



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

**FORTH QUARTER: 2015/2016**

**FOR INFORMATION**

**01 APRIL 2016 TO 30 JUNE 2016**

# 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 April 2016 to 30 June 2016.

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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 Accountant

SCM Officer

Contract Management Officer

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SCM Practitioner x 2

SCM Clerks x2

Stores Dispatching Clerk x1

Store Receiving Clerk x1

Three positions are currently not 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.

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## ***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 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.

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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 except that votes need to be linked to sectors. Adverts are placed annually in the 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. The municipality has adopted the CSD which will allow / enable community based service providers to gain greater exposure.

## ***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 continuously 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. Service providers must align their categories/ sectors to those proposed on the IDP.*

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), CSD, i-tender, e-tender and CIDB

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## **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, CSD, i-tender, e-tender and CIDB.

## **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.



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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
Delloitte	8/1/1/4/1-FIN07/2014	One year accounting support on the compilation of financial statements	12/04/2016	End of contract
Shikani Trading	8/1/1/4/1-TEC06/2014	Construction of Kekeni Gravel Road	30/06/2016	Project completed
Nhloso Development Consultants cc	8/1/1/4/1-TEC11/2014	Construction of Khethani Community Hall	27/05/2016	Project completed

#### ***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	Reason of Extension	Date of Extension
Judy Magwaza	8/1/1/4/1 SOC06/2013	Extension of period to allow the SCM processes to be finalised	02/09/2016

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Ntshidi & Associates	8/1/1/4/1 FIN 02/2014	Extension of scope	30/09/2016
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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	PAYMENT VOUCHER NUMBER	RECEIPT OF THE PAYMENT	EXPENDITURE AMOUNT	REPORTING		DETAILED EXPLANATION OF THE EXPENDITURE	Department	Reported to Council	Reported Date
						MEC: COGTA	AUDITOR GENERAL				
01	FRUITLESS/ WASTEFUL EXPENDITURE	INTEREST PAID	906543	ESKOM	R126.32			INTEREST ON OVERDUE ACCOUNT	FINANCE	Yes	17/06/2016

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	TYPE OF EXPENDITURE UNAUTHORISED, IRREGULAR, FRUITLESS & WASTEFULL	NATURE OF EXPENDITURE INCURRED	PAYMENT VOUCHER NUMBER	RECEIPT OF THE PAYMENT	EXPENDITURE AMOUNT	REPORTING			DETAILED EXPLANATION OF THE EXPENDITURE	Department	Reported to Council	Reported Date
						MEC: COGTA	AUDITOR GENERAL					
02	FRUITLESS/ WASTEFUL EXPENDITURE	INTEREST PAID	906585	ESKOM	R29.14				INTEREST ON OVERDUE ACCOUNT	FINANCE	Yes	17/06/2016
03	FRUITLESS / WASTEFUL EXPENDITURE	INTEREST PAID AND PENALTIES	N/A	CHIEF FINANCIAL OFFICER	R14 543.85				SARS ASSESSMENT VAT INCORRECTLY CLAIMED ON ENTERTAINMENT EXPENDITURE RESULTED AN INTEREST AND PENALTIES ON ASSESSMENT CONDUCTED BY SARS IN RESPECT OF AUGUST AND OCTOBER INVOICES	FINANCE	Yes	17/06/2016
04	FRUITLESS / WASTEFUL EXPENDITURE	INTEREST PAID	906483	ESKOM	R12.16				INTEREST ON OVERDUE ACCOUNT	FINANCE	Yes	17/06/2016
05	FRUITLESS / WASTEFUL EXPENDITURE	INTEREST PAID	906483	ESKOM	R151.58				INTEREST ON OVERDUE ACCOUNT	FINANCE	Yes	17/06/2016
06	FRUITLESS / WASTEFUL EXPENDITURE	INTEREST PAID	906483	ESKOM	R15.15				INTEREST ON OVERDUE ACCOUNT	FINANCE	Yes	17/06/2016

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	TYPE OF EXPENDITURE UNATHORISED, IRREGULAR, FRUITLESS & WASTEFULL	NATURE OF EXPENDITURE INCURRED	PAYMENT VOUCHER NUMBER	RECEIPT OF THE PAYMENT	EXPENDITURE AMOUNT	REPORTING			DETAILED EXPLANATION OF THE EXPENDITURE	Department	Reported to Council	Reported Date
						MEC: COGTA	AUDITOR	GENERAL				
07	FRUITLESS / WASTEFUL EXPENDITURE	INTEREST PAID	906821	ESKOM	R160.39				INTEREST ON OVERDUE ACCOUNT	FINANCE	No	
08	FRUITLESS / WASTEFUL EXPENDITURE	INTEREST PAID	905447	ESKOM	R119.66				INTEREST ON OVERDUE ACCOUNT	FINANCE	No	
09	FRUITLESS / WASTEFUL EXPENDITURE	INTEREST PAID	906278	ESKOM	R37.51				INTEREST ON OVERDUE ACCOUNT	FINANCE	No	
		<b>TOTAL</b>			<b>R15 195.76</b>							

### **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**

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ITEM	DEPARTMENT	DESCRIPTION	CONTRACT NUMBER/ EFT NUMBER	NATURE OF EXPENDITURE	BID/ QUOTATION AWARDED TO	CONTRACT AMOUNT	REASON FOR DEVIATION
01	TECHNICAL SERVICES	CAR SERVICE	905051	DEVIATION	AFGRI OPERATIONS LTD	R6 012.91	WELDING TOOLS
02	TECHNICAL SERVICES	CAR SERVICE	906611	DEVIATION	AFGRI OPERATIONS LTD	R3 838.00	BATTERIES FOR GRADER NB8067
03	TECHNICAL SERVICES	CAR SERVICE	906593	DEVIATION	BABCOCK EQUIPMENT	R14 972.17	SERVICE FOR GRADER
04	TECHNICAL SERVICES	CAR SERVICE	905230	DEVIATION	BABCOCK EQUIPMENT	R6 291.04	SUPPLY & FIT HOSES AND HYDROLIC OIL FOR VOLVO
05	TECHNICAL SERVICES	CAR SERVICE	904838	DEVIATION	BABCOCK EQUIPMENT	R10 421.61	SERVICE NB8067 VOLVO GRADER
06	TECHNICAL SERVICES	CAR SERVICE	905680	DEVIATION	BABCOCK EQUIPMENT	R38 548.53	SERVICE FOR VOLVO ROLLER
07	TECHNICAL SERVICES	CAR SERVICE	906122	DEVIATION	BABCOCK EQUIPMENT	R15 830.04	VOLVO GRADER PARTS

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08	TECHNICAL SERVICES	CAR SERVICE	905353	DEVIATION	BELL EQUIPMENT SALES SA LIMITED	R60 846.77	REPAIRS & MAINTENANCE VEHICLE
09	TECHNICAL SERVICES	CAR SERVICE	905676	DEVIATION	BELL EQUIPMENT SALES SA LIMITED	R19 200.68	REPAIRS AND MAINTENANCE CAP AND BELL ROLLER
10	TECHNICAL SERVICES	CAR SERVICE	904882	DEVIATION	BELL EQUIPMENT SALES SA LIMITED	R282 764.88	REPAIR TRANSMISSION FOR BELL GRADER
11	TECHNICAL SERVICES	CAR SERVICE	905199	DEVIATION	BELL EQUIPMENT SALES SA LIMITED	R12 240.32	REPAIR & MAINTENANCE VEHICLES AND TRACTORS
12	TECHNICAL SERVICES	CAR SERVICE	905943	DEVIATION	BELL EQUIPMENT SALES SA LIMITED	R12 166.94	SERVICE FOR BELL EXCAVATOR HD820
13	TECHNICAL SERVICES	CAR SERVICE	905826	DEVIATION	BELL EQUIPMENT SALES SA LIMITED	R13 299.98	MACHINE SERVICE
14	TECHNICAL SERVICES	CAR SERVICE	904247	DEVIATION	BELL EQUIPMENT SALES SA LIMITED	R316 488.18	REPAIR FOR BELL

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15	TECHNICAL SERVICES	CAR SERVICE	905456	DEVIATION	BELL EQUIPMENT SALES SA LIMITED	R8 594.46	VEHICLES SERVICES
16	TECHNICAL SERVICES	CAR SERVICE	906494	DEVIATION	BELL EQUIPMENT SALES SA LIMITED	R107 540.73	VEHICLES SERVICES
17	TECHNICAL SERVICES	CAR SERVICE	906583	DEVIATION	BELL EQUIPMENT SALES SA LIMITED	R58 418.50	PARTS FOR BELL GRADER & TLB
18	TECHNICAL SERVICES	CAR SERVICE	905352	DEVIATION	BERGVILLE SUPA QUICK	R13 908.00	REPAIRS & MAINTENANCE NB5096
19	TECHNICAL SERVICES	CAR SERVICE	906584	DEVIATION	BERGVILLE SUPA QUICK	R130 285.42	VEHICLE SPARE PARTS
20	TECHNICAL SERVICES	CAR SERVICE	906594	DEVIATION	BERGVILLE NEW HOLLARD	R28 225.98	SERVICE FOR EQUIPMENT
21	TECHNICAL SERVICES	CAR SERVICE	906002	DEVIATION	DAVES PANEL BEATERS CC	R3 500.01	EXCESS- CHEVROLET UTILITY NB8515

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22	TECHNICAL SERVICES	CAR SERVICE	906380	DEVIATION	DAVES PANEL BEATERS CC	R7 005.40	EXCESS- TOYOTA HILUX NB8055
23	TECHNICAL SERVICES	CAR SERVICE	906533	DEVIATION	ELB EQUIPMENT HOLDINGS LTD	R8 447.25	VEHICLE SERVICE
24	TECHNICAL SERVICES	CAR SERVICE	905717	DEVIATION	ELB EQUIPMENT HOLDINGS LTD	R24 643.52	SERVICE FOR DREST TD 15M DOZER
25	TECHNICAL SERVICES	CAR SERVICE	904848	DEVIATION	ESCOURT FARMERS EQUIPMENT	R6 125.37	SERVICE FOR NISSAN WATER TANKER TRUCK
26	TECHNICAL SERVICES	CAR SERVICE	905030	DEVIATION	ESCOURT FARMERS EQUIPMENT	R11 070.91	SERVICE FOR VEHICLES
27	TECHNICAL SERVICES	CAR SERVICE	905992	DEVIATION	ESCOURT FARMERS EQUIPMENT	R4 981.90	SERVICE FOR NISSAN TRUCK NB5308
28	TECHNICAL SERVICES	CAR SERVICE	905633	DEVIATION	ESCOURT FARMERS EQUIPMENT	R3 816.72	02 REAR VIEW MIRRORS RH & LH LAMP ASSY



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29	TECHNICAL SERVICES	CAR SERVICE	905542	DEVIATION	ESCOURT FARMERS EQUIPMENT	R5 475.55	VEHICLES SERVICES
30	TECHNICAL SERVICES	CAR SERVICE	906194	DEVIATION	ESCOURT FARMERS EQUIPMENT	R46 028.99	REPAIRS
31	TECHNICAL SERVICES	CAR SERVICE	905540	DEVIATION	GEARMAX (PTY) LTD	R38 500.00	SUPPLY & DELIVERY OF GEARBOX SET AND ACC
32	TECHNICAL SERVICES	CAR SERVICE	906550	DEVIATION	JOHN BROKENSHA (PTY) LTD	R3 129.44	VEHICLE SERVICE
33	TECHNICAL SERVICES	CAR SERVICE	905558	DEVIATION	JOHN BROKENSHA (PTY) LTD	R2 326.32	SERVICE FOR NB8515 WITH 30000KM
34	TECHNICAL SERVICES	CAR SERVICE	905055	DEVIATION	LADYSMITH PANELBEATERS CC	R3 500.00	EXCESS ON INSURANCE CLAIM AS INSTRUCTED
35	TECHNICAL SERVICES	CAR SERVICE	906008	DEVIATION	LATERAL UNISON INSURANCE BROKERS	R10 498.04	EXCESS PAYMENT FOR NB1861

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36	TECHNICAL SERVICES	CAR SERVICE	904945	DEVIATION	LATERAL UNISON INSURANCE BROKERS	R2 728.60	PRO RATE PREMIUM OF 2 MOTOR VEHICLE
37	TECHNICAL SERVICES	CAR SERVICE	905365	DEVIATION	LATERAL UNISON INSURANCE BROKERS	R3 500.01	ANNUAL INSURANCE
38	TECHNICAL SERVICES	CAR SERVICE	905074	DEVIATION	MORTIMER TOYOTA (PTY) LTD	R13 030.96	REPAIRS& MAINTENANCE VEHICLES AND TRACTORS
39	TECHNICAL SERVICES	CAR SERVICE	905246	DEVIATION	MORTIMER TOYOTA (PTY) LTD	R9 906.18	VEHICLES SERVICES
40	TECHNICAL SERVICES	CAR SERVICE	905706	DEVIATION	MORTIMER TOYOTA (PTY) LTD	R2 351.00	SERVICE FOR NB1158
41	TECHNICAL SERVICES	CAR SERVICE	905514	DEVIATION	MORTIMER TOYOTA (PTY) LTD	R4 489.40	VEHICLE SERVICES
42	TECHNICAL SERVICES	CAR SERVICE	906500	DEVIATION	MORTIMER TOYOTA (PTY) LTD	R10 642.46	VEHICLE SERVICES

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43	TECHNICAL SERVICES	CAR SERVICE	906166	DEVIATION	MORTIMER TOYOTA (PTY) LTD	R8 277.10	VEHICLE SERVICE
44	TECHNICAL SERVICES	CAR SERVICE	906287	DEVIATION	MORTIMER TOYOTA (PTY) LTD	R5 425.65	VEHICLE SERVICE
45	TECHNICAL SERVICES	CAR SERVICE	906596	DEVIATION	MORTIMER TOYOTA (PTY) LTD	R8 524.00	VEHICLE SERVICE
46	TECHNICAL SERVICES	CAR SERVICE	905958	DEVIATION	MORTIMER TOYOTA (PTY) LTD	R3 342.70	VEHICLE SERVICES
47	TECHNICAL SERVICES	CAR SERVICE	905340	DEVIATION	N11 COMMERCIALS (PTY) LTD	R6 674.54	SERVICE FOR NB4566
48	TECHNICAL SERVICES	CAR SERVICE	905528	DEVIATION	N11 COMMERCIALS (PTY) LTD	R30 148.11	VEHICLES SERVICES
49	TECHNICAL SERVICES	CAR SERVICE	905197	DEVIATION	NATAL POWER TOOL DISTRIBUTORS CC	R9 085.80	02 DIESEL PUMPS FR152

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50	TECHNICAL SERVICES	CAR SERVICE	906125	DEVIATION	NMI DURBAN MOTORS (PTY) LTD	R6 614.85	SERVICE FOR MAYOR'S VEHICLE
51	TECHNICAL SERVICES	CAR SERVICE	906579	DEVIATION	NMI DURBAN MOTORS (PTY) LTD	R3 156.50	SERVICE FOR JEEP NB1861
52	TECHNICAL SERVICES	CAR SERVICE	906708	DEVIATION	NMI DURBAN MOTORS (PTY) LTD	R11 902.00	SERVICE FOR NB5995 FIAT STRADA
53	TECHNICAL SERVICES	CAR SERVICE	906576	DEVIATION	NMI DURBAN MOTORS (PTY) LTD	R7 189.95	VEHICLE SERVICE
54	TECHNICAL SERVICES	CAR SERVICE	905831	DEVIATION	NMI DURBAN MOTORS (PTY) LTD	R2 674.15	SERVICE FOR MAYORS VEHICLE 105095KM
55	TECHNICAL SERVICES	CAR SERVICE	905658	DEVIATION	NMI DURBAN MOTORS (PTY) LTD	R7 021.20	REPAIRS OF MAYORS VEHICLE NB1861
56	TECHNICAL SERVICES	CAR SERVICE	906603	DEVIATION	SILVERTON RADIATORS	R6 592.62	VEHICLE SERVICES

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57	TECHNICAL SERVICES	CAR SERVICE	905991	DEVIATION	SPARETEC AUTOMOTIVE	R4 840.00	VEHICLE SERVICE
58	SOCIAL SERVICES	FOOD PARCELS: NATURAL DISASTER AND DEATHS IN INDIGENT FAMILIES	906899	DEVIATION	BERGVILLE GARAGE	R312 000.12	Various disaster like lightning, heavy rains, winds, fire and deaths in the indigent families, took place in various wards, between 09 October 2015 to 01 June 2016. All families were attended identified were attended by our disaster and working on fire personnel and relevant Councilors. Were assisted with tents, blankets and groceries urgently. This was essential since our communities were left with nothing to eat, no shelter and clothes.
<b>TOTAL</b>						<b>R1 819 062.00</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 forth quarter under section 114 of MFMA*

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## 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: Hlengiwe Nkosi

Reviewed: Thokozane Gambu

Approved by: Siphon Ndabandaba