

SCM GOVERNANCE, MONITORING AND COMPLIANCE

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national treasury

Department:
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INTRODUCTION

- 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.



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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

QUOTATIONS < R 500 000.00

- 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

TENDER BOX EXPLODED



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

CONT...

- **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.

EXAMPLES

Municipality paid R 25 million for security guards that carry 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

HOW DO WE LIMIT OR ERADICATE POOR GOVERNANCE

- 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.

RISK

“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



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