

# EMTHANJENI MUNICIPALITEIT



## **SUPPLY CHAIN MANAGEMENT IMPLEMENTATION REPORT FOR THE 2018/2019 FINANCIAL YEAR**

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## 1. INTRODUCTION

The scope of the implementation review will include the following:

### **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 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 29 May 2018 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.**

## 2. 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.

The Accounting Officer has delegated powers and duties to directors as prescribed by the SCM Policy, these delegations have been conferred in writing between the individuals (CFO, MFS and all Accountant). There are also minor sub-delegations in place in terms of individual officials' job description but these sub-delegations have not been conferred in writing between the parties as is prescribed by the policy. The municipality has duly implemented the Bid Committee system, also with 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 been reached.

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.

### **3. Organisational Structure**

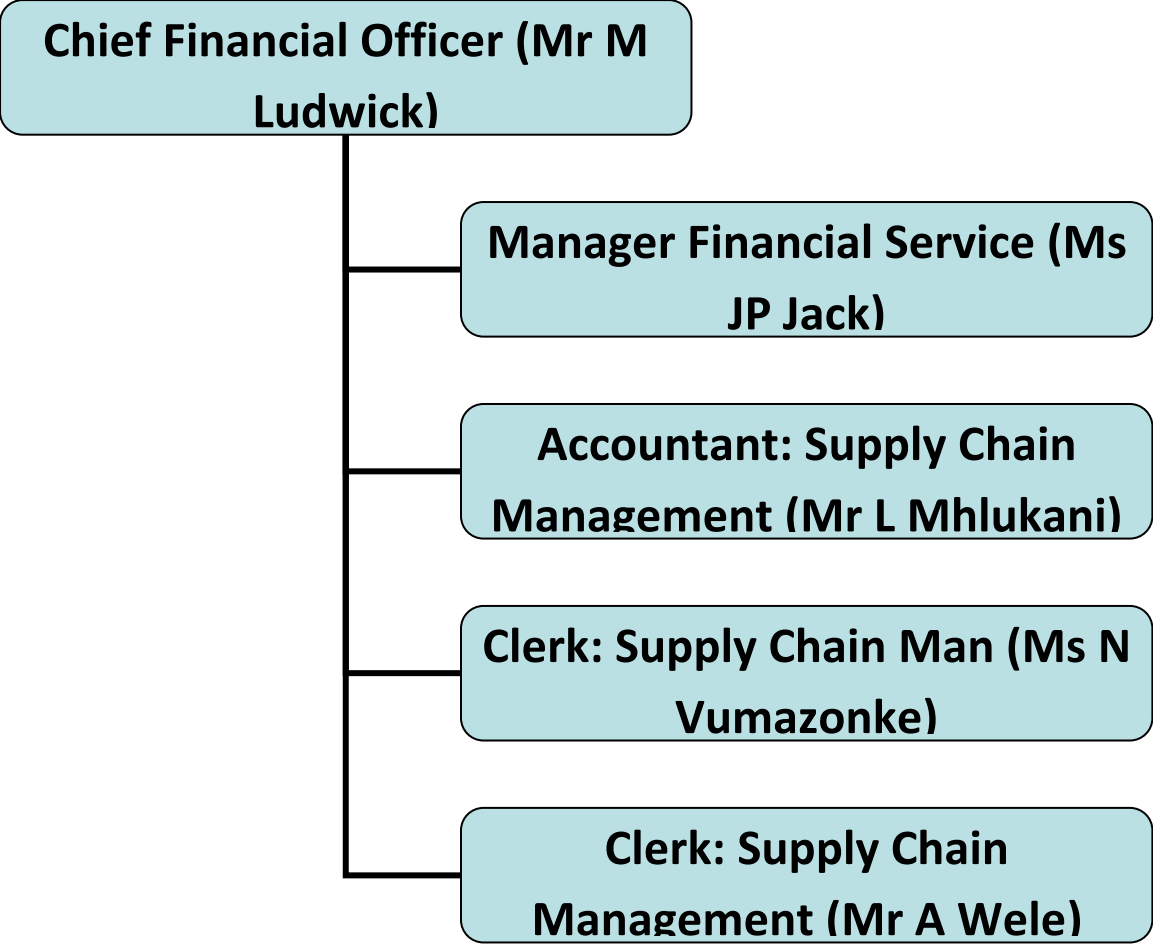
In terms of Paragraph 7 of the Municipal Supply Chain Management Regulations (MSCMR) the municipality must establish a Supply Chain Management Unit (SCMU) to implement its supply chain management policy. The SCMU operates under the direct supervision of the Chief Financial Officer (CFO) or may be delegated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

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

With all the challenges facing the SCM unit, procurement is being done centrally and the SCM unit functioning under enormous strain especially considering that we short staffed due to the departure of another clerk in January 2018, however this position has since been filled in November 2018 by Mr A Wele.

As the Supply Chain Unit Accountant we will recommend to the Chief Financial Officer that we get an additional staff in a form of the existing contractual interns who will be in supply chain unit to assist with load. With Regards to this plea we were given Ms Mosia to assist the unit, and as she is an intern therefore has since been rotated. We grateful for her assistance in making sure that there is a smooth efficient and effective working of the unit.

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
Clerks: 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.

#### **4. Competency Levels of the Supply Chain Management Unit**

No SCM related workshops or trainings were attended by the supply chain management unit staff under the current financial year 2018/2019.

The Supply Chain Unit staff Possesses a lot of experience amongst themselves; but because this unit is an ever changing unit on an everyday basis it is important that the staff be equipped by attending workshops and trainings when they request to do so, so that as the country and world is developing they are equally equipped to deal with the changes that comes with development. It is my plea then that this becomes priority in the municipality to make sure that this municipality is kept in par with the rest of the country.

## 5. Demand Management

### 5.1 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.

However Purchases for goods and services for all the Municipality since 2015/16 Financial Year has been made through the Central Suppliers Database (CSD). The Emthanjeni Local Municipality is using the Central Suppliers Database (CSD) and requested all current as well as interested suppliers to register on the database.

The Central Suppliers Database in an online web based system and anyone doing business with Municipality should register online. Emthanjeni Local Municipality has made efforts and continues to make efforts e.g. Workshops to assist businesses to register online on CSD and this is happening on a day to day as the office of SCM Unit is assisting individuals to register their businesses on the CSD.

### 5.2 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)**

- One 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)**

- Two 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.



## 6. 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.

### 6.1 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

The current members of the Bid Specification Committee are:

#### **Standing Members**

LM De Leeuw  
A Wele  
P Claaste  
H Joka

#### ***Advisors to the Specification Committee as Specialised Function as per specific tender that relates to a particular Directorate.***

Finance Directorate	:	M Ludwick & JP Jack
Corporate Services	:	T Msengana, S Mvandaba & M Jack
Community Services	:	MR CP Appies
Infrastructure Services	:	M Owies, W Lubbe, L Billy, S Mgijima

### 6.2 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

***The current members of the Bid Evaluation Committee are:***

Ms P Jack  
M Jack  
L Billy  
CP Appies  
N Vumazonke

**6.3 The bid adjudication committee**

The bid adjudication committee may consist of:

- The Chief Financial Officer
- Supply Chain Accountant
- 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. The Bid Adjudication Committee recommends to the Accounting Officer, the successful Bidder. The Accounting Officer has the discretion to ratify or rejects the recommendation of the Bid Adjudication Committee.

***The current members of the Bid Adjudication Committee are:***

M Ludwick  
M Owies  
T Msengana  
H Joka  
LC Mhlukani

**Bids recommended by the Bid Adjudication Committee and awarded by the Accounting Officer.**

The following bids were recommended by the Bid Adjudication Committee and awarded by Accounting Officer in terms of the SCM Policy and the Preferential Procurement Policy for the 2018/2019 financial year:

**BIDS RECOMMENDED BY BID ADJUDICATION COMMITTEE AND AWARDED BY THE ACCOUNTING OFFICER DURING 2018/2019 FINANCIAL YEAR.**

<b>PROJECT DESCRIPTION</b>	<b>PROJECT NO.</b>	<b>CLOSING DATES</b>	<b>BIDDERS</b>	<b>BID AMOUNTS</b>	<b>RESPONSIVE BIDDERS</b>	<b>BID POINTS SCORED</b>	<b>Bids Awarded to/Successful Bidder</b>
Provision of Security Services	T1/2018	23/11/2018	<ul style="list-style-type: none"> <li>• Mafoko Security Patrols</li> <li>• Dikgaetse di Trading and Projects</li> <li>• Bafazi Security Services</li> <li>• Sinegugu Security Services</li> <li>• Zakariya Security Services</li> <li>• Smada Security Services</li> <li>• Veeta non Verba General Trading</li> <li>• Thubaguts a Trading</li> </ul>	<p>R 11 358 531</p> <p>R18 861 227.28</p> <p>R 15 081 984.60</p> <p>R 22 054 432.24</p> <p>R 28 611 208</p> <p>R 10 212 084</p> <p>R 17 114 279</p> <p>R 22 430 243.65</p>	ALL Bidders were Responsive however not all made it through the final functionality stage.	<p>91.02</p> <p>32.34</p> <p>61.85</p> <p>7.23</p> <p>100.00</p> <p>4.28</p>	<p><b>Smada Security Services</b></p> <p><b>R 10 212 000.00 VAT INCL.</b></p>

			<ul style="list-style-type: none"> <li>• Enteprise</li> <li>• Prosec Guards R 11 770 744</li> <li>• Alexander and Associates Inland R 15 947 793.91</li> <li>• SKL Security Services R 14 999 220</li> <li>• Nativah Security Services R 15 263 743.11</li> <li>• Sidas Security Services R 15 527 662.30</li> <li>• Khusela Guarding and Division R 18 596 466</li> <li>• Mphosha Security Services R 15 815 127.89</li> </ul>			40.25	
Supply of Personal Protective Clothing	T1/2019	13 February 2019	<ul style="list-style-type: none"> <li>• Sisterwood Trading &amp; Invest R 4251.94</li> <li>• Likabosch Projects R 5005.00</li> <li>• Snowball R 2070.9</li> </ul>	Responsive	Responsive	100.00	<b>De Aar Motors R 317 298.71</b>
				Non-			

			Constructi on <ul style="list-style-type: none"> <li>• WWC</li> <li>• CM</li> <li>• Build Sec</li> </ul> Enteprise	R 5044.41  R 3643.87  R1491.30	Responsive  Responsive  NonResponsiv e NonResponsiv e	99.37	
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Procurement above R30 000 and less than R200 000 where formal written quotations were invited. The following SCM Notices were advertised for at least seven days on the municipal website and official notice board of the municipality during the 2018/2019 financial year. These notices were evaluated against the 80/20 bid principle.

SCM Notices Request For Quotations (R30 000 to R200 000)											
FINANCIAL YEAR:01 July 2018 to 30 June 2019											
Notice No	Description	Owner	Date Published	Closing Date	On Website (Yes/No)	Bids Received		Deviation Required (Yes/No)	Awarded to	Order No	Payment Reference
						Bidder	Amount				
8/2018	Procure 10mm and 4mm copper airdac	S Mgijima	10-Oct-18	22-Oct-18	Yes	1. Mzozu Trading (2.) Aberdare Cable Pty Ltd (3.) ZJ Industry Pty Ltd (4.) Walla Enterprises	1. R68 499.75 (2.) R69 621 (3.) R 180 000 (4.) R 87 015	No	Mzozu Trading Enterprise	D1020189	EBO71148
10/2019	Review and Compile a Human Settlement Plan	CP Appies	16-Apr-19	25-Apr-19	Yes	1. Sisonke Group Consulting (2.) Dru-A FET College (3.) Oxiron Trading	1. R 195 000 (2.) R197 800 (3.) R 189 950	No	Oxiron Trading	D1020680	
1/2019	Strategic Planning Session	TW Msengana	25-Jan-19	08-Feb-19	Yes	1. AltiMax Pty Ltd (2.) Emagystix Pty Ltd (3.) HTB Consulting (4.) Urban-Econ Development Economist	1. R 220 800 (2.) 157 329 (3) R 97 750 (4) R 150 540	No	HTB Consulting	D1020421	EBO71838
11/2018	Purchase and Delivery of Concrete Kerbs	W Lubbe	05-Nov-18	15 Novemeber 2018	Yes	1. Setlatlapi Business Enterprise (2.) Mobicast (3.) TechniCrete ISG Pty Ltd	1. R 252 343.35 (2) R 189 702.39 (3) R 73 886.73	No	Mobicast Pty Ltd	D1020234	EB071270
9/2019	Purchase 4 core copper 16mm	S Mgijima	10-Oct-18	22-Oct-18	Yes	1. Aberdare Cable Pty Ltd (2.) Walla Enterprises (3.) Mzozu Trading Enterprises (4.) Industry Pty Ltd	1. R 99 130 (2.) R 142 000 (3.) R 112 700 (4.) R 180 000	No	Aberdare Cable Pty Ltd	D1020190	
5/2019	Purchase 2 core copper cable 16mm		07-Feb-19	28-Feb-19	Yes	1. Aberdare (2.) Neutron Trading Pty Ltd	1. R 53 291 (2.) R 89 000	No	Aberdare Cable Pty Ltd	D1020688	
5/2019	Occupational Certificate Library	L Thomas	24-Apr-19	06-May-19	Yes	1. Universal Knowledge Software	1. R 150 827.10	No	Unversal Knowledge Software	D1020723	
4/2019	Printing of LED Strategy Document	S Mvandaba		22-Feb-19		1. Emagystix (Pty) Ltd	1. R (62 625,55) + (R 37 366,03)	No	Emagystix	D1020598	EBO71837
7/2019	Purchase and Delivery of G1 Base Course	W Lubbe		18-Mar-19		1. De Aar Stone Crushers CC	1. R 193 936	No	De Aar Stone Crushers	D1020663	
12/2019	300 single phase prepaid meters	S Mgijima		30-May-19		1. Hemming Trading	1. R 199 509,40	No	No Order		
13/2019	Procurement of Ten(10) Portable Toilets	HM Joka		03-Jun-19		1. Build Sec	1. R 91 000	No	No Order		
14/2019	Microsoft SQL Server Licence	M Ludwick		31-May-19		1. Ubertech	1. R 112 958,75	No	No Order		
15/2019	Purchase Property Reconciliation	M Ludwick		31-May-19		1. Ontralic vision solutions	1. R 185 000	No	No Order		
16/2019	Installation of Laminating Floor Hanover Library	L Thomas		04-Jun-19		1. Themba Holdings	1. R 142 600	No	No Order		

In cases where less than three quotations were received for any procurement, these procurement will form part of the detail summary list of deviation register (list). These deviations were tabled to Council on monthly basis. Detail of deviations are as follows:

## **7. Minor Breaches and Deviations**

### **7.1 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”

### **7.2 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”

**A detailed schedule of all the minor breaches & deviations were approved by the Accounting Officer during the 2018/2019 financial year. These were also adopted by the Executive Committee and MPAC. Please see ANNEXURE A**



## **8. 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.

**No bids were awarded to a person who is a family member of a person in the service of the state.**

### **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.

No bids were awarded to a person in the service of the state.

## 9. 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.

Sec 40 Municipal Supply Chain Management Regulations: Disposal Management provides for an effective system of disposal management for the disposal or letting of assets, including unserviceable, redundant or obsolete assets.

Serial_Number	Type_Name	Description_Name
7D006058	CALCULATOR	Unspecified
703TPMZ31547	COMPUTER MONITOR FLAT SCREEN	Unspecified
	COMPUTER CPU	COMPUTER CPU
	COMPUTER CPU	COMPUTER CPU
937A00545	COMPUTER PC	Unspecified
ETLE10D0739170D07B88502	COMPUTER MONITOR	Unspecified
	COMPUTER LAPTOP/NOTE BOOK	
4D007411	CALCULATOR	Unspecified
CNCD265356	PRINTER LASERJET 1300	Unspecified
Q3085977	CALCULATOR	Unspecified
Z2LHBAS900698Z	PRINTER	Unspecified
	CALCULATOR	Unspecified
	PRINTER	
	PRINTER	
	PRINTER SAMSUNG ML1520	
	PRINTER	
	PRINTER	
	PRINTER COLORLASERJET	
	PRINTER LASERJET 1300	COMPUTER HARDWARE INCLUDING OPERATING SYSTEMS
	COMPUTER HARDWARE INCLUDING OPERATING SYSTEMS	Acer
	KITCHEN APPLIANCES	KITCHEN APPLIANCES
	COMPUTER LAPTOP/NOTE BOOK	Emachines
	CALCULATOR	
	COMPUTER SPEAKERS	
	COMPUTER HARDWARE INCLUDING OPERATING SYSTEMS	
	COMPUTER PC	
	COMPUTER MONITOR	

	MACHINE LAMINATING	Unspecified
	CALCULATOR	Unspecified
	COMPUTER CD WRITER	COMPUTER CD WRITER
	COMPUTER HARDWARE INCLUDING OPERATING SYSTEMS	
	BAUER C0211	HEATER ELECTRIC
Nissan bakkie	MOTOR VEHICLES	
HORN SPEAKERS		
HORN SPEAKERS		
HORN SPEAKERS		
HORN SPEAKERS		
Gigabyte	COMPUTER HARDWARE INCLUDING OPERATING SYSTEMS	
Flatron black	COMPUTER HARDWARE INCLUDING OPERATING SYSTEMS	
Canon mx700	COMPUTER HARDWARE INCLUDING OPERATING SYSTEMS	
Samsung	COMPUTER HARDWARE INCLUDING OPERATING SYSTEMS	
Fijitsu	COMPUTER HARDWARE INCLUDING OPERATING SYSTEMS	
Gigabyte	COMPUTER HARDWARE INCLUDING OPERATING SYSTEMS	
Axper	COMPUTER HARDWARE INCLUDING OPERATING SYSTEMS	
Gigabyte	COMPUTER HARDWARE INCLUDING OPERATING SYSTEMS	
Axper	COMPUTER HARDWARE INCLUDING OPERATING SYSTEMS	
Gigabyte	COMPUTER HARDWARE INCLUDING OPERATING SYSTEMS	
Gigabyte	COMPUTER HARDWARE INCLUDING OPERATING SYSTEMS	
	COMPUTER HARDWARE INCLUDING OPERATING SYSTEMS	
Gigabyte	COMPUTER HARDWARE INCLUDING OPERATING SYSTEMS	
Gigabyte	COMPUTER HARDWARE INCLUDING OPERATING SYSTEMS	
Gigabyte	COMPUTER HARDWARE INCLUDING OPERATING SYSTEMS	
Fujitsu	COMPUTER HARDWARE INCLUDING OPERATING SYSTEMS	

Axper	COMPUTER HARDWARE INCLUDING OPERATING SYSTEMS	
Gigabyte	COMPUTER HARDWARE INCLUDING OPERATING SYSTEMS	
Axper	COMPUTER HARDWARE INCLUDING OPERATING SYSTEMS	
Gigabyte	COMPUTER HARDWARE INCLUDING OPERATING SYSTEMS	
Exper	COMPUTER HARDWARE INCLUDING OPERATING SYSTEMS	
AXPER	COMPUTER HARDWARE INCLUDING OPERATING SYSTEMS	
	OFFICE EQUIPMENT INCLUDING FAX MACHINES	
	COMPUTER HARDWARE INCLUDING OPERATING SYSTEMS	
	COMPUTER HARDWARE INCLUDING OPERATING SYSTEMS	
	COMPUTER HARDWARE INCLUDING OPERATING SYSTEMS	
	COMPUTER HARDWARE INCLUDING OPERATING SYSTEMS	
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	COMPUTER HARDWARE INCLUDING OPERATING SYSTEMS	
	COMPUTER HARDWARE INCLUDING OPERATING SYSTEMS	
	COMPUTER HARDWARE INCLUDING OPERATING SYSTEMS	
Public Address amplifier	AUDIOVISUAL EQUIPMENT	
	AUDIOVISUAL EQUIPMENT	
SPA 100	AUDIOVISUAL EQUIPMENT	
Titanaudio	AUDIOVISUAL EQUIPMENT	
Titanaudio	AUDIOVISUAL EQUIPMENT	
	COMPUTER HARDWARE INCLUDING OPERATING SYSTEMS	
	COMPUTER HARDWARE INCLUDING OPERATING SYSTEMS	
	COMPUTER HARDWARE INCLUDING OPERATING SYSTEMS	
FORD bantam	MOTOR VEHICLES	
FORD bantam	MOTOR VEHICLES	
Nissan Almera	MOTOR VEHICLES	

***No Immovable Assets were disposed this Financial Year 2018/19. And No moveable asset/s were disposed in 2018/19.***

**a. Setting of Inventory Levels**

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

**b. Inventory Control**

At the Time this report was prepared the stock take for the 2018/19 financial year was just being concluded.

**c. Placing of Orders**

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

**d. 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.

**e. 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.

**f. Redundant and Obsolete Stock**

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

**g. 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.

## **10. 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.

***“NB: FROM THE 01 JULY 2016 EMTHANJENI LOCAL MUNICIPALITY HAS STARTED IMPLEMENTING THE USE OF CENTRAL SUPPLIERS DATABASE”. AND ON THE 01 APRIL 2017 EMTHANJENI LOCAL MUNICIPALITY HAS STARTED WITH THE IMPLEMENTATION OF NEW PPPFA REGULATIONS.***

**I. VISSER  
MUNICIPAL MANAGER**

# **ANNEXURE A**

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