

JUNE 2014

FOR CONDONATION

FOURTH QUARTER: 2013/2014

REPORT ON THE IMPLEMENTATION OF THE
SUPPLY
CHAIN MANAGEMENT POLICY



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 April 2014 to June 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 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

- To treat all service providers and potential service providers equitably and will not purposefully favour or prejudice anybody.

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- 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

Timously issuing of agenda's and the development of a time frame schedule. A turn around 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

Educating service providers on the importance of the completion of all municipal bid

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Documentation by holding bi-annual workshops. During March 2010 a SME 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 in progress with training as group 1 is already trained on 31 March 2014 to 02 April 2014 and the balance of members will be conducted on 8 to 9 May 2014.

Challenges

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

Proposed Solution

It is compulsory that all Bid Committee members 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. The reviewed procurement plans are in line with the budget.

The Capital Budget Procurement Plans for 2015/2016 are attached.

Challenges

Sometimes departments procure items that are not included in the Procurement Plan. That is a challenge as the system does not process anything that is not budget or included in the budget. 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 on the development and monitoring of the implementation of the Procurement plans is required.

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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
Technologies Acceptance (Pty) Ltd	(Xerox SN3320218100)	Leased Photocopying Machine for Registry Section	30/06/2014	Contract overdue.
Industrial & Domestic Risk Services	N/A	Insurance Broker	30/06/2014	Contract overdue.
Ninety four Sharrat Street Investments cc /ta Bergville Garage	6/4/1/85	Supply of Fuel to Okhahlamba Local Municipality	30/06/2014	Contract overdue.
BEE & TEE	8/1/14/1- TEC 15/2013 re-advised as TEC 20/2013	Construction of Nokopela Community Hall & Creche Facility in Ward 2	31/05/2014	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.

3.2 REQUESTS FOR THE EXTENSION OF THE CONTRACT PERIOD

Name of Service Provider	Contract No	Contract Name	Period	Reasons for extension
Ninety four Sharrat Street Investments cc /ta Bergville Garage	6/4/1/85	Supply of Fuel to Okhahlamba Local Municipality	3 months	The contract is coming to an end on 30 June 2014. Advertising of new contract is in progress
Industrial & Domestic Risk Services	N/A	Insurance Broker	3 months	The contract is coming to an end on 30 June 2014. A new contract is to be adjudicated

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Maximum Profit	N/A	SAVINGS REVIEW (IDENTIFICATION OF SAVINGS AND RECOVERING OF SUCH SAVINGS FROM SARS GENERALLY ON A CONTINGENCY BASIS)	3 months	The contract has been expired and the new contract is to be adjudicated
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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.

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

ORDER NUMBER	DESCRIPTION	DATE OF AWARD	AWARD QUOTATION TO BID	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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Report to the Mayor