

# EMTHANJENI MUNISIPALITEIT



## **SUPPLY CHAIN MANAGEMENT IMPLEMENTATION REPORT FOR THE 2013/2014 FINANCIAL YEAR**

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**The scope of the implementation review will include the following:**

### **Introduction**

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## INTRODUCTION

### Supply Chain Management Implementation Report

The Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003), (the 'MFMA') requires the municipality to have and implement a Supply Chain Management Policy which gives effect to the provisions of Part 1 of Chapter 11 of the Act that deals with 'Supply Chain Management'.

On the 30th May 2005 the Municipal Supply Chain Management Regulations were issued. As a Medium Capacity Municipality the Emthanjeni Local Municipality had to comply with the provisions of the Regulations from 01 January 2006. Annually the SCM Policy is revised by Council. The SCM Policy, together with the applicable set of delegations was approved by Council on 30 May 2013 at a legally constituted Council meeting.

Although the MFMA prohibits a Councillor from being a member of a bid committee or any other committee evaluating or approving quotations, bids or tenders the council has an oversight role to ensure that the accounting officer implements all supply chain management activities in accordance with this policy. For the purposes of such oversight the Regulations require that the accounting officer must –

- (a) Within 30 days of the end of each financial year, submit a report on the implementation of the policy to the Council.**

Following please find said Supply Chain Management Implementation Report for the 2013/2014 financial year.

# 1. The Delegations

The Accounting Officer is responsible for implementing the policy and taking all reasonable steps to ensure that proper mechanisms and separation of duties in the supply chain management system are in place to minimise the likelihood of fraud, corruption, favouritism and unfair and irregular practices.

In terms of this responsibility Council has adopted a full set of delegations which assist in maximising the administrative and operational efficiency. The delegations also provide adequate checks and balances in the municipalities Supply Chain Management function. According to Section 79 and 106 of the MFMA delegations and sub-delegations in terms of sub-section 1 must be in writing.

Currently the Accounting Officer has delegated powers and duties to directors as prescribed by the SCM Policy, but these delegations have not been conferred in writing between the individuals. There are also minor sub-delegations in place in terms of individual officials' job description but has these sub-delegations not been conferred in writing between the parties as is prescribed by the policy. The municipality has duly implemented the Bid Committee system, but also without the proper written delegations.

The undertaking by the Supply Chain Management Unit to exercise a thorough identification of the powers and the duties of officials to determine the relevant levels for sub-delegations to the incumbents and compile written delegations and have implemented this system of written delegations in terms of the legislation by the 1st of October 2007 has not been reached.

A vacancy exist s in the SCM unit. The position of the SCM Accountant was advertised on several occasions during the 2013/2014 financial year. The quality of applications were not of a good standard and applicants did not met the criteria as set out in the advertisement. Head hunting for this position will take place in the new financial year.

SCM reports are submitted to the National and Provincial Treasury as well as the Council and MPAC on a regular basis.

Progress on the implementation will be provided on an ongoing basis through the quarterly reports.

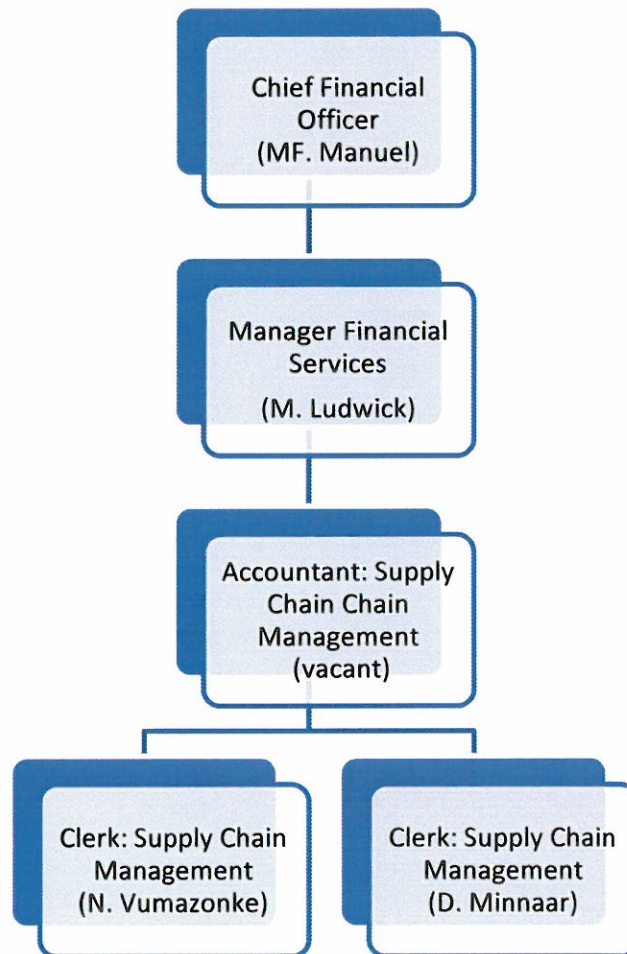
# 1. Organisational Structure

In terms of Paragraph 7 of the Municipal Supply Chain Management Regulations (MSCMR) the municipality must establish a Supply Chain Management Unit (SCMU) to implement its supply chain management policy. The SCMU operates under the direct supervision of the Chief Financial Officer (CFO) or may be delegated to an official in terms of Section 82 of the MFMA.

However the SCM Accountant and staff reports directly to the Manager Financial Services.

The position of Accountant: Supply Chain Management is still vacant and Council will appoint someone in that position during the 2014/2015 financial year. With all the challenges facing the SCM unit, procurement is being done centrally and the SCM unit functioning under enormous strain.

The organizational structure within the unit is set out as follows:



During the reporting period the staff complement that performed the duties and functions in terms of the SCM policy were as follows:

Chief Financial Officer -	Supply Chain Management Practitioner Co-ordinates and controls the implementation of the Policy
Manager of Financial Services -	Supply Chain Management Practitioner Co-ordinates and controls the implementation of the Policy
Accountant: Supply Chain Management -	Implementation of the policy Supervise the implementing staff Processing of all procurement
Clerk: Supply Chain Management -	Processing of all procurement

This structure ensures that proper mechanisms and separation of duties in the supply chain management system are in place to minimise the likelihood of fraud, corruption, favouritism and unfair and irregular practices. The Chief Financial Officer is responsible for the administration and the implementation of the SCM policy and interchangeably takes part in the Bid Committee system.

## 2. Competency Levels of the Supply Chain Management Unit

Various SCM workshops were attended by Senior Managers, SCM staff and other staff members during the financial year. These workshops were planned and organised by Provincial Treasury: SCM unit.

These content of the workshops were mainly the latest promulgation of the regulations that relates to SCM for example how to fully implement the point scoring of BBB-EE, how to apply the local content of the Supply Chain Management thereof in the Municipality.

Officials were furthermore exposed to training during the financial year. Representatives of the Northern Cape Provincial Treasury were on hand to provide training on supply chain, assets, record management, CIBD and National Treasury contracts.

The following officials have been exposed to SCM training and workshops:

Official	Designation	Training
Manuel F	Chief Financial Officer	<ul style="list-style-type: none"> <li>• Training on supply chain, assets, record management, CIBD and National Treasury contracts</li> </ul>
Jack M	Accountant: SCM	<ul style="list-style-type: none"> <li>• Training on supply chain, assets, record management, CIBD and National Treasury contracts</li> <li>• Supply Chain Management workshop</li> </ul>
Vumazonke N	Clerk: SCM	<ul style="list-style-type: none"> <li>• Training on supply chain, assets, record management, CIBD and National Treasury contracts</li> <li>• Supply Chain Management workshop</li> </ul>
Minnaar D	Clerk: SCM	<ul style="list-style-type: none"> <li>• Training on supply chain, assets, record management, CIBD and National Treasury contracts</li> <li>• Supply Chain Management workshop</li> </ul>
Jack MR	Director Community Services	<ul style="list-style-type: none"> <li>• Training on supply chain, assets, record management, CIBD and National Treasury contracts</li> <li>• Supply Chain Management workshop</li> </ul>
Lubbe W	Manager: Infrastructure	<ul style="list-style-type: none"> <li>• Training on supply chain, assets, record management, CIBD and National Treasury contracts</li> </ul>
Wambi A	Accountant: Expenditure	<ul style="list-style-type: none"> <li>• Training on supply chain, assets, record management, CIBD and National Treasury contracts</li> </ul>
Cona C	Intern	<ul style="list-style-type: none"> <li>• Training on supply chain, assets, record management, CIBD and National Treasury contracts</li> </ul>
Adams N	Intern	<ul style="list-style-type: none"> <li>• Training on supply chain, assets, record</li> </ul>

		management, CIBD and National Treasury contracts
Qoba N	Credit Control	<ul style="list-style-type: none"> <li>• Training on supply chain, assets, record management, CIBD and National Treasury contracts</li> </ul>
Msengana W	Intern	<ul style="list-style-type: none"> <li>• Training on supply chain, assets, record management, CIBD and National Treasury contracts</li> </ul>
Jacobs P	Foreman: Infrastructure	<ul style="list-style-type: none"> <li>• Supply Chain Management workshop</li> </ul>
Eiman E	Clerk: Expenditure	<ul style="list-style-type: none"> <li>• Supply Chain Management workshop</li> </ul>
Law A	Clerk: Expenditure	<ul style="list-style-type: none"> <li>• Supply Chain Management workshop</li> </ul>



### 3. Demand Management

#### Preferred Suppliers Database

In terms of the Municipal Financial Management Act (MFMA) (Act 56 of 2003) the Emthanjeni Local Municipality is required to have a Preferred Suppliers Database.

Purchases for goods and services for the Municipality shall be made through the Preferred Suppliers Database. The Emthanjeni Local Municipality has a Preferred Suppliers Database and requested all current as well as interested suppliers to register on our database during September 2013.

The current database application form has been proven to be a cumbersome document to complete and will the document be reviewed in order to make it more accessible and will sent an invitation to register and update the current database. An advertisement will be publish during July 2014.

#### Supply Chain Management processes

The following thresholds are currently being adhered to in order to support the strategic and operational commitments of the Municipality:

**(a) For procurement to a value of R1 000 (VAT included)**

- One quotation will be required
- The supplier is selected and appointed on a rotation basis, provided that the parts or repairs are supplied immediately
- Normal stock items: the buyer will re-order at the agreed minimum stock level
- For the purchasing of non-stock items authorization is required in accordance with the delegations

**(b) For procurement of values between R1 001 and R2 000 (VAT included)**

- Two quotations will be required
- The supplier is selected and appointed on a rotation basis, provided that the parts or repairs are supplied immediately
- Normal stock items: the buyer will re-order at the agreed minimum stock level
- For the purchasing of non-stock items authorization is required in accordance with the delegations

**(c) For procurement of values between R2 001 and R10 000 (VAT included)**

- Three written quotations will be required
- The supplier is selected and appointed on a rotation basis, provided that the parts or repairs are supplied immediately
- Normal stock items: the buyer will re-order at the agreed minimum stock level

- For the purchasing of non-stock items authorization is required in accordance with the delegations

**(d) For procurement of values between R10 001 and R200 000 (VAT included)**

- Three formal written quotations will be required
- The CFO will appoint the supplier on a rotation basis, depending on the urgency and delivering period
- All requirements in excess of R30 000 must be advertised for at least 7 days on the website and an official notice board of Emthanjeni Local Municipality
- The CFO will approve all purchases above R100 000

**(e) For procurement above R200 000 (VAT included) and long term contracts**

Goods and services are procured by way of a competitive bidding process for-

- procurement above a transaction value of R200 000 (VAT included); and
- the procurement of long term contracts.

The development of efficient and effective Procurement Procedures was set as a prime objective. This goal, although it is an ongoing process, has been reached.

## 4. The Bid Committee System

The Bid Committee system for competitive bids has been actively applied within the municipality over the past financial year. Officials are still being invited on an ad-hoc basis to participate in the committees as and when required, but with written delegations in order to participate in the committees.

### (a) The bid specification committee

The bid specification committee compiles the specifications for the procurement of goods or services by the municipality.

The committee is appointed by the Accounting Officer and must be composed of one or more officials of the municipality, preferably a Supply Chain Management Practitioner and the manager responsible for the function involved, and may when regarded appropriate by the Accounting Officer, include external specialist advisors.

The relevant Director is normally the chairperson of the Specifications Committee

### (b) The bid evaluation committee

The bid evaluation committee is appointed by the Accounting Officer and must as far as possible be composed of –

- One or two senior managers from the departments requiring the goods or services;
- Supply Chain Management Practitioner / Controller
- Tender Secretariat
- Internal Auditor

### (c) The bid adjudication committee

The bid adjudication committee may consist of:

- The Chief Financial Officer
- Supply Chain Manager
- Director
- Tender Secretariat
- Technical Expert in the relevant field who is an official, if such an expert exists

The Bid Adjudication Committee has been fully functional and has been involved in all bids exceeding R 200 000 and due to a conservative approach even awards to a lesser value.

### Bids awarded by the Bid Adjudication Committee

The following bids were awarded by the Bid Adjudication Committee in terms of the SCM Policy and the Preferential Procurement Policy for the 2013/2014 financial year:

**BIDS AWARDED BY BID ADJUDICATION COMMITTEE**

<b>PROJECT DESCRIPTION</b>	<b>PROJECT NO.</b>	<b>BIDDERS</b>	<b>AWARDED TO</b>	<b>AMOUNT OF RESPONSIVE TENDERS (SUCCESSFUL HIGHLIGHTED YELLOW)</b>	<b>POINTS AWARDED INTO PREFERENTIAL PROCUREMENT POLICY</b>
Consultant for Upgrading of De Aar Water Works.	T8/2013	<ul style="list-style-type: none"> <li>● Element Consulting Engineers</li> <li>● BVI Consulting Engineering</li> <li>● MVD Kalahari</li> <li>● SMEC South Africa</li> </ul>	<b>Element Consulting Engineers</b>	<ul style="list-style-type: none"> <li>● R 741 243.96</li> <li>● R 747 023.24</li> <li>● R 932 496.97</li> <li>● R6 895 370.00</li> </ul>	<ul style="list-style-type: none"> <li>● 98.00</li> <li>● 24.98</li> <li>● 85.86</li> <li>● 39.41</li> </ul>
Employee Health and Wellness Programme for Emthanjeni Municipality	T9/2013	<ul style="list-style-type: none"> <li>● Fortogenic Solution</li> <li>● Barend Springbok Psychological Services</li> </ul>	<b>Fortogenic Solution</b>	<ul style="list-style-type: none"> <li>● R 4 541 840</li> <li>● R 2 800 000</li> </ul>	<ul style="list-style-type: none"> <li>● 42.88</li> <li>● 98.00</li> </ul>
Upgrading of Streets and Storm Water in De Aar and Britstown	T10/2013	<ul style="list-style-type: none"> <li>● Funda Civils</li> <li>● Wasserman Teenwerke</li> <li>● Weird Industries</li> <li>● Wezan Building and Civil Construction CC</li> <li>● NTSU Trading</li> <li>● Zamuvuka Construction</li> <li>● Benver Civils and Plant Hire</li> <li>● Enthsa Henra</li> </ul>	<b>Funda Civils</b>	<ul style="list-style-type: none"> <li>● 5 339 614.76</li> <li>● R6 776 452. 98</li> <li>● R6 806 051. 15</li> <li>● R5 137 370. 90</li> <li>● R5 604 236. 58</li> <li>● R5 564 236. 26</li> <li>● R5 837 658. 42</li> <li>● R5 995 960. 37</li> </ul>	<ul style="list-style-type: none"> <li>● 92.90</li> <li>● 71.29</li> <li>● 70.77</li> <li>● 90.00</li> <li>● 89.82</li> <li>● 90.52</li> <li>● 86.73</li> <li>● 79.96</li> </ul>

		<ul style="list-style-type: none"> <li>● De Jagers Loodgieter Construction</li> <li>● Barnies Construction</li> </ul>		<ul style="list-style-type: none"> <li>● R6 328404. 12</li> <li>● R7 9878 051. 96</li> </ul>	<ul style="list-style-type: none"> <li>● 69.13</li> <li>● 40.23</li> </ul>
<p>Upgrading of Streets and Storm Water in De Aar and Britstown</p>	<p>T11/2013</p>	<ul style="list-style-type: none"> <li>● Funda Civils</li> <li>● Wasserman Teerwerke</li> <li>● Weird Industries</li> <li>● Wezan Building and Civil Construction CC</li> <li>● NTSU Trading</li> <li>● Zamuvuka Construction</li> <li>● Benver Civils and Plant Hire</li> <li>● Enthsa Henra</li> <li>● De Jagers Loodgieter Construction</li> <li>● Barnies Construction</li> </ul>	<p><b>Funda Civils</b></p>	<ul style="list-style-type: none"> <li>● R4 766 060. 87</li> <li>● R5 857 412. 06</li> <li>● R5 780 709 .77</li> <li>● R4 526 903. 63</li> <li>● R4 717 790. 02</li> <li>● R5 075 514. 84</li> <li>● R4 894 560 .13</li> <li>● R5 023 592 .59</li> <li>● R5 419 806 .18</li> <li>● R6 395 196 .48</li> </ul>	<ul style="list-style-type: none"> <li>● 93.25</li> <li>● 73.55</li> <li>● 75.07</li> <li>● 90.00</li> <li>● 95.20</li> <li>● 87.09</li> <li>● 91.69</li> <li>● 85.13</li> <li>● 80.25</li> <li>● 52.86</li> </ul>
<p>Upgrading of Streets and Storm Water in De Aar and Britstown</p>	<p>T12/2013</p>	<ul style="list-style-type: none"> <li>● Zamuvuka Construction</li> <li>● Wasserman Teerwerke</li> <li>● Weird Industries</li> <li>● Wezan Building and Civil Construction CC</li> <li>● NTSU Trading</li> <li>● Funda Civils</li> <li>● Benver Civils and Plant Hire</li> <li>● Enthsa Henra</li> <li>● De Jagers Loodgieter Construction</li> </ul>	<p><b>Zamuvuka Construction</b></p>	<ul style="list-style-type: none"> <li>● R6 164 043 .27</li> <li>● R8 583 166. 02</li> <li>● R8 655 153. 27</li> <li>● R6 375 613. 13</li> <li>● R7 613 734 .99</li> <li>● R6 863 039. 17</li> <li>● R7 734 754 .76</li> <li>● R7 691 6629. 70</li> <li>● R8 285 609 .38</li> </ul>	<ul style="list-style-type: none"> <li>● 98.00</li> <li>● 64.68</li> <li>● 63.63</li> <li>● 86.91</li> <li>● 77.83</li> <li>● 87.79</li> <li>● 76.07</li> <li>● 72.70</li> <li>● 67.02</li> </ul>

			<ul style="list-style-type: none"> <li>• Barnies Construction</li> </ul>		<ul style="list-style-type: none"> <li>• R10 502 167. 74</li> </ul>	<ul style="list-style-type: none"> <li>• 40.23</li> </ul>
Upgrading of Streets and Storm Water in De Aar and Britstown	T13/2013		<ul style="list-style-type: none"> <li>• NTSU Trading</li> <li>• Wasserman Teerwerke</li> <li>• Trucon Professional Civil Engineering Solutions</li> <li>• Zamuvuka Construction</li> <li>• Funda Civils</li> <li>• Benver Civils and Plant Hire</li> <li>• Enthsa Henra</li> <li>• De Jagers Loodgieter</li> <li>• Barnies Construction</li> </ul>	<ul style="list-style-type: none"> <li>• NTSU Trading</li> </ul>	<ul style="list-style-type: none"> <li>• R2 733 634. 74</li> <li>• R4 207 797 .00</li> <li>• R3 626 137. 88</li> <li>• R3 712 934. 18</li> <li>• R3 647 869. 68</li> <li>• R3 344 637. 45</li> <li>• R3 591 126. 20</li> <li>• R3 808 774. 20</li> <li>• R4 112 .566. 74</li> </ul>	<ul style="list-style-type: none"> <li>• 90.00</li> <li>• 55.08</li> <li>• 72.35</li> <li>• 69.74</li> <li>• 71.70</li> <li>• 80.71</li> <li>• 73.39</li> <li>• 66.93</li> <li>• 57.91</li> </ul>
Upgrading of Streets and Storm Water in De Aar and Britstown	T14/2013		<ul style="list-style-type: none"> <li>• NTSU Trading</li> <li>• Wasserman Teerwerke</li> <li>• Trucon Professional Civil Engineering Solutions</li> <li>• Zamuvuka Construction</li> <li>• Funda Civils</li> <li>• Benver Civils and Plant Hire</li> <li>• Enthsa Henra</li> <li>• De Jagers Loodgieter</li> <li>• Barnies Construction</li> </ul>	<ul style="list-style-type: none"> <li>• NTSU Trading</li> </ul>	<ul style="list-style-type: none"> <li>• R2 738 525 .33</li> <li>• R4 272 252. 60</li> <li>• R3 626 137. 88</li> <li>• R3 317 024. 37</li> <li>• R3 811 816. 40</li> <li>• R3 356 299. 65</li> <li>• R3 600 817. 11</li> <li>• R3 845 046 .15</li> <li>• R4 069 580. 87</li> </ul>	<ul style="list-style-type: none"> <li>• 90.00</li> <li>• 53.37</li> <li>• 72.52</li> <li>• 81.68</li> <li>• 67.02</li> <li>• 80.52</li> <li>• 73.27</li> <li>• 66.03</li> <li>• 59.38</li> </ul>
Review of VALUE ADDED TAX of Emthanjeni Municipality for the	T11/2013		<ul style="list-style-type: none"> <li>• OMA Chartered Accountants</li> <li>• Maximum Profit Recovery</li> <li>• Mak Consultants</li> </ul>	<ul style="list-style-type: none"> <li>• OMA Chartered Accountants</li> </ul>	<ul style="list-style-type: none"> <li>• 10% of receipts from SARS</li> <li>• 17.1%</li> </ul>	<ul style="list-style-type: none"> <li>• 90.00</li> <li>• 10.00</li> <li>• -37.00</li> </ul>

period 01 July 2008 TO 30 June 2013.		<ul style="list-style-type: none"> <li>Ducharme Consultants</li> <li>Akhile Consulting</li> <li>Taxshop</li> <li>Theron du Plessis</li> </ul>		<ul style="list-style-type: none"> <li>22.5%</li> <li>9%</li> <li>10%</li> <li>20%</li> <li>R1 582 400. 00</li> </ul>	<ul style="list-style-type: none"> <li>90.00</li> <li>90.00</li> <li>90.52</li> <li>-15.00</li> <li></li> </ul>
Professional Engineering Services for the Planning, Design and Construction for the Upgrading of Athletics Track at De Aar Sportgrounds	T12/2013	<ul style="list-style-type: none"> <li>MVD Kalahari Consulting</li> <li>Element Consulting Engineers</li> <li>SMEC South Africa</li> <li>PD Naidoo Associates Consulting Engineers</li> </ul>	<b>MVD Kalahari Consulting</b>	<ul style="list-style-type: none"> <li><b>R267 900. 00</b></li> <li>R403 741. 40</li> <li>R440 826. 60</li> <li>R342 000. 00</li> </ul>	<ul style="list-style-type: none"> <li><b>90.00</b></li> <li>60.36</li> <li>47.91</li> <li>65.11</li> </ul>
Professional Service Provider: Development of Revenue Enhancement Strategy and Implementation Plan for Emthanjeni Municipality	T1/2014	<ul style="list-style-type: none"> <li>Smart Metro</li> <li>Morar's Incorporated</li> <li>U.M.S.</li> <li>PWC</li> <li>Ilitha Leliswa Consultants</li> <li>Rumas</li> <li>Roenet</li> <li>Zandile</li> <li>i@Consulting</li> </ul>	<b>Smart Metro</b>	<ul style="list-style-type: none"> <li><b>50% on bankable receipts</b></li> <li>R10 760 976</li> <li>R6 806 051. 15</li> <li>R3 867 838</li> <li>R 962 160</li> <li>R1 781 950</li> <li>R5 604 236. 58</li> <li>R5 564 236. 26</li> <li>R5 837 658. 42</li> </ul>	<ul style="list-style-type: none"> <li><b>95.00</b></li> <li>10.00</li> <li>5.00</li> <li>9.00</li> <li>8.00</li> <li>5.00</li> <li>95.00</li> <li>8.00</li> <li>5.00</li> </ul>
Rehabilitation of De Aar Waste Water Treatment Works	T2/2014	<ul style="list-style-type: none"> <li>Tecroveer Projects (Pty) Ltd</li> <li>Jorian Construction</li> <li>JPS water and Sewerage</li> </ul>	<b>Tecroveer Projects (Pty) Ltd</b>	<ul style="list-style-type: none"> <li><b>R4 785 071</b></li> <li>R7 289 202</li> <li>R10 003 062</li> </ul>	<ul style="list-style-type: none"> <li><b>99.00</b></li> <li>52.90</li> <li>-3.71</li> </ul>

			Contractors				
Tender was not yet advertised			<ul style="list-style-type: none"> <li>• CBI Electric Solutions</li> </ul>			<ul style="list-style-type: none"> <li>• R8 788 537</li> </ul>	<ul style="list-style-type: none"> <li>• 19.70</li> </ul>
Provision of Shortterm Insurance	T3/2014						
	T4/2014		<ul style="list-style-type: none"> <li>• AON</li> <li>• Marsh</li> <li>• Unison Lateral</li> </ul>	<b>AON</b>		<ul style="list-style-type: none"> <li>• <b>R2 200 000</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>89.00</b></li> <li>• 87.90</li> <li>• 67.61</li> </ul>
Administration & Selling of prepaid electricity	T5/2014		<ul style="list-style-type: none"> <li>• Contour Technology</li> <li>• Syntell</li> <li>• Easy Pay</li> <li>• Cigicell</li> </ul>	<b>Not yet appointed</b>			
De Aar Upgrading og Existing Gravel Athletics Track to as Synthetic Athletics Track at De Aar Sports Grounds	T6/2014		<ul style="list-style-type: none"> <li>• Fintrex Sports Surfaces (Pty) Ltd</li> <li>• Zamuvuka Construction</li> <li>• Chrislek</li> <li>• BOBI Constuction</li> <li>• Roburn Konstruksie Trust II</li> <li>• Marange Plant and Mining</li> <li>• Mosengoana Trading</li> </ul>	<b>Not yet appointed</b>			
Supply and Delivery of Mayoral Vehicle	T7/2014		<ul style="list-style-type: none"> <li>• ZELCO MOTORS</li> <li>• BESTERS AUTO</li> <li>• TREK-IN-TOYOTA</li> <li>• SPRINGS CARS WHOLESALERS</li> </ul>	<b>ZELCO MOTORS</b>		<ul style="list-style-type: none"> <li>• <b>R300 000</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>92.90</b></li> <li>• 75.60</li> <li>• 70.77</li> <li>• 90.00</li> </ul>



## 5. Minor Breaches and Deviations

### 5.1 Minor breaches of procurement processes

The Supply Chain Management Policy states in Paragraph 39(1)(b) that: “The accounting officer may ratify minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely of a technical nature”

### 5.2 Deviations from Procurement Process

The Supply Chain Management Policy states in Paragraph 39(1)(a): “The accounting officer may dispense with the official procurement processes established by this policy and may procure any required goods or services through any convenient process, which may include direct negotiations, but only –

- (i) in a emergency;
- (ii) if such goods or services are produced or available from a single provider only;
- (iii) for the acquisition of special works of art or historical objects where specifications are difficult to compile;
- (iv) acquisition of animals for zoos and/or nature and game reserves; or
- (v) in any other exceptional case where it is impractical or impossible to follow the official procurement processes”

Accordingly please refer to **Appendix A** for a schedule of all the minor breaches & deviations approved by the Accounting Officer during the 2013/2014 financial year.

## 6. Awards to Close Family Members of Persons in the Service of the State

In terms of Regulation 45 of the Supply Chain Management Regulation, awards to close family members of persons in the service of the state must disclose particulars of awards of more than R 2000 in the Annual Financial Statements.

The following bids were awarded to a person who is a family member of a person in the service of the state:

<b>Business</b>	<b>Date</b>	<b>Cheque</b>	<b>Amount</b>	<b>Interest</b>
			<b>R</b>	
None have been identified				

## 7. Awards to Persons in the Service of the State

In terms of Council's Supply Chain Management Policy, Paragraph 49, the municipality is prohibited from doing business with any person in the service of the state.

The following deviations from this paragraph were approved by the Accounting Officer:

<b>Supplier</b>	<b>Date</b>	<b>Cheque number</b>	<b>Amount</b>	<b>Reason for deviating</b>
			<b>R</b>	
None have been identified				

## **8. Logistics, Disposals and Risk Management**

The SCM unit must provide an effective system to ensure the setting of inventory levels, placing of orders, receiving and distribution of goods, stores and warehouse management, expediting orders, vendor performance, maintenance and contract administration as well as provide for an effective method of disposal and letting of assets which is inclusive of redundant and obsolete stock. Such systems must also have in place mechanisms to identify, consider and avoid potential risk in the SCM system.

### **8.1 Setting of Inventory Levels**

The inventory levels are monitored on a regular basis and updated, with the assistance with the Expenditure Department.

### **8.2 Inventory Control**

The stock take for the 2009/10 financial year took place on the 30 June 2010. This stock take was however not pre-empted with regular quarterly checks or ad hoc spot checks and is a review of vital importance in order to reduce the risks of theft, pilferage and erroneous allocation of transactions.

In order to address these risks in 2010/2011, the responsibilities of quarterly stock takes have been allocated to the Expenditure Department. These stock takes have been done for the quarters ending December 2010 and March 2011.

### **8.3 Placing of Orders**

Copies of all orders are kept onsite and outstanding orders are followed up on a regular basis.

### **8.4 Receiving and Distribution of Goods**

The receipt and distribution of goods are recorded on the accounting system. This enables us to regularly do spot checks on stock as well as a full formal stock take at the end of the financial year.

### **8.5 Vendor Performance, Maintenance and Contract Administration**

Vendor performance is monitored continuously and problems are promptly addressed. Vendor records are also updated on a regular basis and contract administration are performed regularly to ensure service delivery.

### **8.6 Redundant and Obsolete Stock**

Redundant and obsolete stock are written off in terms of Council's Asset Management Policy.

## **8.7 Mechanisms to identify, consider and avoid potential risk in the SCM System**

The potential of risks are identified on a case by case basis when the specifications of a particular requirement are drawn up. Individual transactions are scrutinized by the heads of department with the relevant delegation of authority to ensure compliance with the SCM policy and further scrutiny is placed on the transactions before the payment is made by the office of the CFO.

## **9. Summary**

The implementation of Supply Chain Management in the municipality has become an accepted reality in the municipality.

Projects and procurement is being planned with cognisance of the requirements of the Supply Chain Management legislative framework. However more work should be done in order to improve strategic sourcing to enhance the value the municipality can derive in improved sourcing and supplier development.

The current shortcomings in the implementation of the Supply Chain Management Policy are constantly addressed. Council's SCM policy fully complies with the requirements of the SCM Regulations, and is ideally set to ensure that procurement processes of the municipality is fair, equitable, transparent, competitive and cost effective and comply with the prescriptions of the Municipal Finance Management Act.



**I. VISSER**  
**MUNICIPAL MANAGER**