



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

SECOND QUARTER: 2014/2015

FOR CONDONATION

JANUARY 2015

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 October 2014 to 31 December 2014.

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

SCM Clerks x 2

All positions are 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 Bids office 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

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. 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)

SCM officials and SCM Bid committee members including end user departments were 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 avail themselves to such trainings because the attendance on the last training which took place on 31 October 2014 for the Local Content (MBD FORM 6.2) in order for the municipality to comply was very poor.

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
Industrial and Domestic Risk services	N/A	Short term insurance broker	31 December 2014	End of Contract
Bergshore (PTY) LTD	SCM44/2013 2014	Cleaning carpts and wall of the municipality for 12 months	30 November 2014	End of Contract
Imbokodo Skills and Development	N/A	Submitting claims to COGTA	31 December 2014	End of contract
Worley Parsons Hams Consulting S & W Consulting ZML Electrical Consulting Izingodla Engineers Lesedi Consulting Mageba Consulting Begin Africa Dihlase Consulting	6/4/1/86	Electrical Consulting Engineers	31 December 2014	End of contract

Siqu Consulting TL Consulting Engineering Ska Engineering Ingerop South Africa Imvelo Consulting Mgamule Consulting K & A Consulting Vumesa Consulting GFK Consulting Mzansi Civils PD Naidoo Tusa/ Rupee MMK Engineering & Project Jracce (PTY) LTD Awa Consulting Mza Consulting Engineers Phakathi no Shabane Ilifa Africa Engineers	6/4/187	Consultants for Structural and civil engineering	31 December 2014	End of contract
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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.

3.2 CONTRACT: EXTENSION OF CONTRACTS

Name of Service Provider	Contract No	Amount	Reason of Extension	Date of Extension
MTHUMENI FUNERAL SERVICES	8/1/1/4/1 SOC 04/2013	R750 Per corpse	To allow the all the proper SCM processes to be followed.	
ISIBUKO DEVELOPMENT PLANNERS	8/1/1/4/1 TEC05/2013	- N/A	Extension for scope of work to cover the Wall to Wall Scheme projects	19 December 2014
CAMELSA CONSULTING GROUP	8/1/2/1 FIN 03/2012	- R750 Rate per hour	Extension of scope of work to include the support on case ware	19 December 2014

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	Fruitless/Wasteful Expenditure	Interest Paid	Telkom	R162.55			Interest paid on overdue accounts	Finance	✓	17 Dec 2014
2	Fruitless/Wasteful Expenditure	Interest Paid	Telkom	R873.13			Interest paid on overdue accounts	Finance	✓	17 Dec 2014
3	Fruitless/Wasteful expenditure	Interest Paid	Escom	R129.03			Interest paid on overdue accounts	Finance	✓	17 Dec 2014
4	Irregular Expenditure	Hygiene Services	Steiner Hygiene	R3 573.99			There was no written contract entered by the municipality with Steiner and SCM Procedures were not followed on procurement of this service	Corporate	✓	17 Dec 2014

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				
5	Irregular Expenditure	Advertisement	Ilanga Newspaper	R5758.98			The advert was placed directly with the newspaper because there was no existing contract with any advertising agent by that time.	Corporate	✓	17 Dec 2014

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.

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

	DESCRIPTION	ORDER NUMBER	DATE OF AWARD	OF BID/ QUOTATION AWARDED TO	CONTRACT AMOUNT	REASON FOR DEVIATION	NOTIFICATIONS		
							DEPARTMENT	COUNCIL	Reported Date
1	Food Hampers	903578	DEVIATION	Bergville Garage	R22 500.00	It was a matter of urgency since the community was affected by hailing storm (Natural Disaster)	COUNCIL	✓	17 Dec 2014
2	Photo shooting	903283	DEVIATION	Sisakhona	R12 230.00	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.	MM	✓	17 Dec 2014
3	SKILLS DEVELOPMENT	903388	DEVIATION	RTN Trading	R36 250.00	Only one quote was received for the procuring of Work Place Skills from the accredited training service provider to equip the secretaries.	CORPORATE		

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.

Prepared By: B Tshabalala

Signature:

Reviewed by:

Signature:

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Signature: