



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

SECOND QUARTER: 2015/2016

FOR CONDONATION

01 OCTOBER 2015 TO 31 DECEMBER 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 October 2015 to 31 December 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
Mthumeni Funerals	8/1/1/4/1- SOC 04/2013	Proposal of funeral	31/12/2015	End of contract
First National Bank	n/a	Banking Services	16/12/2015	End of contract

Proposed Solution

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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
Siyajuluka Trading Enterprise	8/1/1/4/1 TEC 19/2014	R7 670 424.50	Extension of time	28/02/2016
Shikani Trading	8/1/1/4/1 TEC 06/2014	R3 727 891.20	Extension of time	28/02/2016
JSV Plant Hire and Civil Works	8/1/1/4/1 TEC 02/2014	R1 665 264.35	Extension of time	31/01/2016

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.

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	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				
01	Wasteful Expenditure	Interest paid	Eskom	R71.22			Interest paid on overdue accounts	Finance	Yes	06/11/2015
02	Wasteful Expenditure	Interest paid	Eskom	R50.45			Interest paid on overdue accounts	Finance	Yes	10/12/2015
03	Wasteful Expenditure	Interest paid	Eskom	R127.60			Interest paid on overdue account			
TOTAL				R249.27						

Challenges

SCM procedures are not followed properly when procuring some services.

Proposed Solution

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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 Services	Natural Disaster	905584	DEVIATION	Bergville Garage	R31 500.00	Various disaster like, lightning, heavy rains and winds, fire and deaths in the indigent families, took place in various, between 1 st August 2015 and 6 th October 2015. All families identified were attended by our disaster and working on fire personnel and relevant Councilors. Were assisted with blankets, tents and groceries urgently. This was essential since our communities were left with nothing to eat, no shelter and clothes
02	Social Services	Two taxis required for transportation of 40 people from Bergville to Johannesburg, George Coach	905386	DEVIATION	Bergville Taxi Association	R14 060.00	There' s only one supplier for transport within our locality. 22 seater and 15 seater taxis
TOTAL						R45 560.00	

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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 second 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.

Challenges

Continuous identification of risks.

Proposed Solution

Continuous monitoring and evaluation.

Prepared By: Hlengiwe Nkosi

Reviewed :

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