

Report on the Implementation of the Supply Chain Management  
Policy: Okhahlamba Local Municipality

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**REPORT ON THE IMPLEMENTATION OF THE  
SUPPLY  
CHAIN MANAGEMENT POLICY**

**FIRST QUARTER: 2014/2015**

**FOR CONDONATION**

**SEPTEMBER 2014**

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## REPORT AND EXECUTIVE SUMMARY

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## SECTION A

### 1. INTRODUCTION AND BACKGROUND INFORMATION

The Municipality approved its Supply Chain Management Policy on 15 May 2014. The effective date of the policy was 1 July 2014.

### 2. OBJECTIVES OF THE REPORT

The objective of the report is to comply with section 6 of the Supply Chain Management Regulations and Policy which reads as follows:

Section 6 of SCM Regulations and Policy: Oversight role of councilors reads:

The accounting officer must, within 10 days of the end of each quarter, submit a report on the implementation of the supply chain management policy to the mayor.

### 3. PERIOD

The report covers the period 1 July 2014 to 30 September 2014.

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## SECTION B

### 1. SUPPLY CHAIN MANAGEMENT INSTITUTIONAL ARRANGEMENTS

#### 1.1 Policy & Procedures Development & Implementation

The council developed its policy in line with the Supply Chain Management Regulations issued by National Treasury. The National Treasury developed a generic Supply Chain Management policy which was amended to suit the needs of the municipality. The policy was then presented to Council and adopted on 27 June 2014 with the effective date being 1 July 2014.

The Provincial Treasury regularly reviews the supply chain management policies of Municipalities' in order to ensure that they comply with the relevant amendments to Legislation. Changes to the policy will be made as and when required. The policy has been fully implemented.

#### 1.2 Establishment of the Supply Chain Management Unit

Supply Chain Management has been centralized and resides within the budget and Treasury Office.

The current structure is as follows:

Chief Financial Officer

Manager: Finance

SCM Officer

SCM Practitioner x 2

All positions are currently filled. A Declaration Form in terms of Section 7 (2) of the Municipal Systems Act No 32, 2000 (Schedule 1 amended by SS 45 and 46 of Act No 51 2002) has been circulated to all Bid Committee members to declare their interest and to be signed under Oaths. The forms has been completed and returned to SCM Officer by most of officials.

At the commencement of all bid committee meetings, members complete the attendance register and declare and undertake the following:-

- That all information, documentation and decisions regarding any matter at the disposal of the committee are kept **confidential** and an undertaking has been taken by the bid committee members not to make anything known in this regard.

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- To treat all service providers and potential service providers equitably and will not purposefully favour or prejudice anybody.
- To make known details of any private or business interest he, she or any close family member, partner or associate may have in any proposed procurement or disposal of, or in any award or contract that they will immediately withdraw from participating in any matter whatsoever.

### **Challenges**

The municipality faces budget constraints in having a fully-fledged structure as envisaged by legislation. The municipality also faces the challenge of retaining experienced staff.

### **Proposed Solution**

Amending the SCM structure as and when funds become available. Payment of market related salaries.

### **1.3 Establishment of the Supply Chain Management Bid Committees**

The Municipality has established the following bid committees:-

- Bid specification committee
- Bid evaluation committee
- Bid adjudication committee

Any possible conflicts of interest are declared at the commencement of all bid committee meetings.

### **Challenges**

Timely sitting of the bid committee meetings and turnaround time.

### **Proposed Solution**

Timeously issuing of agenda's and the development of a time frame schedule. A turnaround time schedule for the various bid committees has been introduced which is being adhered as far as practically possible.

### **1.4 Implementation of MBDs Documents**

All municipal bid documents (MBDs) are in place in compliance with MFMA Circular 25 and include specifications and evaluation criteria as recommended by the Specifications Committee and approved by the Accounting Officer.

### **Challenges**

Service providers are completing all municipal bid documents but sometimes they mislead the municipality by providing incorrect information.

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## *Proposed Solution*

Is that the municipality must get means to verify the status of the prospective service providers by getting an access to CIPRO that is now called Companies and Intellectual Property Commission (CIPC).

## **1.5 Establishment of Database of Suppliers/Service Providers**

Currently the municipal supplier's database has been implemented and it is functioning well except that votes need to be linked to sectors. Adverts are placed annually in the two most widely circulated newspapers in the municipality's area of jurisdiction inviting suppliers to register on the municipal database. Service providers may however register on the data base at any stage as there is no closing date for registration.

## *Challenges*

Due to the locality of the municipality, we do not always receive applications for a wide range of services.

## *Proposed Solution*

SMME's workshops must be undertaken in the municipality to ensure they incorporate with Supply Chain Management procurement processes and may learn how to align their businesses with the municipal daily needs. Continuously updating of the database.

## **1.6 Training of the SCM Unit and Bid Committees Members for the Local Content (MBD FORM 6.2)**

It is required that SCM officials and SCM Bid committee members including end user departments must be trained for the Local Content (MBD FORM 6.2) in order for the municipality to comply as per the Department of Trade and Industry (DTI).

## *Challenges*

Keeping abreast with the latest developments and legislation regarding supply chain management issues.

## *Proposed Solution*

It is compulsory that SCM officials and SCM Bid committee members be trained for the Local Content (MBD FORM 6.2) in order for the municipality to comply.

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## 2. SUPPLY CHAIN MANAGEMENT PLANNING

### 2.1 Procurement Plan

The municipal departments have developed their annual procurement plans of which they must be linked to the annual budget, and be consolidated.

The Capital Budget Procurement Plan for three year appropriation for 2014/2015, 2015/2016 and 2016/2017 is now due.

#### *Challenges*

Sometimes department procure goods and services which are not planned for. Constant improvements will be made to the plan as the municipality progresses with its implementation.

#### *Proposed Solution*

That the respective departments start preparing and implementing the procurement plans. Constant improvement, development and monitoring of the implementation of the Procurement plans.

## 3. PROJECTS PERFORMANCE MONITORING

### 3.1 CONTRACT: TERMINATION OF SERVICES

The following services has been terminated

Name of Service Provider	Contract No	Contract Name	Date of Termination	Reasons for termination of services
Maximum profit Recovery	N/A	Vat Recovery	30/09/2014	End of Contract

#### *Proposed Solution*

Strict monitoring of the contract management and all contract must be terminated on the due date of termination. Should there be an extension of contract resolution must be obtained from Council.

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### 3.2 CONTRACT: EXTENSION OF CONTRACTS

Name of Service Provider	Contract No	Amount	Reason of Extension	Date of Extension
Ene Consulting Solution	6/4/1/82		Contract was extended due to additional of 129 households at Thintwa with an amount of R2.5 million	05/09/2014
Maximum Profit Recovery	N/A		Proper transfer of documents to the new service provider	01/07/2014
Municipal Driven Cooperatives	N/A			05/09/2014
Industrial and Domestic Risk services  Lateral Unision Insurance Broker	8/1/1/4/1 FIN 05/2014		The commencement date of this contract supposed to be 1 October 2014 as initially contemplated and at this stage we propose that barring anything to the contrary from the Provincial Treasury, the commencement of this contract should be deferred to January 2015.	

#### Proposed Solution

Strict monitoring of the contract management and all contract must be terminated on the due date of termination. Should there be an extension of contract resolution must be obtained from Council.

### 3.3 REPORTS ON UNAUTHORISED; IRREGULAR; FRUITLESS & WASTEFUL EXPENDITURE

*Section 32(4) of the MFMA requires that the Municipal Manager "PROMPTLY" inform the Mayor, the MEC for Local Government, and the Auditor-General of any unauthorized, irregular, and fruitless & wasteful expenditure that the municipality has incurred. Only Council can deal with these matters in the manner prescribed.*



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NO	TYPE OF EXPENDITURE UNATHORISED, IRREGULAR, FRUITLESS & WASTEFULL	NATURE OF EXPENDITURE INCURRED	RECEIPT OF THE PAYMENT	EXPENDITURE AMOUNT	REPORTING		DETAILED EXPLANATION OF THE EXPENDITURE	Department	Reported to Council	Reported Date
					MEC: COGTA	AUDITOR-GENERAL				
1	Wasteful Expenditure	Interest Paid	Telkom	R1 126.91			Interest paid on overdue accounts	Finance		
2	Wasteful Expenditure	Interest Paid	Eskom	R106.35			Interest paid on overdue accounts	Finance		
3	Irregular Expenditure	Hygiene Services	Steiner Hygiene	R6 618.46			There was no written contract entered by the municipality with Steiner and SCM Procedures were not followed on procurement of this service	Corporate		
	Irregular Expenditure	Hygiene Services	Steiner Hygiene	R6 883.21			There was no written contract entered by the municipality with Steiner and SCM Procedures were not followed on procurement of this service	Corporate		

### **Challenges**

SCM procedures are not followed properly when procuring some services.

### **Proposed Solution**

Strict monitoring of the contract management and all these contract need to be terminated and followed correct SCM Procurement Procedure.

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### 3.4 DEVIATION AND RATIFICATION OF MINOR BREACHES OF PROCUREMENT PROCESSES SECTION 36 OF REGULATIONS

DESCRIPTION	ORDER NUMBER	DATE AWARD OF	BID/ QUOTATION AWARDED TO	CONTRACT AMOUNT	REASON FOR DEVIATION	NOTIFICATIONS		
						NATIONAL TREASURY	PROVINCIAL TREASURY	Reported Date
Food Hampers	903088	DEVIATION	Bergville Garage	R15 000.00	It was a matter of urgency since the community was affected by strong wind and fire (Natural Disaster)			
2 Evaluation of Post Retirement	903283	DEVIATION	Alexander Forbes Group (PTY) LTD	R14 250.00	The RQF was advertised on the Municipal Website and Notice board for seven days as per the requirement of SCM Policy, but only two service providers managed to return the quotations before the closing time.			
3 Installation of new Septic tank and soakway	903221	DEVIATION	Yengweni Civils (PTY) LTD	R 86 736 R58 200	The RQF was advertised on the Municipal Website and Notice board for seven days as per the requirement of SCM Policy, but only two service providers managed to return the quotations before the closing time as well as extension of scope of work.			

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## 3.4.1. DEVIATION APPROVAL OF TENDERS NOT RECOMMENDED: SECTION 114 OF MFMA

DESCRIPTION	ORDER NUMBER	DATE OF AWARD	OF BID/ QUOTATION AWARDED TO	CONTRACT AMOUNT	REASON FOR DEVIATION	NOTIFICATIONS		
						NATIONAL TREASURY	PROVINCIAL TREASURY	DATE OF REPORT

No deviations under Section 114 of MFMA

## 4. MANAGEMENT OF RISKS IN SUPPLY CHAIN MANAGEMENT

Risks around supply chain management have been identified as part of the risk assessment exercise undertaken by internal audit. The audit of supply chain management forms part of the annual audit plan.

### Challenges

Continuous identification of risks.

### Proposed Solution

Continuous monitoring and evaluation.

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Signature: *[Handwritten Signature]*

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Signature: *[Handwritten Signature]*