



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

THIRD QUARTER: 2014/2015

FOR CONDONATION

MARCH 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 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 January 2015 to 31 March 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 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

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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

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- 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 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).

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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 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 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
Ema Le Rona Trading Enterprise 116	8/1/14 TEC 26/2013	Construction of tarred roads in Bergville	10/02/2015	Contract overdue
ENE Consulting	6/4/1/82	Electrification of	03/03/2015	Contract overdue

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Solutions		Rooihoek and Thintwa Village Projects		
Emakozeni Trading Enterprise t/a Harvey World Travel Agent Chanti Travel (Pty) Ltd	8/1/1/4/1-04/2014	FIN	Appointment of registered service provider to render services in respect of travel accommodation, airfares and car hire arrangements for the OLM for a period of twelve months	25/03/2015 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

Name of Service Provider	Contract No	Amount	Reason of Extension	Date of Extension
Mthumeni Funerals	8/1/1/4/1-SOC 04/2013	R750.00 per corpse	Contract extension on the month to month until SCM processes are finalized	

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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				
1	Wasteful Expenditure	Interest Paid	Eskom	R30.36			Interest paid on overdue accounts	Finance		
2	Wasteful Expenditure	Interest Paid	Telkom	R00.11			Interest paid overdue accounts	Finance		

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	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				
3	Wasteful Expenditure	Interest paid	Eskom	R00.10			Interest paid on overdue accounts	Finance		
4	Wasteful Expenditure	Interest paid	Telkom	R1 872.50			Interest paid overdue accounts	Finance		
5	Wasteful Expenditure	Interest paid	Eskom	R49.21			Interest paid on overdue account	Finance		
TOTAL				R1 952.28						

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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	DEPARTMENT	DESCRIPTION	CONTRACT/ EFT NUMBER	NATURE OF EXPENDITURE	BID/ QUOTATION AWARDED TO	CONTRACT AMOUNT	REASON FOR DEVIATION
01	CORPORATE SERVICES	Venue for rental in Bergville for the period of six (6) months	903922	Deviation	Red Cat Investments (Pty) Ltd	R39 344.69	The RQF was advertised on the Municipal Website and Notice Board for seven days as per requirement of the Municipal SCM Policy, but only one service provider managed to return the quotation before the closing time and they met all the specifications as per the end user
02	CORPORATE SERVICES	Occupational Health and Safety Training Workshop	903911	Deviation	The Horizon	R71 100.00	The RQF was advertised on the Municipal Website and Notice Board for seven days as per requirement of the Municipal SCM Policy, but only two service providers managed to return the quotation before the closing time and they met all the specifications as per the end user
03	SOCIAL DEVELOPMENT		903836	Deviation	BV Tents hire and Catering	R4 400.00	Toilets were required at the events but were however not included in the initial requisition.
04	CORPORATE SERVICES	Generic Skills Training outline for Admin Cleaners	903934	Deviation	Ndonga Trading Enterprise	R16 000.00	The RQF was advertised on the Municipal Website and Notice board for seven days as per the requirement of Municipal SCM Policy, but only one service providers managed to return the quotations as per the end user.

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05	SOCIAL DEVELOPMENT	Food Hampers	904114	Deviation	Bergville Garage	R22 000.00	On the afternoon of the 27 January 2015, heavy rain with strong winds and storm occurred, suspected to be a tornado, in Acton Homes village, ward 11. More than 69 families or households were affected. All families identified were attended by our disaster and working on fire personnel and assisted with blankets, tents and groceries urgently. This was essential since our communities were left with nothing to eat, no shelter and clothes. The municipality has a responsibility to assist, as a matter of urgency, in making sure that our people are looked after and cared for in times of need.
06	SOCIAL DEVELOPMENT	Food Hampers	904114	Deviation	Bergville Garage	R24 000.00	On the afternoon of the 27 January 2015, heavy rain with strong winds and storm occurred, suspected to be a tornado, in Acton Homes village, ward 11. More than 69 families or households were affected. All families identified were attended by our disaster and working on fire personnel and assisted with blankets, tents and groceries urgently. This was essential since our communities were left with nothing to eat, no shelter and clothes. The municipality has a responsibility to assist, as a matter of urgency, in making sure that our people are looked after and cared for in times of need.
07	SOCIAL DEVELOPMENT	Food Hampers	904114	Deviation	Bergville Garage	R22 500.00	On the afternoon of the 21 st January 2015, heavy rains with strong winds and storm occurred in Isandlwana and Ezibomvu village, ward 05. More than 42 families or households were affected. All families identified were attended by our disaster and working on fire personnel and assisted with

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							08blankets, tents and groceries urgently. This was essential since our communities were left with nothing to eat, shelter and clothes. The municipality has a responsibility to assist, as a matter of urgency, in making sure that our people are looked after and cared for in times of need.
08	CORPORATE SERVICES	Competency assessment for Senior Managers	904088	Deviation	Group Red Sky (Pty) Ltd	R15 253.20	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 providers managed to return the quotation before the closing time. And they met all the specification as per the end user.
09	CORPORATE SERVICES	Customer Care Training/ Workshop	904077	Deviation	Fachs Business Consulting and Training (Pty) Ltd	R29 920.80	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 providers managed to return the quotation before the closing time. And they met all the specification as per the end user.
TOTAL						R244 518.70	

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

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No deviation incurred in third 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.

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