



**MUNISIPALITEIT - MUNICIPALITY - UMASIPALA-WASE
BEAUFORT-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 mayithunyehwe kuMlawuli kaMasipala

Verwysing
Reference 6/1/1/1
Isalathiso

Navrae
Enquiries (Mrs.) S Pothberg
Imibuzo

Datum
Date 2016.10.14
Umhla

Privaatsak / Private Bag 582
Faks/Fax: (023) 4148105
Tel. (023) 4148100

e-pos / e-mail: treasury@beaufortwestmun.co.za
Kerkstraat 15 Church Street
BEAUFORT-WES
BEAUFORT WEST
BHOBHOFOLO
6970

MEMORANDUM TO THE MUNICIPAL MANAGER

**SUPPLY CHAIN MANAGEMENT QUARTERLY IMPLEMENTATION REPORT: 01 JULY – 30
SEPTEMBER 2016**

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.

Council has resolved that the Implementation Report must be submitted monthly in order to ensure effective oversight as prescribed in the policy.

2. SUPPLY CHAIN MANAGEMENT DISTRICT FORUM AND TRAINING

In terms of section 5(3) of the MFMA (Act 56 of 2003), a Provincial Treasury may assist municipalities and municipal entities in building their capacity for efficient, effective and transparent financial management.

The aim of the SCM forum is to assist on issues such as managing transformation within SCM, developing coherent policy and setting norms and standards for service delivery and to enhance interdepartmental SCM relations and the exchange of information, while taking a long-term perspective on spending and policy from an SCM perspective.

The 1st SCM District Forum was held on 02 June 2016 at the Karoo National Park with Provincial Treasury, Laingsburg, Prince Albert, Central Karoo and Beaufort West Municipality.

The 2nd SCM District Forum was held on 15 September 2016 at the conference room at the Thusong Centre.

Emanating from these fruitful forums the following agenda points were presented and resolved that Provincial Treasury will assist municipalities with the gaps that was identified:

- ❖ Implementation of MFMA Circular 81 - Web Based Central Supplier Database
- ❖ Implementation of MFMA Circular 82 - Cost Containment Measures
- ❖ Auditor - General's Findings - 2014/15
- ❖ Local Content
- ❖ Data Analytics
- ❖ Implementation of Infrastructure Procurement Model Policy
- ❖ Standardisation of Procurement Plans - Strategic Procurement
- ❖ Transversal Contracts for certain items
- ❖ SCM Regulation 32 Contracts
- ❖ Preferential Procurement Policy in line with procurement strategies for the Central Karoo District
- ❖ SMME development, local and socio - economic development for the Central Karoo District
- ❖ Business Trust / Communication system in District included several department
- ❖ Ethical Code
- ❖ Blog - Uploading of Information (*Western Cape Technical Support Group*)
- ❖ SARS Follow-up Session with the District - 7 June 2016 (Tax compliance / status of suppliers)

3. SUPPLY CHAIN MANAGEMENT COMPLIANCE ASSESSMENT

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.

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. The aim of conducting the assessment is to assist the Municipality to attain the targeted level 3+ financial capability model rating.

Attached find compliance assessment report from Provincial Treasury as Annexure A.

4. 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 Annexure B.
- ❖ There are no minor breaches to be reported.

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. Attached as **Annexure C** find all awards above R2 000 that was made to close family members that was in the service of the state.


6. 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 D**.

In terms of Section 21(a) of the Systems Act the report must also be advertised in the local media and placed on Council's notice boards and website.


.....
Prepared by: Mrs. S.A Pothberg
Manager: Supply Chain Management


.....
Approved by: Mr. F Sabbat
Director: Financial Services

.....
Ratified by: Mr. J Booysen
Municipal Manager

**Western Cape Government
Provincial Treasury**

2016/17 MUNICIPAL ASSISTANCE AND GUIDANCE PROJECT

Validation Assessment

Closure Report

Beaufort West Municipality

31 July 2016

Western Cape Government
Provincial Treasury
Corporate Governance
3rd Floor
4 Dorp Street
Cape Town
8001
tel: +27 21 483 3180
fax: +27 086 425 1301

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PART A: INTRODUCTION

1. PURPOSE

1. The directorate, Local Government: Supply Chain Management has a mandate to provide assistance and guidance to municipalities and municipal entities on the regulatory framework that governs Supply Chain Management.
2. 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 assessment report, MGRO report and Auditor General's Report in an attempt to assist the Municipality with the audit readiness.
3. 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.
4. The aim is to assist and guide the Municipality in terms of the Provincial Treasury's three (3) year strategy to change municipalities from conformance to performance and towards securing sound and sustainable management of the fiscal and financial affairs of municipalities and municipal entities.
5. 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 above, however might not be implemented immediately but the directorate, Local Government: Supply Chain Management is committed to assist the Municipality progressively.

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 a Provincial Treasury to monitor compliance to the MFMA and fulfil its responsibilities in terms of this Act and to enforce compliance with the measures established in terms of section 216 (1) of the Constitution and must monitor compliance with this Act by municipalities within the Province.
- 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 2015/16 audit reports and management letters and MGRO engagements aligned to the PT mandate.
- d. 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 hence the PT team decided on a strategy that would best ensure that the purpose as mentioned above are successfully implemented.
- e. During the first quarter District Visit dated 2 June 2016, the Provincial Treasury conducted a validation based on the information provided to our offices, however during the perusal of the documentation, the need aroused that a further assessment be conducted during the recent SCM District Visit dated 12 - 16 September 2016. Hence this report reflects the inputs received from quarter 1 and quarter 2 combined.

PART B: ASSESSMENT STRATEGY

1. The SCM Assessment 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 in terms of the pre - assessment documents obtained;
- (c) Identifying any further GAP's within Supply Chain Management by validating institutional structures and assessing procurement processes;
- (d) Providing best practice templates and guidelines;
- (e) Providing training, information sessions and facilitating discussions in terms of SCM gaps identified;
- (f) Further training capacitation for the SCM Unit and User – department;
- (g) Action against the MGRO Commitments made during the MGRO 2;
- (h) Highlighting SCM Gaps, in terms of the AG Findings and MGRO Gaps; and
- (i) Implementation of the Action Plan.

2. Relevance to the Beaufort West Municipality

- a. To give effect to our purpose and be relevant to the Municipality, 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.

3. Auditor - General's Management Findings, 2014/15

- a. The Auditor - General's Audit Team recently had an audit conducted on the supply chain management at the Beaufort West Municipality.
- b. The Provincial Treasury decided to focus mainly on the outcome of the issues highlighted in the internal audit report to assist and guide the Municipality on the way forward.

- c. The LGSCM Directorate agreed with the SCM Manager that the Audit report will serve as a basis for training to be conducted by the LGSCM Directorate to the Beaufort West Municipality.

COMPLIANCE ON SUPPLY CHAIN MANAGEMENT (SCM)

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 SCM Policy also includes the processes and procedures in terms of the duties and functions of the Municipality's current practices.
- c. The policy assessment will address the issues that were highlighted during the previous SCM Policy assessment.
- d. 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 developments and SCM prescripts in order to be tabled to Council.

2. CONTROL FRAMEWORK

- a. The Municipality has not developed standard operating procedure manuals in order to map out processes and define standard procedures however the Municipality is currently utilising the SCM Policy to guide the Municipality in terms of defining processes and procedures. The assessment team further guided the Municipality to the importance of having standard operating procedural manuals in place.
- b. 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 is currently in the process of reviewing the delegations.
- c. The assessment team guided the Municipality to the importance of having standard operating procedural manuals in place, which will clearly outline the processes to be followed when procuring goods and services under a certain threshold value and ensuring that the standard operating procedural manual is aligned to the Municipality's SCM Policy.

- d. 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.

B. SCM CAPACITATION AND TRAINING

3. Organisational Structure

3.1 SCM Unit

- a. The Provincial Treasury are currently in the process of assisting the Municipality with the organisational re-design of the Municipality, thus would include the centralisation of the SCM unit and all supply chain management processes to be performed under the SCM Unit.
- a. The SCM unit currently are operating 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. The intention of the re-design of the organisational structure will circumvent the segregation of duties and capacity constraints on the current SCM unit.
- c. In essence, dedicated staff should monitor and control the SCM compliance to the SCM policy and prescripts and implement internal control measures to govern the risk mitigation areas governing supply chain management.
- d. 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.

3.2 Capacity and Skill

- a. LGSCM Directorate conducted training on the recent audit findings relating to supply chain management during the SCM District Visit dated 2 June 2016.
- b. The Provincial Treasury will be providing training in terms of Asset Management and SCM Risk Management and SCM Performance Management during the 2016/17 financial year in partnership with the University of Stellenbosch: Business School (USB-ED), whereby the Municipality will enrol its officials to attend such training.

- c. The SCM Officials are in the process of completing the National Treasury Minimum Municipal Competency Levels Regulations.

3.3 Bid committees

3.3.1 Bid administration

- a. The assessment team 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.

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. It is also evident that no procurement plan is in place to assist the Municipality in assessing what goods and services the Municipality requires and it hugely impacts on the planning phase of capital projects and how important it is for the user – departments and SCM Unit to work together.
- c. 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;
 - 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.

D. COMPLIANCE AND RISK MITIGATION

1. Acquisition Management

- a. The assessment team advised the Municipality to ensure to give effect to the issues raised in the internal audit report, it is vital that the Municipality move closer to ultimately closing the gaps in supply chain management:
- *Ensure proper control measures are in place when procuring goods and services under the threshold value of R 3000.00*
 - *The rotation of suppliers must take place and ensure that all service providers are solicited from the supplier database.*
 - *Ensure proper procedures are in place for procurement under R30 000.00 as outlined in the Municipality's SCM Policy.*
 - *Ensure proper internal controls are in place, to avoid any collusive bidding.*
 - *Source documents for transactions ranging from R10 000 up to R30 000 be accessible and filed for maintaining proper record management and audit trail by the Municipality.*
 - *The Municipality should adhere to the legislative requirements as outlined in the SCM Policy 15 and limit the delegating responsibility to ensure that the quotation system is not being abused.*
- b. The Municipality are still experiencing high amounts and increase of irregular expenditure due to circumvention of SCM processes for the appointment of service providers.
- c. During the current financial year the Municipality advertised six (6) tenders for the year of which one tender was a transversal contract.

2. Deviations

- a. The deviations for the 2015/16 financial year amounted to **R2,678,542.29**
- b. The assessment team perused the bid documentation which included the deviations, whilst perusing the deviations it was evident that the process flow needs to be clarified to the user – departments and what constitute a deviation.

- 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. The Provincial Treasury provided the Municipality with further reporting templates to ensure full compliance to the SCM legislative requirements for the following reporting areas:
- SCM Regulation 16 and 17;
 - Implementation of the SCM Policy;
 - Deviations report – SCM Regulation 36; and
 - Quarterly and Monthly Report on awards made quotations and bids;
 - Irregular expenditure reporting and all other non – compliance reporting to Council;
 - The Bid Committee Reports from the BSC, BEC, BAC; and
 - Any other reporting requirements in terms of SCM.

Data Integrity

2. Supplier Database System

- a. The Municipality has moved over to the National Treasury Centralised Supplier Database. The Centralised Supplier Database will assist the Municipality with the following compliance issues:
- One-stop for database registration for suppliers;
 - One-stop source of suppliers for SCM Practitioners;
 - Automatic verification for CIPC, SARS, Home Affairs, PERSAL, Bank Accounts and Tax Clearance;
 - Paperless Database Solution;
 - Elimination of cost of hosting a separate database;
 - BBBEE Status;
 - CIDB;
 - Municipal Accounts Status; and
 - Tax Clearance Certificates.
- b. The Provincial Treasury has provided extensive training on the utilisation of the Centralised Supplier Database (CSD) and the Beaufort West Municipality are currently utilising the CSD.

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.
- b. The Municipality remains challenged when it comes to publicising all supply chain management information on the Municipality's website hence the Municipality are currently forming part of the Local Government Support and Capacity programme of redesigning the website to be compliant to the legislative prescripts.

4. NT - E-Portal Publication System

- a. Subsequent to the above mentioned, MFMA Circular No.83 were instituted to ensure that all Municipalities are required to publish and advertise all their bids and publish notices of all awarded bids, cancellations and deviations, variations and extensions of existing contracts on the e-Tender Publication Portal.
- b. The Provincial Treasury has provided extensive training on the utilisation of the e-Tender Publication Portal and the Municipality are currently in the process of moving over to the E-Portal Publication System.

5. Record Management

- 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.

PART F: RISK MANAGEMENT AND RISK MITIGATION

1. RISK MANAGEMENT POLICY

- a. In terms of Section 62(1) (c) (i) and 95(c) (i) of the MFMA states that: "... The Accounting Officer of the Municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control."
- b. The Accounting Officer should ensure that a process of risk management that is aligned to the principles of good corporate governance, as supported by the Municipal Finance Management Act (MFMA), Act no 56 of 2003.

- c. Emanating from the Assessment, it was ascertain by the Provincial Treasury assessment team that SCM is considered a high risk area, and should be accounted for.

2. RISK MITIGATION FOR SUPPLY CHAIN MANAGEMENT

- a. Emanating from the assessment the Provincial Treasury assessment team has identified the following **top fifteen (15) risks** within supply chain management that needs to be addressed:

- *Decentralised SCM Unit resulting in corruption or bypassing of SCM processes;*
 - *Not all conflict of interest declared (in service of the state) resulting in irregular expenditure;*
 - *Lack of a procurement plan resulting in ineffective demand management;*
 - *Lack of resources (human, finance, office space, equipment, software) resulting in ineffective SCM unit (e.g. demand management not adequately implemented)*
 - *Insufficient controls to identify and report on irregular, fruitless and wasteful expenditure;*
 - *Misuse of deviation policy;*
 - *Insufficient contract management;*
 - *Stand-alone direct payments to bypass SCM processes;*
 - *Spending of discretionary funds in contradiction to SCM policy & regulations;*
 - *Inadequate segregation of duties in SCM process (Procurement clerk request quotations, approve quotations, refer to order, process invoice by same person requisition the quotation);*
 - *Insufficient resources and capacity at stores function resulting in insufficient segregation of duties/overlapping in functions between SCM and stores;*
 - *Services rendered by suppliers without official authorised order - linked to decentralised procurement process;*
 - *Lack of skilled resources resulting in incorrect specifications for procurement of inventory;*
 - *Insufficient controls to identify the splitting of orders to avoid SCM processes; and*
 - *Use of consultants.*
- b. It is imperative that the Accounting Officer implement a proper supply chain management function as prescribed by Chapter 11 of the MFMA and to ensure that the Municipality give effect to the above mentioned, implement proper internal control measures to minimise it risk to the Municipality.

- c. From a PT perspective we will strive and assist the Municipality in mitigating the above mentioned identified risks with the introduction of templates, procedures and training in relation to the above mentioned.
- d. In light of this we have engaged the user departments and SCM officials during our visit whereby training and a general workshop was scheduled which continued till the second day of our engagement in terms of support of guidance.

G. CONTRACT MANAGEMENT

1. Contract Administration

- a. The Contract management is not catered for within the Municipality's SCM environment, but with the respective user - departments.
- b. The contract administration is also deficient and greater emphasis needs to place on the value of contract management.
- c. The Provincial Treasury are of the opinion that with the capacity constraints the Municipality are currently dealing with, it is of utmost importance that the Municipality clearly define the role of the consultants within the supply chain management environment.
- d. 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 fulfil the requirements associated built environment procurement.
- f. The Municipality should devise a proper and appropriate checks and balances to ensure that the consultants have applied due diligence when compiling technical reports for the Municipality, and furthermore the bid committees need to be meticulous when reviewing the consultants technical reports.
- g. The assessment team advised the Municipality to ensure that the SCM Unit should first verify via a compliance checklist, the bids and quotations received against the required specifications prior to sending the bids to consultants for technical evaluation to determine if any non-compliance, any mal practices or collusion took place between the consulting engineers and contractors.

2. **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. In terms of value for money, the Municipality has over a period of time appointed consultants for administrative services and consulting engineers for all construction related projects and other services, however no skills transfer between the Municipality and the consultants has taken place to enhance the municipality's skills base.

H. **AGSA AUDIT OUTCOMES FOR THE 2015/16 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.
- 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 1 - Unauthorised Expenditure: **Inaccurate disclosure of unauthorized expenditure**
 - Finding 2 - Non Compliance with legislation: **Irregular Expenditure Identified**
 - Finding 3 - Non Compliance with legislation: **SCM Regulation 18 - Request for quotations not advertised for 7 days on the municipal website**
 - Finding 4 - Non Compliance with legislation: **Section 116 (1) of the MFMA Act**
 - Finding 5 - Non Compliance with legislation: **SCM Regulation 36 - Deviation from, and ratification of minor breaches of, procurement processes;**
 - Finding 6 - Non Compliance with legislation: **SCM Regulation 23 - Bids not published on the municipal website**
 - Finding 7 - Non Compliance with legislation: **SCM Section 32 (4) of the MFMA Act**
 - Finding 8 - Non Compliance with legislation: **Section 65 (2) of the MFMA Act - Suppliers paid after the 30 day period**
- c. 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.
- d. 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

J. PROPOSED RECOMMENDED ACTION PLAN

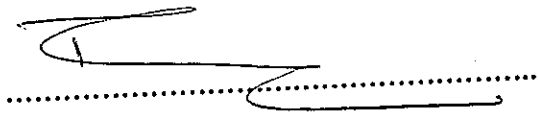
- 9.1 The Municipality must urgently approve and adopt its SCM policy.
- 9.2 Urgently centralise all the procurement processes under the SCM Unit.
- 9.3 Ensure proper delegations and sub-delegations are in place.
- 9.4 Competent staff be transferred or capacitated within the proposed SCM structure.
- 9.5 Relook and reshuffle the current bid committee structures particularly the bid evaluation committee and the role the user - department must play.
- 9.6 Development and implementation of a proper procurement plan.

- 9.7 All ethical documents (code of conduct, declaration of interest, gift register financial misconduct regulations and delegations) once signed by all delegated officials be kept on personnel file.
- 9.8 The SCM Manager must be tasked to urgently assign staff to populate and compile an updated tender and contract register.
- 9.9 The Municipality must seriously implement the best practise templates that are once again issued in soft and hard copy to the Municipality.
- 9.10 The Municipality upon receipt of the updated tender and contract register perform a value for money audit, to mitigate any further fruitless, wasteful and irregular expenditure that might occur.
- 9.11 To ensure compliance to the SCM legislative requirements, the Municipality urgently needs to review its SCM policy to be aligned to the current prescripts of the Municipality and ensure the delegations and sub – delegations are in place to ensure the proposals and suggestions made by the Provincial Treasury are implemented to assist the Municipality in working more efficiently and effectively in supply chain management.

K. CONCLUSION

- 10.1 The Municipality can only successfully institutionalise Supply Chain Management when all role-players and in particular Council and Senior Management take the lead from the top. The responsible spending of public funds are regulated and legislated within the MFMA of which the municipality have no choice but to perform its duties with integrity and diligently.
- 10.2 The above proposed implementation schedule to institutionalise SCM within the Beaufort - West Municipality must be implemented and strictly monitored to ensure that it is successfully implemented if all role-players are serious to regulate the spending of public funds.
- 10.3 Lastly we want to thank the Municipality for its hospitality during our visit and in particular for Mrs. S Pothberg and Mr. F Sabbatt for his leadership and assistance.

We trust that you find the above in order.

A handwritten signature in black ink, appearing to be 'R Moolman', is written over a horizontal dotted line. The signature is stylized and extends to the right of the dotted line.

MR R MOOLMAN

DIRECTOR: LOCAL GOVERNMENT SUPPLY CHAIN MANAGEMENT

PROVINCIAL TREASURY

DATE: 28-09-2016

ANNEXURE B - DEVIATIONS APPROVED BY MUNICIPAL MANAGER FOR QUARTER 1 PERIOD 01 JULY-30 SEPTEMBER 2016					
APPLICABLE PARAGRAPH IN SCM POLICY	SUPPLIERS	AMOUNT	DATE	REFERENCE/REASON FOR DEVIATION	
(a)	Emergency	R 7 683,60	12/07/2016	15068968	Emergency fire equipment that must be operational at all times. Cylinders need to be tested and refilled for safety of fire fighters
(b)	Sole Supplier				Emergency Inspection work needed to be done at Vazalkoppies dumping site prescribed by the Department of Environmental Health
	De Jagers Londgieter Kontrakteurs (Edms) Bpk	R 27 548,10	27/07/2016	15068920	Jetting of sewerage pipes
	Irah Construction	R 38 800,00	22/08/2016	15068374	Repair of damaged gate at electrical department
	N Cohn	R 10 830,00	06/09/2016	15068890	
	Karoo Fire	R 3 850,00	21/07/2016	15067859	Karoo Fire is the only company in Beaufort West that service fire extinguishers
	Elster Kent Metering (Pty) Ltd	R 32 820,14	19/07/2016	15068430	Sole supplier of prepaid water metering products
		R 115 596,86	17/08/2016	15068925	Touch token for prepaid water meters
		R 47 709,31	07/09/2016	ORD39701	Repair to meters DWD/CWR Elec/Modules
		R 162 847,09	07/09/2016	ORD39709	Parts for pre-paid water meters
		R 21 375,22	21/09/2016	ORD39821	Solenoid netafim PN18
	B&B Sweiswerke	R 7 198,00	20/07/2016	15068364	Only Supplier in Beaufort West who has the equipment to repair windpumps
		R 3 500,00	04/08/2016	15068847	Only local supplier that can pull and drag borehole pump at Brandswacht 8
		R 5 300,00	20/09/2016	INV19433	Repair of windpumps at Asgate
	Flotlon	R 7 182,00	20/07/2016	15068913	Municipality use My City Loggers for yearly prescription fee for water flow
		R 31 245,12	13/09/2016	INV11304	Upgrading of existing flow meter and replace faulty ultrasonic sensor
	Beka Schröder	R 25 615,80	21/07/2016	INV28207	Sole supplier for GRP Poles in South Africa
	Landis & Gyr	R 197 220,00	07/07/2016	15067841	Landis & Gyr is the manufacturer of electricity meters with direct connection
	Beaufort Alarms	R 2 736,00	18/08/2016	15067928	Installation of infra red sensors and magnet
		R 6 441,00	25/07/2016	ORD39205/IN	Installation of alarm system at Kwa Mandlenkosi abulion blocks
		R 6 270,00	25/07/2016	ORD39308	Installation of alarm system at Kwa Mandlenkosi Ward office
		R 4 617,00	25/08/2016	15068923	Only local registered supplier that install, maintain and monitor alarm system for fire station building
		R 5 187,00	20/09/2016	15068923	Installation of alarm system at Kwa Mandlenkosi Sport ground
		R 2 090,76	18/08/2016	ORD39561	Alarm control unit-Rustende Sport ground
		R 2 090,76	18/08/2016	ORD39562	Alarm control unit-Man Control 5
	Workshop Electronics	R 21 639,00	29/08/2016	ORD39633/34	Sole manufacturer and supplier of Milliron devices installed as well as testing, calibrate and set of testing machines
	Karoo Betonwerke	R 186 801,19	16/09/2016		Only local manufacturer for the erection, repair and construction of a pre-cast concrete wall at the Beaufort West Sports Stadium
	Pinelands Environmental Technology	R 5 000,00	21/09/2016	INV6046	Supply cement blocks
		R 2 758,80	15/08/2016	15068842	Sole manufacturer of oilcap hydrocarbon converter
(c)	Effective Human Intervention	R 8 548,86	12/07/2016	15067308	HMI is the nearest place where the necessary training is provided
	Kopling Guest House	R 2 820,00	12/07/2016	15067319	Accommodation for Mr van Staden for going to the HMI training in Cape Town
	Sonneblom Bloemiste	R 5 000,00	20/07/2016	15067791	Connectivity Program
	Central Karoo Events	R 5 750,00	29/07/2016	15067805	Was the only available service provider for Marathon event meeting
		R 6 300,00	22/08/2016	15068140	Supply of sound system for Mayoral Godday
	Essop Multisave	R 6 500,00	29/09/2016	15068140	Only supplier willing to deliver on demand
	National Auto Glass	R 5 745,30	29/07/2016	15067990	Supply and installation of bathroom windows
	Mailing & Mechanisation Cape	R 2 485,20	27/06/2016	15068326	Ink cartridge of stamp machine that we hire from supplier
		R 4 195,20	11/07/2016	15067882	

		R	4 514,38	28/07/2016	15068849	for speaking hole.
	PG Glass	R	12 529,00	10/08/2016	15068920	Supplier of concrete material locally
	De Iagersloogdieters kontrakteurs	R	2 593,50	20/09/2016	15068920	Only available supplier that had a water truck for hiring to supply water at water purification site on 09 August
		R	28 215,00	24/08/2016	ORD39638	prison
		R	4 331,60	31/08/2016	19003625	Saving cost on telephone system
	Centraeel	R	4 171,64	29/07/2016	19003624	Service provider for internet services
		R	3 499,00	31/08/2016	19003616	Transportation of employees for better together games on 23 September from Murrayburg and back
	Nyala Communications	R	2 700,00	27/09/2016	19003622	Transportation of people from Murraysburg to Beaufort West for Phelophepha health train
		R	5 000,00	26/09/2016	15068800	Transportation of people from Nelspoort to Beaufort West for Phelophepha health train
	Lottering Transport	R	4 200,00	26/09/2016	15068724	Transportation of people from Merveville and local in town to Beaufort West for Phelophepha health train
	Nico Molenitz	R	21 250,00	26/09/2016	15068723	Phelophepha health train
	AJ Transport	R	2 415,17	19/09/2016	15068567	Half Yearly Fees payable for National Road Traffic legislation
	SABS Commercial	R	14 256,00	21/09/2016	INV4387	Accommodation for golfers for Mayoral Golfday function
	Younes Halfway House	R	14 600,00	19/09/2016	15068907	Supply and printing of T-shirts for Better together games functions for employees Proudly Karoo
	The Engravers of Highgate cc	R	5 814,00	23/09/2016	15068715	Manufacture and engraving of trophies for Mayoral Golfday
	Harvey World Travel	R	7 566,00	28/09/2016	15068728	Flight ticket for Director L. Smit for INBESA Conference
	S B Naidu	R	4 154,16	28/07/2016	15067628	Bajju services in Beaufort west
		R	4 647,78	11/09/2016	15067861	
		R	9 960,18	07/09/2016	15068420	
		R	10 310,16	22/07/2016	15067550	
	A.L. Abbot & Associates	R	10 310,16	08/09/2016	15068445	Laboratory for the testing of water samples to ensure compliance to SANS
	Ignite Advisory services	R	66 003,44	05/07/2016	15067220	Service provider for Performance Management system
		R	54 720,00	19/07/2016	15067390	
		R	87 105,69	10/08/2016	15067336	Local official law practitioner handling the transportations and legal matters
	Crawfords Attorneys	R	2 188,80	26/08/2016	15068151	Compilation of three Water Services Development plan and audits
	Worley Parsons	R	168 720,00	22/08/2016		Only supplier in Beaufort West that can supply the service of advertisements-Marathon notice
		R	3 847,00	28/07/2016	15068332	Local Newspaper circulating in Central Karoo for publication of notices
		R	86 035,18	05/07/2016	15067221	Publications of notices and advertisements for publishing in Die Burger Notice
		R	13 138,50	19/08/2016	15067856	Publications of notices and advertisements for publishing in Die Burger Notice
	Die Courier	R	10 089,00	01/09/2016	15068339	Publications of notices and advertisements for publishing in Die Burger Notice
		R	5 998,54	13/07/2016	15068410	Publications of notices and advertisements for publishing in Die Burger Notice
	Media 24	R	5 998,54	13/07/2016	15068410	Publications of notices and advertisements for publishing in Die Burger Notice
		R	5 537,12	12/08/2016	15068845	Publications of notices and advertisements for publishing in Die Burger Notice
		R	57 196,00	01/07/2016	15068158	Driving licence cards-Prodiba
	Department of Transport	R	9 796,00	24/08/2016	15068564	Medical standby assistance for the Marathon
		R	11 376,00	20/09/2016	15068564	Medical standby assistance for the Marathon
		R	12 324,00	22/09/2016	15068678	Medical standby assistance for the Marathon
	PGWC/Emergency Medical Service	R	2 736,00	01/09/2016	ORD39147	Repair of system
	Hilbert Radio's	R	6 770,00	04/07/2016	ORD39147	Repair of lightning system at the Hall
	WCC Cables (Pty) Ltd	R	3 640,40	21/07/2016	15068414	Electrical Pro is the nearest cable specialist for repairs
	Electrical Pro	R	8 215,98	20/07/2016	15068470	Electrical Pro is the nearest cable specialist for repairs
	Association for Persons with Disabilities	R	6 180,00	15/07/2016	ORD39227	Upholstery services for the chairs in electrical department

(d)(v) The appointment of any person to provide professional advice or services is less than R200 000 or any greater amount

Any contract relating to the publication of notice and advertisements by the municipality

(d)(i)

Any contract with an organ of state, a local authority or a public utility corporation or company

(d)(iv)

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.

Stationary Dot Com	R	3 598.00	25/07/2016	15068416	UPS'e sent for repairs to stationary dot com
Zylem Water Solution	R	21 972.83	26/07/2016		Repair to Kwa Maudenkosi Youth Hub water pipe
The Workshop	R	4 600.00	26/07/2016	15067587	does mechanical repairs
RGM Creations	R	2 350.00	20/07/2016	15067991	Upholstery services for the seats of CZ 10085
George Lawmowers and Chainsaws	R	2 811.10	22/07/2016	15068844	Nearest agents that can supply Falcon blades for the repair of blower mower.
	R	3 023.37	11/08/2016	ORD39597	Faulty chainsaw was send to agent for repair
	R	2 650.14	22/08/2016	ORD39584	
	R	2 811.11	05/08/2016	ORD39499	Repair of Wacker
	R	4 039.54	26/09/2016	ORD39903	High pressure machine was sent for repairs
	R	2 093.47	27/09/2016	ORD39584	Agent for parts to repair vehicle-CZ 10629
DTM George	R	6 926.93	30/08/2016	ORD39735	Refurbish revolve LMR Breaker 11kv 400A 30VDC
WCC Cables	R	24 453.00	30/09/2016	15068972	Parts for fire station vehicle that was needed for repairs
Ferobrake	R	4 906.00	12/09/2016	ORD39679	Local agent for parts to repair vehicle-CZ 8341
CP Nel Delta	R	3 036.15	09/09/2016	ORD39983	Local agent for parts to repair vehicle-CZ 10587
	R	2 107.93	26/09/2016	ORD39983	
Marias Motors	R	13 971.44	24/08/2016	15068973	Repair of accident damage CZ 2168

Annexure C- AWARDS TO CLOSE FAMILY MEMBERS OF PERSONS IN THE SERVICE OF THE STATE

		Interest	
	Date	Invoice	Amount
Business			
Sommeblom Bloemiste	27/07/2016	2	R 5 000,00
	27/07/2016	15068364	R 7 198,00
	04/08/2016	15068847	R 3 500,00
B&B Sweiswerke	20/09/2016	INV19433	R 5 300,00
	29/07/2016	15067805	R 5 750,00
	22/08/2016	15068140	R 6 500,00
Central Karoo Events	R 6 500,00	15069269	R 6 500,00
	18/07/2016	ORD39223/15068207	R 17 993,76
	25/07/2016	ORD39320/15068207	R 38 121,60
	28/07/2016	ORD39406/15068207	R 12 770,28
	11/08/2016	ORD39477/15068765	R 7 179,72
Karoo Motors Workshop	12/09/2016	ORD39736	R 3 448,50
	21/09/2016	ORD39814	R 19 796,10
	28/09/2016	ORD39910	R 4 759,50
Ingozi Construction & Catering	25/08/2016	15068141	R 2 400,00
Karoo Drukkery	01/09/2016	15068327	R 2 310,00

Son, Hilmir Jack, is employed at the Beaufort West Municipality

v Son, Mr. A.C Du Plessis is currently employed by Department of Education as a teacher.

v Sons, Mr. P.J Julies and Mr. J Julies is employed as Vehicle Inspections & Traffic Officer and machine operator at electrical and traffic services at the Beaufort West Municipality

v Spouse, Mrs. Anna-Marie van der Merwe is employed with the Department of Health Services

Spouse, Mr F Pieters, is employed at the housing department at Beaufort West Municipality

Spouse, Mrs Munroe, is currently employed at the Beaufort West Hospital

BEAUFORT WEST MUNICIPALITY

ANNEXURE D-BIDS AWARDED FOR MONTH OF PERIOD 01 JULY - 30 SEPTEMBER 2016

Bid #	Item	Bids Received	Bid Amount	Awarded to	Award by
SCM 25/2016	Replacement of the Guard Rails on the Church Street Bridge within Beaufort West.	Q & K Projects L & E Projects & Solutions JKB and SONS Projects De Jagers Loodgieters Kontrakteurs Phambili Civils Urwebo E-Transand	R 115 342,92 R 118 369,04 R 124 998,83 R 6 849 596,61 R 7 668 210,00 R 8 673 039,42	Q & K Projects	Head of Department
SCM 35/2016	Upgrading of the Murraysburg Wastewater Treatment works			De Jagers Loodgieters	Bid Adjudication Committee