



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

FIRST QUARTER: 2013/2014

FOR CONDONATION

SEPTEMBER 2013

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

REPORT AND EXECUTIVE SUMMARY

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SECTION A

1. INTRODUCTION AND BACKGROUND INFORMATION

The Municipality approved its Supply Chain Management Policy on 29 May 2013. The effective date of the policy was 1 July 2013.

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 2013 to 30 September 2013.

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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 24 June 2013 with the effective date being 1 July 2013.

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 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 not completing all municipal bid documents.

Proposed Solution

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Educating service providers on the importance of the completion of all municipal bid Documentation by holding bi-annual workshops. During March 2010 a SMME workshop concerning Supply Chain Management was arranged by the Local Economic Development Department and we have since received positive feedback for the local business community who attended. It is envisaged that this initiative will be ongoing.

1.5 Establishment of Database of Suppliers/Service Providers

The municipality is still in the process of developing and implemented a database of suppliers 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

Continuous updating of the database.

1.6 Training and Development of the SCM Unit and Bid Committees

SCM Bid committee members are not well trained to perform the tasks they are appointed for. However, a workshop was held on 16 July 2012 at the municipality that was provided by the Provincial Treasury Department to all Bid Committee members.

Challenges

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

Proposed Solution

Continuous training of bid committee members. All Bid Committee members need to be trained to ensure that these committees are effectively executing their duties.

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2. SUPPLY CHAIN MANAGEMENT PLANNING

2.1 Procurement Plan

The municipality has developed and implemented an annual procurement plan Procurement is been measured against the plan.

The Capital Budget Procurement Plan for three year appropriation for 2013/2014, 2014/2015 and 2015/2016 is now due.

Attached as Annexure "A" are the Departmental Procurement Plans.

Challenges

Attached three year Procurement Plans for Technical Departments is for two financial year, which are 2013/2014 and 2014/2015. 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.

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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
KwaZulu Generators		RENTAL OF GENERATOR	01/07/2013	There was a supply and installation of electricity in the building.
Ufezele Management Solution (Pty) Ltd		SOFTWARE SUPPORT AND MAINTENANCE	17/07/2013	This contract will come to an end after the auditing period. In terms of Section 5 of the Software Support and Maintenance agreement, states that the termination of the contract by either party may be giving six months' notice to the other party. Therefore this contract will come to an end on 30 December 2013.
Maximum Profit Recovery (Pty) Ltd		VAT Reconciliation	31 August 2013	This was three year contract from 20 August 2008

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.

3.2 CONTRACT: EXTENSION OF CONTRACTS

Name of Service Provider	Contract No	Contract Name	Date of Extension	Reasons for extension

No extension of contract in this quarter

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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.

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	Irregular expenditure	Rental of Municipal Offices Building	Coral Lagoon Investment (Pty) Ltd	R97 127.10			SCM processes were not followed when entering into Lease/ Rental Agreement, and there was no budget for rental for 2013/2014. This payment was made in the month of July 2013 while municipality was in the process to purchasing the building which should take place in April 2013. The delay being that the Engineers report of the building has not yet been received.	Corporale Department	YSE	26 August 2013
2	Irregular expenditure	Annual Provision of Security Services	Ngomfo Security Services	R99 357.84 July			This contract expired on 30 June 2012 and extended to month to month over 13 months	Social Department	YSE	26 August 2013
3	Irregular expenditure	Annual Provision of Security	Ngomfo Security Services	R95 418.00			This contract expired on 30 June 2012 and extended to month to	Social Department		

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NO	TYPE OF EXPENDITURE UNAUTHORISED, 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				
		Services		August			month over 14 months			
4	Irregular expenditure	Annual Provision of Security Services	Ngomfo Security Services	Not Paid Yet September			This contract expired on 30 June 2012 and extended to month to month over 15 months	Social Department		
5	Irregular expenditure	Cleaning Material	Steiner	R46 012 74 – July 2013			There was no written contract entered by the municipality with Steiner and SCM Procedures were not followed on procurement of this service	Corporate Department	No	
6	Irregular expenditure	Cleaning Material	Steiner	R46 890.83 – August 2013			There was no written contract entered by the municipality with Steiner and SCM Procedures were not followed on procurement of this service	Corporate Department	No	
7	Irregular expenditure	Cleaning Material	Steiner	R47 946.54 – September 2013			There was no written contract entered by the municipality with Steiner and SCM Procedures were not followed on procurement of this service	Corporate Department	No	

Challenges

SCM procedures are not followed properly when procuring 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 OF AWARD	BID/ QUOTATION AWARDED TO	CONTRACT AMOUNT	REASON FOR DEVIATION	NOTIFICATIONS		
						NATIONAL TREASURY	PROVINCIAL TREASURY	Reported
1 Fixing of leaking toilets		08/08/2013	Nambithi Plumbers	R14 981 88	This was an emergency and it was only one service provider approached			

Challenges

This was an emergency and it was only one service provider approached.

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

DESCRIPTION	CHEQUE NUMBER	ORDER NUMBER	DATE OF AWARD	BID/ QUOTATION AWARDED TO	CONTRACT AMOUNT	REASON FOR DEVIATION	NOTIFICATION		
							NATIONAL TREASURY	PROVINCIAL TREASURY	Reported

No deviations for 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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