

Municipal Finance Improvement Programme (MFIP III)

MFIP III Supply Chain Management Baseline Assessment Feedback
NC Provincial Treasury
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national treasury

Department:
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Overall Objective

1. Overall Objective of Supply Chain Management (SCM) Support

To work with Provincial Treasuries (PT's) and their related municipalities to achieve the following objectives:

- ✓ Review the municipal SCM policies and design standard operating procedures (SoP's);
- ✓ Ensure existence and functioning of the 3-Bid Committee System;
- ✓ Implement processes and procedures to detect and manage unauthorised, irregular, fruitless and wasteful expenditure (UIF & W);
- ✓ Ensure CSD registration by suppliers and e-Tender publication;
- ✓ Ensure effective contract management and contractor performance evaluation;
- ✓ Ensure compilation of annual procurement plans linked to the approved 3-year capital budget;
- ✓ Achieve alignment between SCM strategies, policies and procedures; and
- ✓ Improve financial management performance in municipalities.

Key Focus Areas

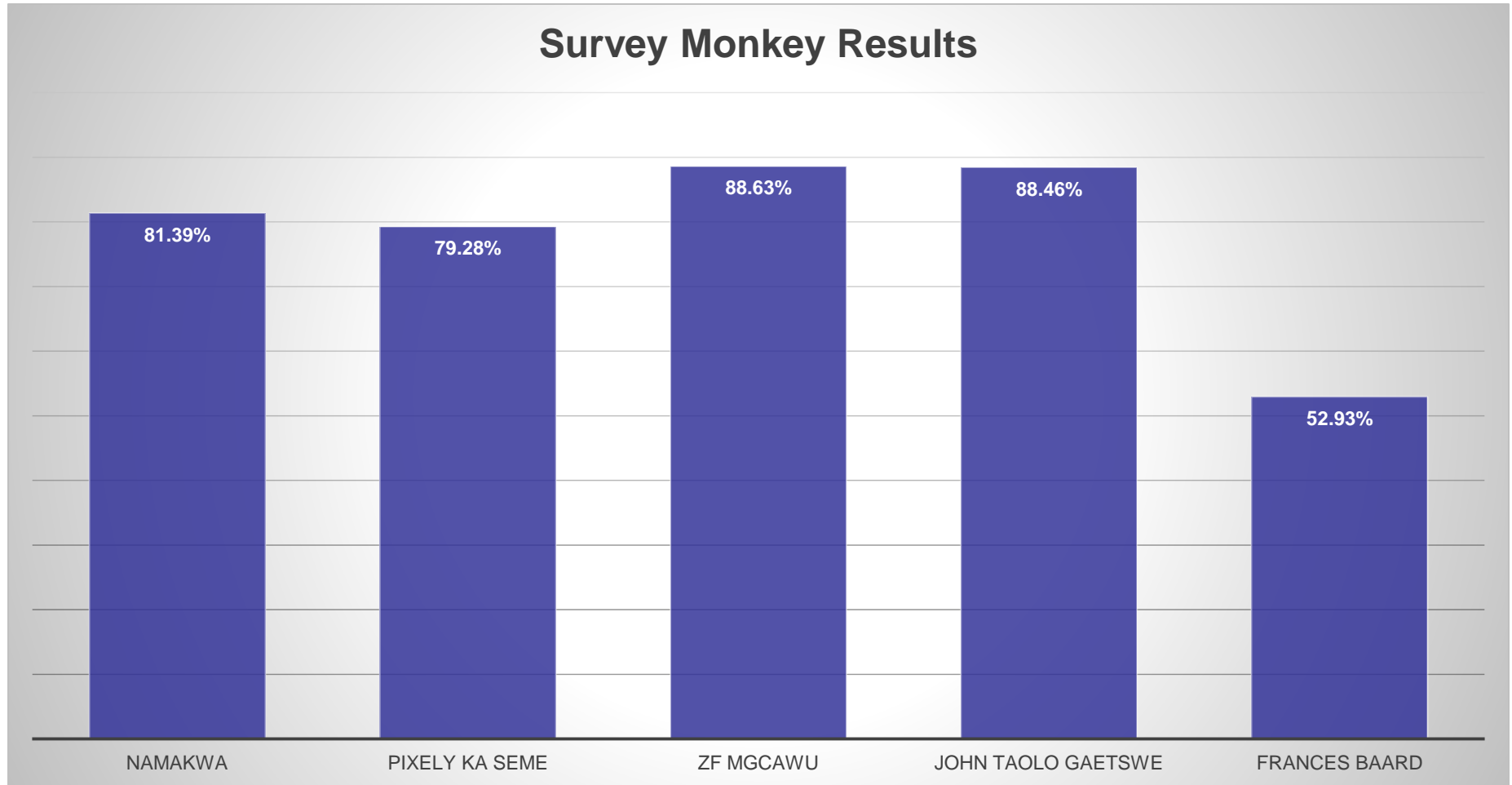
2. Support Plan – Key Focus Areas for SCM Support

- 2.1 SCM Policy Implementation;
- 2.2 Value for procurement (money & quality);
- 2.3 Effective contract management; and
- 2.4 Elimination of UIF & W.

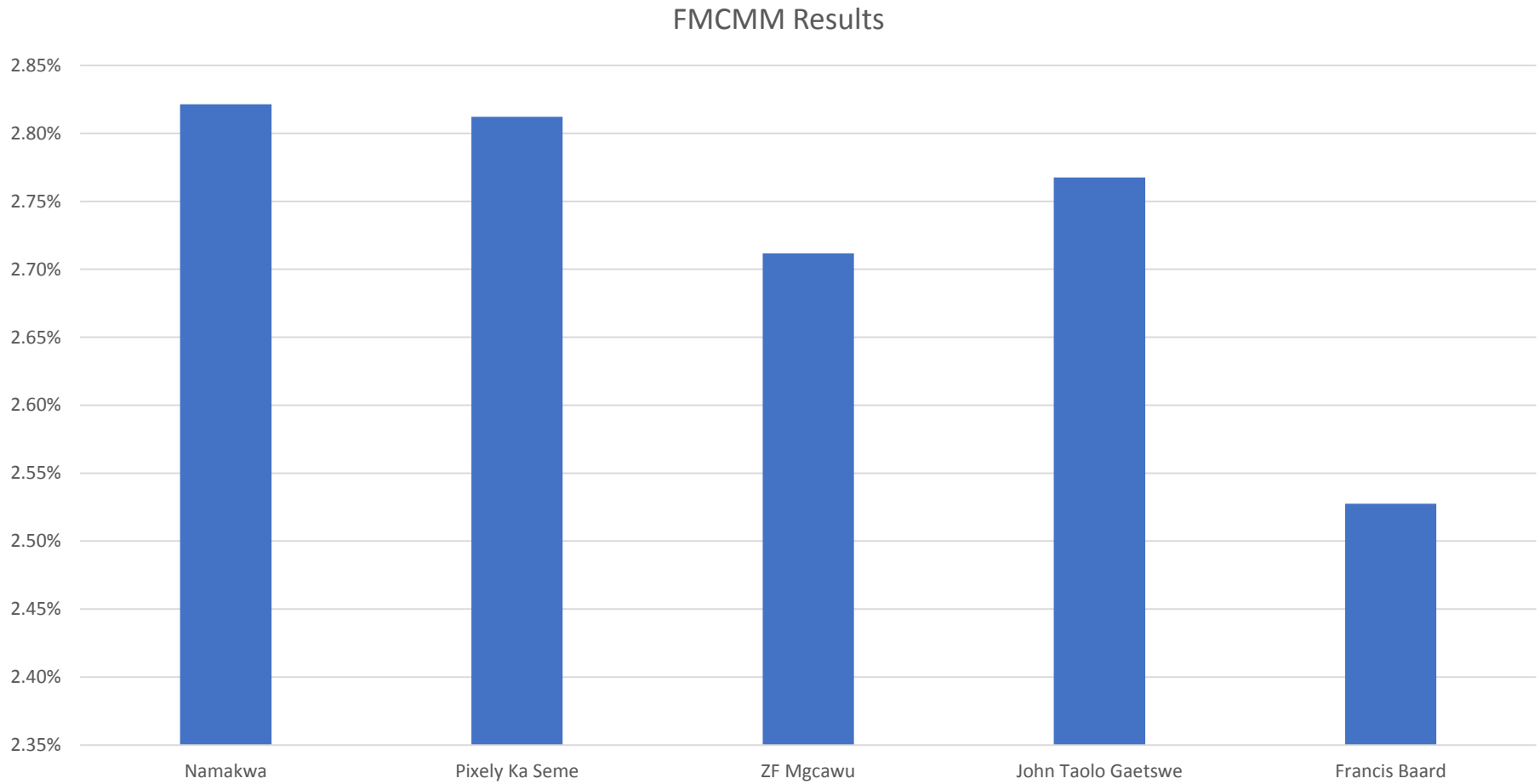
Baseline Assessment

- A desktop baseline assessment was done at all delegated local municipalities utilising the following instruments;
 - ✓ SCM Baseline Assessment Tool;
 - ✓ 2016/2017 Audit Outcomes – audit and management reports, and audited annual financial statements;
 - ✓ Financial Management Capability Maturity Model (FMCMM) Outcomes – 2016/2017
 - ✓ 2017/2018 Mid-Year Section 72 performance review engagements;
 - ✓ Provincial-specific Strategy.
- A support plan matrix was developed using the results from the above instruments

Survey Monkey Results per District



FMCM Results



Audit Outcomes

- Five (5) municipalities had disclaimer opinions, that is, Joe Morolong, Phokwane, Siyathemba, Tsantsabane and Kgatelopele. These require support in all SCM issues
- One (1) municipality ZF Mgcawu managed to get an unqualified report without findings.
- Eleven (11) municipalities had unqualified reports with findings.
- The results indicate that 26 municipalities had findings on UIFW.
- Most municipalities do not follow the applicable SCM regulations, Circulars and Legislation in their SCM processes. A common observation was the high occurrence of UIFW, not abiding to local content requirement on tenders, no declarations of family members in service of state.
- Consequence management is an issue with all municipalities. Management does not implement the Financial Misconduct Regulations. UIFW expenditure uncovered is not investigated and recovered.
- Contract management proved to be a common problem with municipalities as they are not abiding to the requirements of MFMA sec 116.

Mid-Year Assessments

- The mid- year assessments report show that support is required in the following areas for most municipalities;
- Contract Management
- UIF&W expenditure
- Supply Chain Policies and Procedures

Provincial Strategy (Draft)

- The status of compliance with legislation remained of concern.
- The most common compliance findings related to preventing unauthorised, irregular and fruitless and wasteful expenditure, managing procurement and contracts, and the quality of financial statements submitted for auditing.
- The most common SCM findings related to uncompetitive or unfair procurement processes and inadequate contract management
- Municipalities do advertise bids but not awards on E-Tender portal.
- Municipalities do not apply the local content prescripts when requesting quotations and advertise bids of prescribed commodities

Support Matrix-Namakwa District

SCM SUPPORT PLAN MATRIX					
Municipality	SCM Key Focus Areas				Level of Support
	Policy & Sop	Value for Procurement	Contract Management	UIF & W	L / M / H
Karoo Hoogland	Assessment tool, Audit report	Assessment tool, Audit report	Assessment tool, Audit report	Assessment tool, Audit report	Medium
Namakwa	Assessment tool, FMCMM, Audit report	Assessment tool, FMCMM, Audit report	Assessment tool, FMCMM, Audit report	Assessment tool, FMCMM, Audit report	Medium
Nama Khoi	Assessment tool, FMCMM, Audit report	Assessment tool, FMCMM, Audit report	Assessment tool, FMCMM, Audit report	Assessment tool, FMCMM, Audit report	Medium
Kamiesberg	Assessment tool, FMCMM, Audit report	Assessment tool, FMCMM, Audit report	Assessment tool, FMCMM, Audit report	Assessment tool, FMCMM, Audit report	Medium
Khai-Ma	Assessment tool, FMCMM, Audit report	Assessment tool, FMCMM, Audit report	Assessment tool, FMCMM, Audit report	Assessment tool, FMCMM, Audit report	Low
Hantam	Assessment tool, FMCMM, Audit report	Assessment tool, FMCMM, Audit report	Assessment tool, FMCMM, Audit report	Assessment tool, FMCMM, Audit report	High
Richtersveld	Assessment tool, FMCMM, Audit report	Assessment tool, FMCMM, Audit report	Assessment tool, FMCMM, Audit report	Assessment tool, FMCMM, Audit report	Medium



Support Matrix-Namakwa Municipalities Requiring Support

- Hantam Municipality Requires High Support
- Other municipalities require support in specific areas where they are lacking.
- Khai Ma requires low support in terms of the results

Support Matrix-Pixely Ka Seme District

SCM SUPPORT PLAN MATRIX					
Municipality	SCM Key Focus Areas				Level of Support
	Policy & Sop	Value for Procurement	Contract Management	UIF & W	L / M / H
Siyathemba	Assessment tool, FMCMM, Audit report	Assessment tool, FMCMM, Audit report	Assessment tool, FMCMM, Audit report	Assessment tool, FMCMM, Audit report	High
Renosterberg	FMCMM	FMCMM	FMCMM	FMCMM	High
Emthanjeni	Assessment tool, FMCMM, Audit report	Assessment tool, FMCMM, Audit report	Assessment tool, FMCMM, Audit report	Assessment tool, FMCMM, Audit report	Low
Siyancuma	Assessment tool, FMCMM, Audit report	Assessment tool, FMCMM, Audit report	Assessment tool, FMCMM, Audit report	Assessment tool, FMCMM, Audit report	High
Kareeberg	Assessment tool, FMCMM, Audit report	Assessment tool, FMCMM, Audit report	Assessment tool, FMCMM, Audit report	Assessment tool, FMCMM, Audit report	Low
Umsobomvu	Assessment tool, FMCMM, Audit report	Assessment tool, FMCMM, Audit report	Assessment tool, FMCMM, Audit report	Assessment tool, FMCMM, Audit report	Low
Ubuntu	Assessment tool, FMCMM, Audit report	Assessment tool, FMCMM, Audit report	Assessment tool, FMCMM, Audit report	Assessment tool, FMCMM, Audit report	High
Pixley Ka Seme	Assessment tool, FMCMM, Audit report	Assessment tool, FMCMM, Audit report	Assessment tool, FMCMM, Audit report	Assessment tool, FMCMM, Audit report	Low
Thembelihle	Assessment tool, Audit report	Assessment tool, Audit report	Assessment tool, Audit report	Assessment tool, Audit report	Medium



Support Matrix-Pixely Ka Seme Support

- Siyathemba, Siyancuma, Renosterberg and Ubuntu require the most support.
- Thembelihle requires support in Targeted areas.
- Pixely Ka Seme, Emthanjeni, Umsobomvu, and Kareeberg require low support

Support Matrix-ZF Mgcawu District

SCM SUPPORT PLAN MATRIX					
Municipality	SCM Key Focus Areas				Level of Support
	Policy & Sop	Value for Procurement	Contract Management	UIF & W	L / M / H
Kheis	Assessment tool, FMCMM, Audit report	Assessment tool, FMCMM, Audit report	Assessment tool, FMCMM, Audit report	Assessment tool, FMCMM, Audit report	High
Kai Garib	Assessment tool, FMCMM, Audit report	Assessment tool, FMCMM, Audit report	Assessment tool, FMCMM, Audit report	Assessment tool, FMCMM, Audit report	High
Zf Mgcawu	Assessment tool, FMCMM, Audit report	Assessment tool, FMCMM, Audit report	Assessment tool, FMCMM, Audit report	Assessment tool, FMCMM, Audit report	Low
Tsantsabane	Assessment tool, FMCMM, Audit report	Assessment tool, FMCMM, Audit report	Assessment tool, FMCMM, Audit report	Assessment tool, FMCMM, Audit report	High
Dawid Kruiper	Assessment tool, FMCMM, Audit report	Assessment tool, FMCMM, Audit report	Assessment tool, FMCMM, Audit report	Assessment tool, FMCMM, Audit report	Low
Kgatelopele	Assessment tool, FMCMM, Audit report	Assessment tool, FMCMM, Audit report	Assessment tool, FMCMM, Audit report	Assessment tool, FMCMM, Audit report	High

Support Matrix-ZF Mgcawu Support

- Kheis, Khai Garib, Kgatelopele and Tsantsabane require the most support as they scored high.
- The District ZF Mgcawu and Dawid Kruiper scored low requiring minimum support

Support Matrix-John Taolo Gaetswe District

SCM SUPPORT PLAN MATRIX					
Municipality	SCM Key Focus Areas				Level of Support
	Policy & Sop	Value for Procurement	Contract Management	UIF & W	L / M / H
Joe Morolong	Assessment tool, FMCMM, Audit report	Assessment tool, FMCMM, Audit report	Assessment tool, FMCMM, Audit report	Assessment tool, FMCMM, Audit report	High
John Taolo Gaetswe	Assessment tool, FMCMM, Audit report	Assessment tool, FMCMM, Audit report	Assessment tool, FMCMM, Audit report	Assessment tool, FMCMM, Audit report	Low
Gamagara	Assessment tool, FMCMM, Audit report	Assessment tool, FMCMM, Audit report	Assessment tool, FMCMM, Audit report	Assessment tool, FMCMM, Audit report	Medium
Gasegonyana	Assessment tool, FMCMM, Audit report	Assessment tool, FMCMM, Audit report	Assessment tool, FMCMM, Audit report	Assessment tool, FMCMM, Audit report	Medium

Support Matrix-John Taolo Gaetswe

Support

- Joe Morolong scored high requiring the most support
- Ga-Segonyana and Gamagara scored medium requiring support in targeted areas.
- JTG District requires little support s they scored low.

Support Matrix-Francis Baard District

SCM SUPPORT PLAN MATRIX					
Municipality	SCM Key Focus Areas				Level of Support
	Policy & Sop	Value for Procurement	Contract Management	UIF & W	L / M / H
Phokwane	Assessment tool, FMCMM, Audit report	Assessment tool, FMCMM, Audit report	Assessment tool, FMCMM, Audit report	Assessment tool, FMCMM, Audit report	High
Dikgatlong	Assessment tool, FMCMM, Audit report	Assessment tool, FMCMM, Audit report	Assessment tool, FMCMM, Audit report	Assessment tool, FMCMM, Audit report	High
Frances Baard:	Assessment tool, FMCMM, Audit report	Assessment tool, FMCMM, Audit report	Assessment tool, FMCMM, Audit report	Assessment tool, FMCMM, Audit report	Low
Magareng:	Assessment tool, FMCMM, Audit report	Assessment tool, FMCMM, Audit report	Assessment tool, FMCMM, Audit report	Assessment tool, FMCMM, Audit report	High

Support Matrix-Francis Baard Support

- Phokwane, Magareng and Dikgatlong require support as they scored high.
- Francis Baard requires little support as they scored low

Support matrix conclusion

- The following 13 Municipalities will be targeted for support as they scored high on the matrix;
 1. Renosterberg
 2. Ubuntu
 3. Siyancuma
 4. Siyathemba
 5. Kheis
 6. Khai Garib
 7. Kgatelopele
 8. Tsantsabane
 9. Joe Morolong
 10. Dikgatlong
 11. Magareng
 12. Phokwane
 13. Hantam

Comments

- Special attention to be paid to UIFW Expenditure for all municipalities;
 - Unauthorised Expenditure-1.5 billion
 - Irregular Expenditure- 290 million
 - Fruitless and Wasteful- 93 million
- Contract Management needs attention for most municipalities

Development of Support Plan

- Support plan will be developed for the Provincial Treasury to address the challenges and gaps identified through the baseline assessment.

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