeling & verkoeling	R 2 394,00	27/05/2015	Service the air conditioners at the Mimosa en Town Libraries.

DEVIATIONS APPROVED BY MUNICIPAL MANAGER FOR JUNE						
APPLICABLE PARAGRAPH IN SCM POLICY	SUPPLIERS	AMOUNT	DATE	REASON FOR DEVIATION		
(b) Sole Supplier	CTE Water Tech	R 6 145,68	08/06/2015	Calibrate engineering instruments on site with water & waste water engineering.		
	B & B Sweiswerke	R 2 800,00	09/06/2015	Pull and lower of borehole pumps in Hansrivier 15.		
		R 7 882,00	09/06/2015	Pull and lower of borehole pumps in Noord Einde South.		
	Caddie	R 11 400,00	11/06/2015	Upgrade of software program - Caddie conversion and maintenance fee.		
(d) Any exceptional case where it is impractical or impossible to follow the official procurement processes	Karoo Vleisboere Kooperasie	R 3 634,57	17/06/2015	Karoo Vleisboere is the sole supplier in Murraysburg that can supply the material.		
	Actebis 286 CC	R 2 696,10	30/06/2015	Sole supplier for the removal of hazardous waste storage equipment on a quarterly basis.		
	Art work Welding	R 168 405,00	17/06/2015	Upgrading of the Mimosa Library-palisade fencing.		
	B & B Sweiswerke	R 5 800,00	16/06/2015	Only available supplier that could supply ref 245 weld mesh.		
	The Koup Butchery	R 4 724,10	22/06/2015	Supply of meat for Ward function		
	Essop	R 3 002,04	12/05/2015	Essop is the only supplier that will supply the Municipality with		

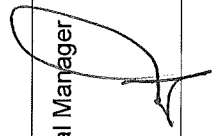
		R 3 269,58		material on credit.
	Juta	R 7 005,00	26/06/2015	We have a subscription with Juta, and they send the updated legislation to the municipality.
	Beaufort West Luxury Coaches	R 15 000,00	16/06/2015	Youth day function, the Municipality is responsible for the transport.
	Tsogo Sun-Cape Sun	R 2 790,00	18/05/2015	Accommodation for Mayor - Mr. T Prince
	Ruth Avenue Guest House	R 5 600,00	20/05/2015	Accommodation for Councilor Furmen
(d)(v)	The appointment of any person to provide professional advice or services is less than R200 000 or any greater amount	R 29 224,00	24/06/2015	Drawing of plans and specifications
(d)(i)	Any contract relating to the publication of notices and advertisements by the municipality	R 21 130,72	08/06/2015	Adverts for the Tenders. Systems Act S21 states that any communications must be published in newspaper. Notice 62,64&65/2015.
(d)(ii)	any contract with an organ of state, a local authority or a public utility	R 47 110,19	30/06/2015	Grading of gravel roads in Murraysburg and Merweville.

corporation or company					
(d)(vi) Ad-hoc repairs to plant and equipment where it is not possible to ascertain the nature or extent of the work required in order to call for bids.	The Workshop	R 2 034,00	17/06/2015	The only workshop in Murraysburg that can do repairs on vehicles-CZ 16710.	
	George Lawnmowers	R 4 409,75	25/06/2015	Agent for falcon blades for lawnmowers.	
	Peninsula Water treatment	R 7 638,00	08/06/2015	Strip and repairs to Gas regulator, flow tube assembly and Vacuum injector work done.	
	WCC Cables	R 38 475,00	01/06/2015	Faulty switchgear and transformers were sent to WCC Cables on repairs on equipment, the equipment had to be disassemble and strip to ascertain the extent of the work.	
		R 182 400,00	01/06/2015		

Ratified by:

J.Booyesen

Signed:

Municipal Manager 

**Western Cape Government  
Provincial Treasury**

**2014/15 MUNICIPAL FINANCIAL  
MANAGEMENT ASSISTANCE AND  
GUIDANCE PROJECT**

**Closure Report**

**Beaufort West Municipality**

20 May 2015

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Provincial Treasury  
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## Municipal Assessment: Assistance and Guidance Project 2014/15

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## **PART A: INTRODUCTION**

### **1. PURPOSE**

- a. This report serves to highlight the 2014/15 Municipal Financial Management Assistance and Guidance Project findings ascertained by the Provincial Treasury (PT) assessment team.
- b. Furthermore, it serves to provide the Municipality with recommendations and additional guidance, thereby assisting the institution in addressing matters which have been identified during the compliance assessment as an area of priority.

### **2. BACKGROUND**

- a. Provincial Treasury as required in the Municipal Finance Management Act, 2003 (Act No. 56 of 2003), must monitor, assist and support municipalities in complying with the MFMA prescripts and related regulations towards securing sound and sustainable management of the fiscal and financial affairs of municipalities and municipal entities.
- b. Further to the above, emanating from the MGRO 2 engagements Provincial Treasury committed to provide support and assistance to municipalities toward the improvement of the 2014/15 municipal audit outcomes and clean governance.
- c. To this end, Provincial Treasury has initiated the Municipal Financial Management Assistance and Guidance Project which is solely aimed at providing solutions to remaining findings identified in the 2013/14 audit reports and management letters and MGRO engagements aligned to the PT mandate.

### **3. METHODOLOGY**

- a. A PT team, representative of the above focus areas will perform a preliminary analysis to identify the remaining audit findings that need to be addressed. Source documents that will be utilised are the municipal 2013/14 audit and management reports, the 2013/14 municipal audit action plan, MGRO 2 presentations and MGAPs.
- b. During the preliminary analysis the PT team will request supporting documentation from the Municipality to affirm the outcome of the analysis.

**Municipal Assessment: Assistance and Guidance Project 2014/15**

- c. The analysis outcome will inform the PT assistance and support that will be provided to the Municipality via the Municipal Financial Management Assistance and Guidance Project.
- d. PT will communicate with the Municipal Manager regarding remaining findings and proposed support and assistance from PT.
- e. A PT team will provide on site support and assistance to the Municipality on the proposed engagement date as informed by the analysis outcome and concurrence from the Municipality. An agenda for the day will be issued shortly.
- f. Following the support provided a Municipal Financial Management Assistance and Guidance Project close out report will be issued to the Municipality.
- g. The Municipal Financial Management Assistance and Guidance Project covered the following focus areas:
  - i. Supply Chain and Asset Management;
  - ii. Legal and Policy;
  - iii. Internal Audit;
  - iv. Risk Management;
  - v. BTO capacitation; and
  - vi. Accounting.

**PART B: ASSESSMENT**

**SUPPLY CHAIN MANAGEMENT**

**INTRODUCTION**

**1. PURPOSE**

- a. The purpose of this report is to highlight the assistance and guidance provided to the Municipality on gaps identified as an area of priority from the SCM compliance assessment report, MGRO report and Auditor General's Report to prepare the Municipality for the audit readiness.
- b. The aim is to assist and guide the Municipality in terms of supply chain management pertaining to the Provincial Treasury's three (3) year strategy to change municipalities from conformance to performance and to ensure that the gaps are addressed as highlighted in the Municipal Governance Review and Outlook (MGR&O) and Auditor General's Report as per Provincial Treasury (PT) approach.

**2. BACKGROUND**

- a. In terms of section 5 (3) and 4 (a) (i) of the Municipal Finance Management Act (MFMA), it is the responsibility of the Provincial Treasury (PT) to monitor compliance to the MFMA and fulfil its responsibilities in terms of this Act, enforce compliance with the measures established in terms of section 216 (1) of the Constitution and must monitor compliance with this Act by municipalities in the Province.
- b. To this end, the Provincial Treasury has developed the Supply Chain Management (SCM) Compliance Assessment tool to assess compliance of the Municipality to the regulations and legislative frameworks governing SCM.
- c. The Provincial Treasury requested during the pre - assessment phase, documentation from the Beaufort West Municipality in order for the Local Government Supply Chain Management Directorate's to ascertain the current state of affairs.
- d. Upon analysis of the pre – assessment documentation, the PT decided on a strategy that would best ensure that the purpose as mentioned above are successfully implemented.

Municipal Assessment: Assistance and Guidance Project 2014/15

**3. ASSESSMENT STRATEGY**

**3.1 The Assessment Strategy was conducted in terms of, but was not limited to the following methodology:**

- (a) Policy assessment alignment against the Model Policy issued by National Treasury;
- (b) Identifying the gaps in supply chain management;
- (c) Providing best practice templates and guidelines;
- (d) Training in terms of SCM Gaps identified;
- (e) Feedback to Management with regards to addressing SCM Gaps;
- (f) Further training capacitation for the SCM Unit and User – department;
- (g) Highlighting SCM Gaps, in terms of the AG Findings and MGRO Gaps; and
- (h) Implementation of the Action Plan.

**4. RELEVANCE TO THE BEAUFORT WEST MUNICIPALITY**

- a. To give effect to our purpose and be relevant, our approach was to synchronize and align our purpose and strategy in conjunction with our approach in terms of the following:
  - Providing best practice templates;
  - Training to user departments officials and SCM practitioners;
  - Alignment of SCM processes and procedures that will ensure compliance; and
  - Issuing of updated directives in terms of SCM.
- b. Despite the above mentioned, Provincial Treasury assessment team was in a position to identify the daily challenges the Municipality faces with the implementation of SCM.

**5. SUPPORT AND GUIDANCE TO THE MUNICIPALITY**

- a. The directorate, Local Government: Supply Chain Management has mandate to provide assistance and guidance to municipalities and municipal entities on the regulatory framework that governs Supply Chain Management.
- b. The directorate, is aimed at addressing crucial SCM issues identified during the assessment period and to bring ways to try and mitigate any future lapses in the SCM system and in doing so the Provincial Treasury understand the impact of change management to happen immediately.
- c. To this end, the Provincial Treasury takes cognisance of the fact that the areas of deficiencies which will be highlighted in this report will be addressed in paragraph 4

**Municipal Assessment: Assistance and Guidance Project 2014/15**

above, however might not be implemented immediately but the directorate, Local Government: Supply Chain Management is committed to assist the Municipality progressively.

**COMPLIANCE ON SUPPLY CHAIN MANAGEMENT****A. SCM GOVERNANCE****1. SCM POLICY**

- a. The Municipality has a Supply Chain Management Policy (hereafter referred to as SCM Policy) in place that is aligned to National Treasury's Model Policy and regulatory framework. The SCM policy has been reviewed as required by paragraph 3 (1) of the Municipality's SCM policy.
- b. The Provincial Treasury will be assisting the Municipality by reviewing the Municipality's latest SCM Policy to ensure the Policy is aligned to the latest SCM prescripts such as BEE prescripts on request of the Municipality.
- c. The Provincial Treasury will be assisting the Municipality with the development of the PPPFA policy to improve SMME and LED development on the request of the Municipality.

**2. CONTROL FRAMEWORK**

- a. The Municipality's delegations and sub-delegations of powers and duties are currently not aligned to the Municipality's operational duties and powers and do not speak to the supply chain management procurement processes, however the Municipality are in the process of reviewing the delegations.
- b. The Provincial Treasury will be assisting the Municipality with the further development and enhancement of the delegations together linking it to SCM delegations taking into account the staff capacitation of the Municipality.
- c. The Provincial Treasury advised the Municipality to align its delegations to include the code of conduct, declaration of interest and gift received and each official delegated official within the SCM System will have to duly sign the delegation and the acceptance thereof to ensure accountability and responsibility and give effect to the financial misconduct regulations.

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- d. The LGSCM Directorate provided the Municipality with a set of best practice templates on the delegations in terms of the operational duties of the range of procurement process.

### **B. SCM CAPACITATION AND TRAINING**

#### **3. ORGANISATIONAL STRUCTURE**

##### **3.1 SCM Unit**

- a. The SCM unit operates under a decentralised model relying on the user - departments to primarily carry out the acquisition management function as well as procurement below R30 000.00.
- b. It is however imperative that the Municipality look towards giving effect to all of the functions of SCM to ensure an effective decentralised system with clear roles and responsibilities and segregation of duties and delegated powers and duties.
- c. The Municipality recently went out on a formal bid for the organisational structure re-design of the Municipality, however during the assessment visit it was ascertain that the Municipality would forward a request to Provincial Treasury's Local Government Supply Chain Directorate and Corporate Governance Directorate to be part and partial of this process by assisting the Municipality with the reviewing of the organisational structure/design which would also include the centralisation of the SCM unit.

##### **3.2 Capacity and Skill**

- a. During the assessment visit the LGSCM Directorate identified the need for further training capacitation in terms of supply chain management for both the SCM Unit and the user – departments and senior management staff.
- b. The Provincial Treasury will be providing training on the request of the Municipality on the areas identified during the assessment visit. The Provincial Treasury has establish that the training session will cover the areas as mentioned below but not limited to only those areas:
  - Contract management;
  - Bid committee training;
  - Delegations;
  - Code of Conduct;
  - Acceptance of gifts received;

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- Declaration of Interest;
- Deviations; and
- Demand Management and Procurement planning.

### 3.3 Bid committees

#### 3.3.1 Bid administration

- a. The assessment team during the assessment visit assessed the bid administration function at the Municipality whilst perusing the bid documentation and drafted a template on the process flow when initiating a request for quotation / bid which will assist the Municipality with the bid administration process from the time of bid advertisement until contract management and contract administration of a bid.
- b. The assessment team also assessed the administration of the bid committee function and the following areas needs improvements to enhance the compliance when awarding a bid:
  - Bid program for the year;
  - Fixed dates / calendar;
  - Notification of the meetings;
  - Training in terms of the bid committee function; and
  - The roles and responsibilities of the bid administration and SCM unit need to be defined.
- c. The Provincial Treasury highlighted the concerns surrounding the composition, functions and duties in terms of the bid committee structure to ensure that the Municipality gives effect to SCM Regulations 27, 28, 29.
- d. The Provincial Treasury also advised the Municipality to re-look at the SCM delegations for the SCM Manager when serving on the bid committee structure, whilst perusing the bid documentation it was evident that the role of the SCM Manager on the BEC and the SCM Clerk on the BAC should as a recommendation be changed.
- e. The Provincial Treasury provided the Municipality with a template that clearly outline the roles and responsibilities of each committee as highlighted in the Code of Conduct of BAC which include that all bid committee members undertake confidentiality and impartiality of interest at the convening of each meeting.

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- f. The Provincial Treasury provided the Municipality with a template of a bid report to ensure that these meetings are comprehensive and detailed documented to ensure that the BAC makes an informed decision to make the award.

### **C. STRATEGIC PROCUREMENT**

#### **1. Demand Management and Procurement Planning**

- a. The Municipality does not have a demand management process in place to assist with the planning for the procurement of goods, service or infrastructure projects in a proactive manner and in the absence of the demand management planning process, it was identified that the Municipality does not conduct any industry and commodity analysis or market analysis for all procurement processes.
- b. The Municipality has a procurement plan in place however it needs further urgent attention and improvement because it impacts on the number of cancellations of contracts.
- c. The assessment team also advised the Municipality that the budget department needs to play a bigger role in the procurement planning for the goods and services.
- d. The Provincial Treasury advised the Municipality that Procurement planning needs to be dealt with in such a manner that the Accounting Officer and its Section 57 Managers give effect to procurement planning and linking it to the budget, IDP document and lastly to the overall performance management of the Municipality to enhance service delivery.
- e. The Accounting Officer should include the procurement planning of the Section 57 managers in terms of their overall performance to give effect to the MFMA Circular 62.
- f. The Provincial Treasury also recommended to the Accounting Officer and Chief Financial Officer the importance to make provision for a procurement plan which will assist all officials and other role players. This will ensure that timeous consideration is given to the following aspects regarding demand management:
- the need for goods and services to form part of the strategic plan and integrated development plan (IDP);
  - all procurement requirements are linked to the budget;
  - specifications are timeously determined for the procurement of all goods and services;
  - future as well as current needs are understood;



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- the frequency of the requirement is specified;
- the economies of scale order quantity is calculated;
- an industry and commodity analysis is conducted;
- the appropriate method of acquisition and disposal of goods are considered; and
- It is anticipated that this proactive approach will also contribute to the minimal use of SCM Regulation 36.

### 2. Cancellations, expansions and extensions of contracts

- a. Whilst perusal of the bid documentation, the assessment team ascertained that the Municipality has undergone to a large extent of allowing and approving cancellations, however the Provincial Treasury has advised the Municipality regarding minimising the cancellations as this will only be encouraged by ensuring that a proper demand management process and planning is in place at the beginning of each financial year.
- b. The Municipality should prior advertising, perform a market research on goods/services in need of, to eliminate the cancellation of adverts, and makes sure there are enough funds to proceed with the projects.
- c. The assessment team also eluded the Municipality to the following areas that requires urgent attention and a need for improvement:
  - Extension and expansion of contracts with the communication of these contracts between the user departments and the SCM Unit;
  - Strict internal controls needs to be put into place;
  - Segregation of duties needs to take place; and
  - Compliance in terms of MFMA Circular 62.

## D. COMPLIANCE AND RISK MITIGATION

### Key Findings on Acquisition Management

#### 1. Verbal and Written Price Quotations

- a. The assessment team during the assessment visit perused the bid documentation of the Municipality to ascertain the challenges the Municipality are currently experiencing.
- b. Based on the samples perused by the PT assessment team, the following challenges were highlighted whilst perusing the various payment vouchers:
  - Not sufficiently recording the reasons properly for not obtaining three quotations;

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- Decentralised system – user departments submit quotations, SCM unit not involved at all in the process.
  - Lack of Procurement planning; and
  - The user-departments lack the adequate training in terms of the procurement processes under R30 000.
- c. The Provincial Treasury also advised the Municipality to perform a due diligence check and a responsiveness check on all the procurement of goods and services from the period 1 July 2014 – 30 June 2015 to check if all the payment vouchers were compliant to the legislative prescripts.
- d. The Provincial Treasury will also be providing training in terms of the issues highlighted above to address it during the training session.

### **2. Formal Written Price Quotations and Competitive Bidding Process**

- a. The Provincial Treasury would like to firstly commend the Municipality in terms of the following areas in the competitive bidding process that the Municipality made immense improvements over the previous financial year:
- The Specifications;
  - The compilation of the Bid Documentation;
  - The Bid Opening Process;
  - The Evaluation Phase; and
  - The award phase.
- b. The Provincial Treasury also advised the Municipality to perform a due diligence check and a responsiveness check on all the procurement of goods and services from the period 1 July 2014 – 30 June 2015 to check if all the payment vouchers were compliant to the legislative prescripts.
- c. The Provincial Treasury also provided that Municipality with a template that will assist and guide the Municipality with the compliance areas relating to the bid opening including a checklist for the bid file for audit record purposes.

### **3. Deviations**

- a. The assessment team perused the payment vouchers which included the deviations, whilst perusing the deviations it was evident that in some instances the deviations were approved without proper authorisation and the recommendations from the SCM Manager.

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- b. The assessment team also ascertained that the user - departments do not clearly understand the deviation process and when to deviate from the normal procurement process because in some instances the deviation was approved without the proper authorisation from the SCM Manager.
- c. The Provincial Treasury advised the Municipality that the deviation template the Municipality are currently utilising needs further improvement in terms of the signing powers and having proper internal control measures in place.

### **E. REPORTING AND DATA INTEGRITY**

#### **1. SCM Reporting Requirements**

- a. In terms of the implementation of the supply chain management reporting requirements, the assessment team perused the reports and it was evident from the documentation that the Municipality maintains a good reporting system.
  - SCM Regulation 16 and 17;
  - Implementation of the SCM Policy;
  - Deviations report – SCM Regulation 36;
  - Quarterly, Monthly, Annual Report on awards made quotations and bids;
  - The Bid Committee Reports from the BSC, BEC, BAC; and
  - Any other reporting requirements in terms of SCM.
- b. The Provincial Treasury provided the Municipality with further reporting templates to ensure full compliance to the SCM legislative requirements.

#### **2. Supplier Database System**

- a. The Municipality is currently in the process of changing over to the Western Cape Supplier Database; however compliance to the Municipality's supplier database is still being maintained.
- b. The Municipality is currently in the process of acquiring the Sebata system which is a SCM Software module which will assist the Municipality with the implementation of the supply chain management. The Provincial Treasury advised the Municipality to implement the system as soon as possible.

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### **3. Publication of Information**

- a. The Municipality is currently uploading all information on the Municipality's website and ensure compliance is met in terms of MFMA Circular 62.

### **4. Data Integrity**

- a. The Provincial Treasury would also like to take the opportunity to commend the Municipality in the absence of a centralised system maintained a good filing system, with a proper audit trail and the checks and balances are done by the SCM Manager to ensure consistency reliability of data.

## **F. CONTRACT MANAGEMENT**

### **1. Contract Administration**

- a. Contract management is not catered for within the Municipality's SCM environment, but with the respective user - departments.
- b. The assessment team also guided the Municipality to clearly define the roles and responsibilities of the user - departments and the SCM Unit regarding the administration of contract management and contract administration.
- c. The Provincial Treasury advised the Municipality of the importance of having a contract register in place, and improvements are required in terms of the contract register from the time the budget has been allocated until the bid has been awarded.

### **2. Construction Industry Development Board (CIDB)**

- a. In terms of the construction procurement, CIDB and I-Tender requirements, it strongly appeared that the Municipality has an inherent weakness in respect of skill and capacity to fulfill the requirements associated built environment procurement. During the assessment, documents perused indicated that the consultants have a greater influence on procurement process.
- b. In terms of the specifications which are of a technical nature, the Municipality indicated that it sources the expertise of a consultant. The consulting firm also assists with the drafting and preparation of specifications and advertisements, and the compilation of the bidding documents for construction related bids.

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- c. The Provincial Treasury will also assist the Municipality with regards to the registration of contract related bids on the CIDB I – Tender website to ensure compliance with the CIDB.

### **3. Appointment of Consultants**

- a. The Provincial Treasury advised the Municipality with regards to the use of consultants without transferring the expert, expertise and experience from the consultants to the municipal officials, as this was also an audit finding during the recent municipal audit.
- b. The assessment team also eluded the Municipality to the monitoring of the performance of the consultants and advised the Chief Financial Officer and the SCM Manager to request the directors and user departments especially the engineering department to show the progress of made on contracts regarding the consultants.
- c. The Provincial Treasury provided the Municipality with the following checklist that will guide and assist the Municipality when appointing consultants and ensuring that the necessary checks and balances are in place to ensure compliance to the SCM prescripts:
  - Compliance checklist for appointment of consultants;
  - Application to appoint consultants;
  - Consultant analysis;
  - Consultant reduction plan; and
  - SCM System – process flow.

### **G. MGRO 2 ENGAGEMENT AND COMMITMENTS**

- a. During the MGRO 2 Engagement certain areas was highlighted that needed the assistance and intervention from Provincial Treasury to assist the Municipality to improve the state of governance within the Municipality.
- b. Emanating from that, the Provincial Treasury during the assessment visit addressed the areas under SCM Governance and the assessment team will be monitoring the implementation of the recommended action.

### **H. AGSA AUDIT OUTCOMES FOR THE 2013/14 FINANCIAL YEAR**

- a. During the assessment visit the Provincial Treasury assessed the AGSA Audit outcomes for the Beaufort West Municipality on supply chain management in order to provide the relevant support and guidance on the audit outcomes.

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- b. The process was also to assist the Municipality in terms of the treatment and interpretation on these issues highlighted during the Audit Report. The following areas were addressed during the assessment visit:
- Finding 49 (a.) -Use of consultants;
  - Finding 49 (b.) -Use of consultants;
  - Finding 49 (c.) -Use of consultants;
  - Finding 49 (d.) -Use of consultants;
  - Finding 49 (e.) -Use of consultants;
  - Finding 64 -Open tender request sent after event;
  - Finding 65 -Open tender request sent after event; and
  - Finding 66 -SCM: Project not registered in the register of contracts with the CIDB within 21 working days.
- b. The assessment team had an intervention session with the SCM Manager highlighting the concerns addressed in the Audit Report and how the Municipality can foresee it reoccurring again and to be in a better position to address the audit outcomes.
- c. The Municipality also during the assessment visit indicated additional support and guidance on the following issues, the Auditor-General has risen as a finding previously:
- Opinion with regards on the difference between a single provider and sole supplier;
  - The arrears of suppliers Municipal Accounts;
  - BAC – The size and capacity of the Municipality makes it difficult to comply with SCM Regulation 29 to have atleast 4 / 5 senior managers on the BAC;
  - Classification of what contracts constitute CIDB;
  - CIDB Training; and
  - Classification of Deviations.
- I. Sharing of Best practice manuals and templates with the Beaufort West Municipality**
- a. The Provincial Treasury assessment team shared best practice templates and manuals with the Senior Accountant, Chief Financial Officer and SCM Clerk and the following documentation were provided to assist the Prince Albert Municipality:
- Template of a Procurement plan / demand management plan;
  - Municipal Bidding Documents for both informal and formal bids;
  - Template on a Standard Operating Procedural Manual for SCM;
  - Template on supplier performance;

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- Bid Specification, Evaluation and Adjudication Committee - Agenda's, Minutes & Bid Reports;
  - Declaration of Interest;
  - Templates on the SCM Reporting requirements which includes the following:
    - SCM Regulation 16 & 17;
    - Deviations;
    - Irregular expenditure; and
    - Implementation of SCM Policy.
  - Template of a Gift policy;
  - Financial management misconduct;
  - Acceptance of gift received, including the awareness thereof;
  - Template on the Delegations and sub – delegations for SCM;
  - Code of Conduct for SCM Officials and other role-players;
  - Tender plan / calendar of the bid committee meetings;
  - Terms of Reference of the Bid committee structure;
  - Bid administration workflow;
  - Checklist on the bid opening;
  - Checklist on the bids received; and
  - The relevant templates were provided to the Municipality regarding appointment of consultants.
- b. The assessment team advised the Municipality that it is vital and crucial to implement these best practice templates and tools that were provided to the Municipality because it is important to the Municipality's development from moving closer to a clean governance Municipality.
- c. It will be imperative for the Municipality to create a control environment when officials will be held accountable for their actions and decisions have it impacts on service delivery. The Accounting Officer will have to ensure that internal controls are put in place and monitoring thereof takes place on a continuous basis.

### WAY FORWARD

- a. The Provincial Treasury thanks the Accounting officer, Chief Financial Officer and SCM Head for allowing the assessment team to visit the Beaufort West Municipality.
- b. It is reiterated that the relevance of the visit was based on striving to make a positive impact and being solution driven. The assessment team has thus provided the

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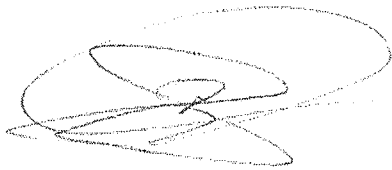
Municipality with best practices to help improve SCM and AM processes. PT has also committed to future engagements which are aimed at finding amicable solutions to the challenges which has been presented.

- c. Provincial Treasury hereby commits to rendering ongoing support and guidance to the Beaufort West Municipality.
- d. In conclusion during our Assessment Visit consensus between the Municipality and Provincial treasury was reached on all the non – compliance relating to supply chain that need an urgent intervention training for all practitioner involved in the supply chain management environment.

**PART C: CONCLUSION**

- a. The objective of this project report is to assist Municipalities in assessing their audit readiness against legislative requirements and other best practices rolled out by National and Provincial Treasury.
- b. The findings based on this assessment and its accompanying recommendations should provide the institution with the insight to identify potential areas for improvement.

We trust that you find the above in order.



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**MR R MOOLMAN**

**SENIOR MANAGER: LOCAL GOVERNMENT SUPPLY CHAIN MANAGEMENT**

**PROVINCIAL TREASURY**

**DATE:** 22/06/22