



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

FIRST QUARTER: 2016/2017

FOR INFORMATION

01 JULY 2016 TO 30 SEPTEMBER 2016

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

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 18 May 2016. The effective date of the policy was 1 July 2016.

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 2016 to 30 September 2016.

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 18 May 2016 with the effective date being 1 July 2016.

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-vacant

SCM Officer

Contract Management Officer

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

SCM Practitioner x 2

SCM Clerks x2

Stores Dispatching Clerk x1- vacant

Store Receiving Clerk x1

Two positions are currently not filled. A Declaration Form in terms of Section 7 (2) (Schedule 1) for councilors and Section 5A(2) (Schedule 2) of the Municipal Systems Act No 32, 2000 has been circulated to all Bid Committee members and SCM officials to declare their interest and to be signed under Oaths, as well as to councilors. The forms has been completed and returned to SCM Officer by officials and councillors.

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.

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

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 agendas 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 Circulars and include specifications and evaluation criteria as recommended by the Specifications Committee and approved by the Accounting Officer.

Challenges

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

Service providers are completing all municipal bid documents but sometimes they mislead the municipality by providing incorrect information.

Proposed Solution

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)

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

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

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 2016/2017, 2017/2018 and 2018/2019 is now due.

Challenges

Sometimes departments 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

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

3.1. CONTRACT: TERMINATION OF SERVICES

The following services have been terminated

Name of Service Provider	Contract No	Contract Name	Date of Termination	Reasons for termination of services
Judy Magwaza	8/1/1/4/1-SOC06/2013	To render major events coordination and fund- raising	02/09/2016	End of contract
Ntshidi & Associates	8/1/1/4/1- FIN 02/2014	Savings review (identification of savings and recovery of such savings from SARS general on the contingencies)	30/09/2016	End of contract
EThemba Computers & Computers cc	N/A	Continued hardware support for Dolphin System for one year	11/08/2016	End of contract
Camelsa Consulting	N/A	Pastel maintenance for one year	30/09/2016	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.

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

3.2 CONTRACT: EXTENSION OF CONTRACTS

Name of Service Provider	Contract No	Reason of Extension	Date of Extension
Amadlaba General Trading	8/1/1/4/1 TEC15/2015	Extension of validity period	31/10/2016
Barleda 65cc	8/1/1/4/1 TEC16/2016	Extension of validity period	31/10/2016
Amadlaba General Trading	8/1/1/4/1 TEC17/2016	Extension of validity period	31/10/2016

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.

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

	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	906888	UTHUKELA DISCTRICT MUNICIPALITY	R81.65				INTEREST ON OVERDUE ACCOUNT	FINANCE	Yes	26/08/2016
02	FRUITLESS/ WASTEFUL EXPENDITURE	INTEREST PAID	907180	ESKOM	R447.63 R255.58 R0.14				INTEREST ON OVERDUE ACCOUNT	FINANCE	Yes	16/09/2016
03	FRUITLESS/ WASTEFUL EXPENDITURE	INTEREST PAID	907251	UTHUKELA DISCTRICT MUNICIPALITY	R35.62				INTEREST ON OVERDUE ACCOUNT	FINANCE	No	
		TOTAL			R820.62							

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

ITEM	DEPARTMENT	DESCRIPTION	CONTRACT NUMBER/ EFT NUMBER	NATURE OF EXPENDITURE	BID/ QUOTATION AWARDED TO	CONTRACT AMOUNT	REASON FOR DEVIATION
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Report on the Implementation of the Supply Chain Management Policy: Okhahlamba Local Municipality

01	Technical Services	Vehicle repair	907027	DEVIATION	Mortimer Toyota (Pty) Ltd	R6 905.49	Repair alternator assy, w/regular for NB6047 Fortuner
02	Corporate Services	GRAP implementation training	907016	DEVIATION	University of Stellenbosch	R167 500.00	Five (5) employees was sent to attend IPSAS/GRAP implementation 2015/2016 which is offered by University of Stellenbosch and they are the only accredited training provider for this course.
03	Technical Services	Towing of vehicle from Escourt to Pietermaritzburg	906911	DEVIATION	DT Logistic	R3 850.00	NB1861 broke down at 05:30 on N3 in Escourt and we were forced to get a towing truck to remove off the road to PMB JEEP
04	Technical Services	Vehicle service	906890	DEVIATION	N11 Commercials (Pty) Ltd	R5 221.04	Service for NB1035
05	Technical Services	Grader repair	907055	DEVIATION	Bell Equipment	R8 218.37	Window door for bell grader NB5896
06	Technical Services	Excavator parts	907055	DEVIATION	Bell Equipment	R3 690.18	Tooth penetrate buckets, pin lock and retainer lock pin for bell excavator
07	Technical Services	Service of vehicle	907064	DEVIATION	John Brokensha	R4 221.49	Service for Chevrolet NB8124

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

08	Technical Services	Service of vehicle	907203	DEVIATION	Mortimer Toyota SA	R5 985.80	Service for NB3155 with 150 000km
09	Technical Services	Service of vehicle	907203	DEVIATION	Mortimer Toyota SA	R3 323.40	Service for Toyota Hilux NB8052 with 175 000km
10	Technical Services	Service of vehicle	907203	DEVIATION	Mortimer Toyota SA	R6 028.20	Service for Toyota Hilux D4D NB8055
11	Technical Services	Small tools	907119	DEVIATION	Bell Equipment	R2 259.47	Tooth female pin, washer retainer, pin tooth lock and adaptor tooth male for NB5895
12	Technical Services	Grader service	907217	DEVIATION	Bell Equipment	R11 629.25	Service of grader NB5896
13	Technical Services	Excavator service	907217	DEVIATION	Bell Equipment	R15 321.39	Service of excavator
14	Technical Services	Tools for TLB	907217	DEVIATION	Bell Equipment	R9 669.48	Tools for TLD NB5893 Pin b/hoe bucket 310/315, pin b/hoe bucket 310/315, boiler making by DR Yoeman

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

15	Technical Services	Grader service	907217	DEVIATION	Bell Equipment	R21 962.56	Service of grader NB5084 607G with 2222 hours
16	Technical Services	Supply and installation	907223	DEVIATION	Mortimer Toyota SA	R4 340.48	Supply and installation of bulb HID for NB5901 and NB1158
17	Technical Services	Tools	907226	DEVIATION	ELB Equipment Holdings LTD	R10 472.40	02 cutting edges, 30 bolt and 30 nuts for ELB dozer
TOTAL AMOUNT						R290 599.10	

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

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

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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