



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

FOURTH QUARTER: 2014/2015

FOR CONDONATION

JUNE 2015

32

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

TABLE OF CONTENTS

SECTION A

No.	DESCRIPTION	Page
1.	INTRODUCTION AND BACKGROUND	3
2.	OBJECTIVES OF THE REPORT	3
3.	PERIOD	3

SECTION B

No.	DESCRIPTION PAGE	Page
1.	SUPPLY CHAIN MANAGEMENT INSTITUTIONAL ARRANGEMENTS	4 - 7
2.	SUPPLY CHAIN MANAGEMENT PLANNING	8
3.	PERFORMANCE AND MONITORING OF PROJECTS	8-15
4.	MANAGEMENT OF RISKS IN SUPPLY CHAIN MANAGEMENT	15

33

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

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. 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 April 2015 to 30 June 2015.

34

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

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 x2

JS

Report to the Mayor

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

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

Report to the Mayor

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

- 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 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 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

Report to the Mayor

37

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

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.

38

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

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
No contract terminated in the fourth quarter				

31

Proposed Solution

Report to the Mayor

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

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

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.

42

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

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				
1	Interest paid	Eskom	R336.13			Interest paid on overdue accounts	Finance	Yes	29/05/2015
2	Interest paid	Telkom	R59.45			Interest paid overdue accounts	Finance	Yes	26/06/2015
3	Interest paid	Eskom	R135.62			Interest paid on overdue account	Finance	Yes	26/06/2015
TOTAL			R531.20						

Challenges

SCM procedures are not followed properly when procuring some services.

Proposed Solution

41

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

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	SOCIAL DEVELOPMENT	904475	Deviation	Simisiwe Suppliers and Services cc	R5 100.00	The programme was planned to run for two days. Unfortunately people who were conducting registration came late and the staff was not enough to finish registrations in time and that delayed registration process. We had to appoint the awarded service provider for marquee and catering for one extra day without following Supply Chain Management procedures to finish registrations.
02	CORPORATE SERVICES	904383	Deviation	Accsys (Pty) Ltd	R78 382.98	The RFQ was advertised on the Municipal Website and notice board for seven days as per the requirement of Municipal SCM Policy, but only one service provider managed to return the quotation before closing time. And meet all the specification as per the end user

42

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

03	CORPORATE SERVICES	TRAINING OF PMS SPECIALIST	904371	Deviation	Elwazini Conferencing	R9 118.86	There was a need for PMS Officer to go for training, since he was appointed in the field there was a lot of his work related to be learned and acquired of knowledge in order to implement, then the Human Resources Office received an invite from the accredited training service provider, for the training of Integrated Development Planning for Local Government and Management Performance Systems on Work Placed Skills.
04	CORPORATE SERVICES	SUPPLY AND DELIVERY OF CASES FOR MICROPHONES AND MARANTZ CRD 310	904369	Deviation	Digital Voice Processing (Pty) Ltd	R17 650.88	The RQF was advertised on the Municipal Website and notice board for seven days as per the requirement of Municipal SCM Policy, but only one service provider managed to return the quotation before closing time. And meet all the specification as per the end user.
05	SOCIAL DEVELOPMENT	CATERING	904368	Deviation	Bright Idea Projects 2350 cc	R903.00	The programme was planned to run for two days. Unfortunately people who were conducting registration came late and the staff was not enough to finish registrations in time and that delayed registration process. We had to appoint the awarded service provider for marquee and catering for one extra day without following Supply Chain Management procedures to finish registrations
06	CORPORATE SERVICES	CCTV CAMERAS AND LIGHTNING PROTECTORS	904358	Deviation	One Stop Computers	R28 450.00	The service provider is already onsite fixing the CCTV cameras, which were damaged during the power sage. During the installation they have found 5 more cameras, which are also damaged. Kindly request the purchase of these cameras and 16 lightning protectors to avoid future damage via lightning

43

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

07	CORPORATE SERVICES	COMPETENCY ASSESSMENT FOR SENIOR MANAGERS	904349	Deviation	Group Red Sky (Pty) Ltd	R13 123.68	<p>The RQF was advertised as per the requirement of the SCM policy and thereafter COGTA requested that the same thing be done urgently to the highest top three candidates for the position of Director Corporate Services as per the scores as it is a requirement on the new regulations on appointment and conditions of employment of senior managers. It was then an extension of scope to the same service provider to do the competency assessment which goes with the integrated reports per person for the three candidates, qualification checks for three candidates plus six employed senior managers, CT check and SA ID no. verification check for the three candidates.</p> <p>Various disasters like, lightning, heavy winds and deaths in the indigent families, took place in ward 2, 6, 9, 10, 12 and 14 between the 24th November 2014 to 31st January 2015. All families identified were attended by our disaster and working on fire personnel and assisted with blankets, tents and groceries urgently. It should be noted that in the case of death, food parcels are doubled. This was essential since our communities were left with nothing to eat, n shelter and clothes</p> <p>On the 13th to 15th March 2015, heavy rains with strong winds and storm occurred in Ingoba and Emmause villages, ward 3 and 2. 11 families or households were affected. All families identified were attended by our disaster and working on fire personnel and assisted with blankets, tents and</p>
08	SOCIAL DEVELOPMENT	FOOD HAMPERS	904510	Deviation	Bergville Garage	R24 000.00	
09	SOCIAL DEVELOPMENT	FOOD HAMPERS	904510	Deviation	Bergville Garage	R18 000.00	

44

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

10	SOCIAL DEVELOPMENT	FOOD HAMPERS	904510		Bergville Garage	R18 000.00	<p>groceries urgently. This was essential since our communities were left with nothing to eat, no shelter and clothes. Also on the 17th March 2015, 1 Sithole family in Khetani, ward 1, was on fire where their groceries and other items were destroyed. The family was also assisted with food parcel.</p> <p>Various disasters like, lightning, unknown house fire, heavy winds and deaths in the indigent families, took place in ward 2, 3, 4, 5, 8 and 14, between the 30th January to 28th February 2015. All families identified were attended by our disaster and working on fire personnel and assisted with blankets, tents and groceries urgently. It should be noted that in the case of death, food parcels are doubled. This was essential since our communities were left with nothing to eat, no shelter and clothes.</p>
11	SOCIAL DEVELOPMENT	GRAVE YARD MARKERS	904557	Deviation	Joyce Mlambo Diamond Dealer	R37 620.00	<p>The RQF was advertised on the Municipal website and notice board for seven days as per the requirement of Municipal SCM Policy, but only two service providers managed to return the quotations before the closing time. And they met all the specification as per the end user.</p>
12	CORPORATE SERVICES	LOADING OLD INFORMATION FROM DOLPHIN TO PASTEL	904729	Deviation	Ethemba Computers and Consulting cc	R20 520.00	<p>Ethemba Computers and Consulting is the only company which provides support for Dolphin since Ufezela is no longer in the service and no updates have been done on the system since the contract with the initial service provider which is Ufezela was terminated, resulted on the system to malfunction while the rates section</p>

45

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

13	CORPORATE SERVICES	TRAINING FOR GENERAL CONDITIONS OF CONTRACT	Deviation	Alusani Skills and Training	R9 802.86	needed to generate information from the system as from 2007 There was a need for PMU Manager to go for training on GCC, since he was appointed in his field there was a lot of his work related to be learned and acquired of knowledge in order to implement projects, an invite from the accredited training service provider was received two days prior to training We are currently in a severe water shortage period with a drought emergency that has already been declared, as an emergency service we are Nationally Mandated to render an emergency service to the community of Okhahlamba and we are already attending up to 4 fire related incidents per day, on Tuesday the 16 th of June 2015 there were 5 emergency calls at once and we only had 1 vehicle to respond. We have 1 dedicated fire fighting vehicle that is fitted with a "bakkie sakkie" and we have another 2 bakkies in the department that can assist with emergency response, we do however not have an additional "bakkie sakkie" . we humbly request the emergency purchase of 1 additional "bakkie sakkie" to assist with emergency.
14	TECHNICAL SERVICES	FIRE FIGHTING EQUIPMENT (BAKKIE SAKKIE)	Deviation	MC Bean's Implement co. (Pty) Ltd	R17 389.67	An urgent request to fix toilets at Winterton Library was received by SCM. MK Plumbers was contacted to attend to the situation because they were the only plumbers available locally, due to the nature of an incident we did not contact other plumbers that are within the district.
15	TECHNICAL SERVICES	FIXING TOILETS IN WINTERTON LIBRARY	Deviation	MK Plumbing	R5 562.90	

46

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

MUNICIPAL MANAGER	BROADCASTING AGENT	Deviation	Nqubeko Community Radio	R22 019.07	Nqubeko Community Radio was used as a broadcasting agent as they are the sole provider for community radio within our district.
16	904676				
17	904722	Deviation	JJ Tredoux	R98 690.00	The RQF was advertised on the Municipal website and notice board for seven days as per the requirement of Municipal SCM Policy, but only two service providers managed to return the quotations before the closing time. And they met all the specification as per the end user
TOTAL				R424343.83	

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 fourth 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.

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

Challenges

Continuous identification of risks.

Proposed Solution

Continuous monitoring and evaluation.

Prepared By: Hlengiwe Nkosi

Signature: 

Reviewed: 

Signature: 

Approved by: 

Signature: 

400