SCM GOVERNANCE, MONITORING AND COMPLIANCE

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Supply chain risk management (SCRM) is the coordinated efforts of an organization to help identify, monitor, detect and mitigate threats to supply chain continuity and service delivery.

Threats to the supply chain include cost volatility, material shortages, supplier financial issues and failures and natural and manmade disasters.
DEMAND MANAGEMENT

• Lack of procurement planning by institution (No Procurement Plan)
  – To ensure that the institution receives the required goods or services at the right place, time and price.
  – Leads to overpayment of suppliers
  – Fruitless and wasteful expenditure
  – Irregular Expenditure
  – Intentionally deviating from normally procurement procedures.
  – No budgeting for total cost of ownership

• Institution not know what resources they will need to meet strategic goals/ objectives
  – Poor/Lack service delivery
Sourcing of quotations from suppliers not listed on CSD.

The supplier notified on the amount to quote after seeing quotations from other suppliers.

No proper system to monitor the rotation of suppliers.

Staff intentionally not rotating in sourcing quotations because they colluding with suppliers

Splitting of orders

Inflated price but kept below competitive bidding price.

Sourcing of quotation is not a transparent process.

Unreasonable time given to suppliers to quote.

Not realizing of economies of scale regarding cost per unit. (Lack of bulk buying)
COMpetitive bidding process > R 500 000.00

• Advert
  – Tender not advertised on e-tender portal and tender bulletin
  – Incomplete information on advert (no briefing session – date, time)

• Opening and Closing of tender
  – Bid box not properly secured
  – Tenders not opened in public
  – Poor record keeping of documents received. (Bid registers and bid proposals)
  – Tender validity period not observed
BID COMMITTEES CHALLENGES

• Bid Specification Committee
  – Inexperienced bid committee members
  – Biased specification
  – Inappropriate functionality criteria applied
  – Over reliance on Consultants
  – Incomplete scope of work

• Bid Evaluation Committee
  – Inexperienced committee members
  – Separate physical inspection and presentation from functionality evaluation.
  – No objective scoring in some stances.
  – Incorrect calculations.
  – Non-declaration of interest
• **Bid Adjudication Committee**
  - Inexperienced committee members.
  - Endorsing unfair disqualification.
  - Endorsing incorrect calculations.
  - Consider BEC as a subcommittee of BAC.
  - Non-declaration of interest
  - Awarding to restricted supplier
SUPPLIER’S CONDUCT

- Supplier are not completing SBD 4; 8 & 9
- Supplier colludes with another supplier
- Supplier colludes with corrupt officials to defraud the state
- Inflate prices when dealing with state
- Projects are not completed on time and no penalties impose on suppliers
- Certain suppliers are given preferences
- Suppliers under quoting to “win” tender, then vary contracts
POOR CONTRACT MANAGEMENT

- Expansion (modification) of contracts.
- Variation orders beyond prescribed percentage.
- Excessive use of variations - “Month to month” extension.
- Deviation from normal competitive bidding process.
- Poor documents management.
- Abuse of participation into a contract arranged by another organ of state.
- No penalties on the SLA to address poor performance.
- No contract management system (quantities of required deliverables and prices) i.e. not knowing when contracts will end.
Municipality paid R 25 million for security guards that carry to guns

Road to nowhere yet municipality paid millions of rands
MARKET RESEARCH NOT CONDUCTED

- Lack of benchmark price
- Institution pay exorbitant price
- Municipality pay R30 for Shoe polish
HOW DO WE ADDRESS THESE CHALLENGES?

- Regular training of SCM practitioners and bid committee members
- SCM officials and bid committee members must sign code of conduct
- Open and transparent quotation system
- Every six month rotate buyers
- Automate the rotation of suppliers for quotations
- Departments must conduct market research
- SLA must include penalties
- Restrict suppliers for poor performance and misrepresentation
- Accounting Officer/ Authority must take disciplinary measures against those officials caused irregular, fruitless and wasteful expenditure
- Strengthen internal audit and monitoring of risk register
- Accounting Officer/ Authority must comply with instruction note 3 of 2016/17 on prevention of abuse of SCM systems
Apply the rule of law
- The constitution of the Republic of SA, 1996. -Section 217..
- Public Finance Management Act (PFMA)
- Treasury Regulations 16A.6(Issued in terms of the PFMA Act 29 of 1999)
- Preferential Procurement Policy Framework Act (PPPFA) Act No 5 of 2000 and Preferential Procurement Regulations
- National Treasury Instruction and Practice notes

Promote transparency and enforce accountability
Assess risks associated with poor ethical standards and put measures to mitigate them.
Protect the whistle-blowers.
Empower citizens and other stakeholders to seek justice in cases of non-compliance.
“To eliminate the risk is like chasing a moving shadow but you can manage it by taking regular dosage of medication prescribed by your risk officer”
CLOSURE