



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

**FIRST QUARTER: 2015/2016**

**FOR CONDONATION**

**SEPTEMBER 2015**

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

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## **SECTION A**

### **1. INTRODUCTION AND BACKGROUND INFORMATION**

The Municipality approved its Supply Chain Management Policy on 29 May 2015. The effective date of the policy was 1 July 2015.

### **2. OBJECTIVE OF THE REPORT**

The objective of this 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 from 01 July 2015 to 30 September 2015.

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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 29 May 2015 with the effective date being 1 July 2015.

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 x2

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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 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.
- 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

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- 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.

## ***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**

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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.*

Continuous 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 2015/2016, 2016/2017 and 2017/2018 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
1.Shereen & Associates 2.Vern Attorneys 3.Nompumelelo Radebe in Corporation 4.Dinesh R Latchman	8/1/1/4 FIN 03/2014	Proposal to appoint a panel of legal expert for the debts collection services of the municipality	07/07/2015	End of contract



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5.Thipa Incorporated 6.In quest Investment		for a period of twelve months		
Scenic Route trading 29cc	8/1/1/4/1 TEC05/2014	Construction of Emaphophomaneni Gravel Road (ward 10)	31/07/2015	End of contract
TSW Construction	8/1/1/4/1- TEC 07/2014	Construction of Emafusini Gravel Road (ward 07)	31/07/2015	End of contract
Lwesinene Trading	8/1/1/4/1- TEC 13/2014	Electrification of Emaswazini area (ward 14)	31/07/2015	End of contract
Msizi Business Enterprise	8/1/1/4/1- TEC 20/2014	Construction of reserve c gravel road	31/08/2015	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 CONTRACT: EXTENSION OF CONTRACTS**

<b>Name of Service Provider</b>	<b>Contract No</b>	<b>Amount</b>	<b>Reason of Extension</b>	<b>Date of Extension</b>

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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.*

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				
TOTAL									

*No unauthorized, irregular, fruitless and wasteful expenditure incurred in first quarter under section 32(4) MFMA*

## Challenges

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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**

	DEPARTMENT	DESCRIPTION	CONTRACT/ EFT NUMBER	NATURE OF EXPENDITURE	BID/ QUOTATION AWARDED TO	CONTRACT AMOUNT	REASON FOR DEVIATION
01	Corporate Services	Verification of qualifications	904911	DEVIATION	Group Red Sky (Pty) Ltd	R3 320.82	The municipality used the same service provider because it was the only service provider available in the municipality database in order to do qualification verifications
02	Finance	Purchase of aluminum barcodes (assets barcodes)	905150	DEVIATION	PWC	R21 090.00	PWC (combined systems) are the owners of the financial system we are using for our assets register. The barcodes are pre numbered and need to correspond with the current asset register system of allocating asset numbers therefore we cannot purchase the barcodes from other service providers.
03	Technical Services	Gas cylinder to be bought and 3 cylinders to be filled for the mechanical workshop	905051	DEVIATION	AFGRI Operations Ltd	R6 012.91	Only one supplier can supply the cylinders in Bergville. Afrox requires an account and minimum 20 or more cylinders to supply and deliver direct. The gas cylinders are urgently required

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							for welding, general repairs and maintenance required on a daily basis in the mechanical workshop.
04	Social Services	Skills development in Event Safety Management	905041	DEVIATION	Disaster Risk Management (Pty) Ltd	R8 037.00	Superintendent FEA Halgreen be permitted to go and attend Skills Development in Event Safety Management presented by Disaster Management Solutions, as a tourist destination and the hosting of numerous high profile events in our area, it is imperative that we become specialists in the relevant fields .
05	Technical Services	Delivery and installation of a memorial pillar of Josia Ntshangan Gumede	905169	DEVIATION	House of memory	R40 000.00	The memorial pillar was delivered at the municipality, due to disagreements on the issue of location, it was returned back. The municipality has to incur the cost of storage and installation. The storage. The storage and installation of statue has been approved by Council, as a matter of urgency
06	Corporate Services	Medical examination for employees as per NJMPF requirement	905227	DEVIATION	Dr. W N Vezi	R17 000.00	Natal Joint Municipal Pension Fund regulations states that within 03 months of commencing the employment, the employee/member must undergo a medical examination with 02 doctors failing to undergo it will result in the restriction of a member's benefit whenever the employee is on exit. SCM requested the doctors to get on the database only one doctor (Dr Vezi) has responded on the request therefore we appointed him to do the examination of employees.
07	Finance	Ntshidi & Associates to the municipality with SARS audit and reconciliation of the Vat	905323	DEVIATION	Ntshidi and Associates	R143 266.00	On the 8 <sup>th</sup> April 2015 we request Ntshidi and Associate to assisting the municipality with SARS audit and reconciliation of the Vat refund for July 2014 tax period. This period did not fall

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		refund for July 2014 tax period					into their scope. However we engagement them to facilitate SARS audit on behalf of the municipality because the contract for MaxProf (Maximum Profit Recovery) was terminated on the 31 July 2014
08	Finance	Accounting for prior year VAT	905323	DEVIATION	Ntshidi and Associates	R185 976.00	A need was identified by Deloitte to correct and account for prior year vat errors disclosed in previous financial years. Deloitte was to perform those duties but due to time constraints to produce reliable and credible Annual Financial Statements, duties were assigned to Ntshidi & Associates as our Vat consultant to perform the exercise. As a result it was impractical to follow SCM processes.
<b>TOTAL</b>						<b>R424 702.73</b>	

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

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

*No deviation incurred in first quarter 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.

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## ***Challenges***

Continuous identification of risks.

## ***Proposed Solution***

Continuous monitoring and evaluation.