

EMTHANJENI MUNICIPALITY



SUPPLY CHAIN MANAGEMENT IMPLEMENTATION REPORT FOR THE 2014/2015 FINANCIAL YEAR

INDEX

The scope of the implementation review will include the following:

Introduction

1. The Delegations
2. Organizational Structure
3. Competency Levels of the Supply Chain Management Unit
4. Demand and Acquisition Management
5. The Bid Committee System
6. Minor Breaches and Deviations
7. Awards to Close Family Members of Persons in the Service of the State
8. Logistic, Disposal and Risk Management
9. Recommendations
10. Conclusion

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 2014 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 2014/2015 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 2014/2015 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.

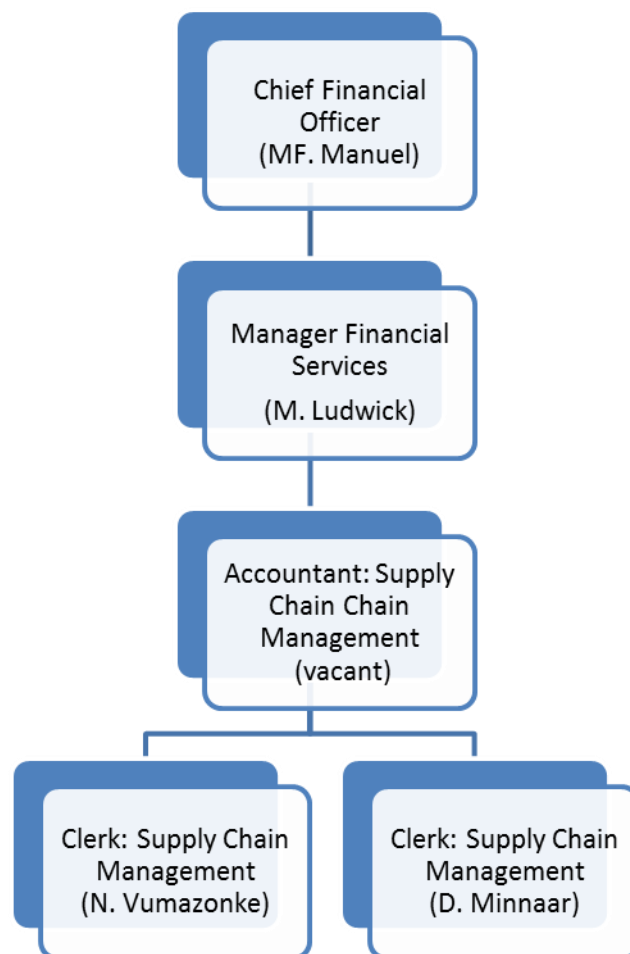
1. Organisational Structure

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 2015/2016 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"> • Training on supply chain, assets, record management, CIBD and National Treasury contracts
Vumazonke N	Clerk: SCM	<ul style="list-style-type: none"> • Training on supply chain, assets, record management, CIBD and National Treasury contracts • Supply Chain Management workshop
Minnaar D	Clerk: SCM	<ul style="list-style-type: none"> • Training on supply chain, assets, record management, CIBD and National Treasury contracts • Supply Chain Management workshop
Wambi A	Accountant: Expenditure	<ul style="list-style-type: none"> • Training on supply chain, assets, record management, CIBD and National Treasury contracts
Swarts A	Creditors Clerk	<ul style="list-style-type: none"> • Training on supply chain, assets, record management, CIBD and National Treasury contracts
Eiman R	Creditors Clerk	<ul style="list-style-type: none"> • Training on supply chain, assets, record management, CIBD and National Treasury contracts

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 July 2014.

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 Emthanjani 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

The current members of the Bid Specification Committee are:

Standing Members

LM De Leeuw
D Minnaar
P Claaste
FG Schlemmer

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

Finance Directorate	:	MF Manuel & M Ludwick
Corporate Services	:	VE Diamane, S Mvandaba & M Jack
Community Services	:	MR Jack & CP Appies
Infrastructure Services	:	M Owies, W Lubbe, FD Taljaard, S Mgijima

(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

The current members of the Bid Evaluation Committee are:

MR Ludwick
M Jack
FD Taljaard
CP Appies
N Vumazonke

(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.

The current members of the Bid Adjudication Committee are:

MF Manuel
M Owies
MR Jack
VE Diamane
SCM Accountant (when appointed)

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 2014/2015 financial year:

BIDS AWARDED BY BID ADJUDICATION COMMITTEE DURING 2014/2015 FINANCIAL YEAR

PROJECT DESCRIPTION	PROJECT NO.	BIDDERS	AWARDED TO	AMOUNT OF RESPONSIVE TENDERS (SUCCESFUL HIGHLIGHTED YELLOW)	POINTS AWARDED INTO PREFERENTIAL PROCUREMENT POLICY
Professional Service Provider: Development of Revenue Enhancement Strategy and Implementation Plan for Emthanjeni Municipality	T1/2014	<ul style="list-style-type: none"> • Smart Metro • • Morar’s Incorporated • U.M.S. • PWC • Ilitha Leliswa Consultants • Rumas • Roenet • Zandile • i@Consulting 	<p>Smart Metro</p> <p><i>No payments have been made to Smart Metro as the investigations are still under way</i></p>	<ul style="list-style-type: none"> • 50% on bankable receipts • R10 760 976 • R6 806 051. 15 • R3 867 838 • R 962 160 • R1 781 950 • R5 604 236. 58 • R5 564 236. 26 • R5 837 658. 42 	<ul style="list-style-type: none"> • 95.00 • 10.00 • 5.00 • 9.00 • 8.00 • 5.00 • 95.00 • 8.00 • 5.00
Rehabilitation of De Aar Waste Water Treatment Works	T2/2014	<ul style="list-style-type: none"> • Tecroveer Projects (Pty) Ltd • Jorian Construction • JPS water and Sewerage Contractors • CBI Electric Solutions 	Tecroveer Projects (Pty) Ltd	<ul style="list-style-type: none"> • R4 785 071 • R7 289 202 • R10 003 062 • R8 788 537 	<ul style="list-style-type: none"> • 99.00 • 52.90 • -3.71 • 19.70
Administration & Selling of prepaid electricity	T5/2014	<ul style="list-style-type: none"> • Contour Technology • Syntell • Easy Pay 	Contour Technology	<ul style="list-style-type: none"> • 4.56% commission on sales 	<ul style="list-style-type: none"> • 82.00 • 50.73 • 93.00 • -69.14

		<ul style="list-style-type: none"> • Cigicell 			
Appointment of Service Provider for Debt Collection Services of Debt older than 60 days	Section 32 SCM Regulations option	Tswane Metropolitan City Council followed the BID Processes	Zandile Management	12.5 % plus VAT commission on the collection of older debtors	See documentat ion
Appointment of Service Provider for Professional Services: Assistance with GRAP Annual Financial Statements	Section 32 SCM Regulations option	Umsobomvu Municipalalaity and Pixley Ka Seme district Municipality Council followed the BID Processes	Ducharme Consulting	R1 085 280 (Inc VAT) excluding Subsistance and Travelling costs	See documentat ion
Upgrading of Streets and Storm Water in De Aar and Britstown	T10/2013	<ul style="list-style-type: none"> • NTSU Trading 	<ul style="list-style-type: none"> • NTSU Trading <p><i>The performance of Funda Civis to which the original tender was awarded, lead to the disqualification and withdrawal of the appointment.</i></p> <p>Ntsu Trading was thereafter appointed to completed the existing project</p>	<ul style="list-style-type: none"> • R2 973 870 	<ul style="list-style-type: none"> • 89.82

Procurement Fleet	T8/2014	<ul style="list-style-type: none"> • ABSA VEHICLE MANAGEMENT SOLUTIONS • FLEET HORIZON • MOIPONE GROUP • WESBANK • FLEET AFRICA • PREMIER RENTAL • LINQONDO PRJOECTS CC • DE AAR MOTORS (PTY) LTD • C.A.T MOTORS • 	NOT AWARDED YET		•
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The following tenders were appointed during the 2013/2014 financial year but were executed and expenditure were incurred during the 2014/2015 financial year

PROJECT DESCRIPTION	PROJECT NO.	BIDDERS	AWARDED TO	AMOUNT OF RESPONSIVE TENDERS (SUCCESSFUL HIGHLIGHTED YELLOW)	POINTS AWARDED INTO PREFERENTIAL PROCUREMENT POLICY
Professional Engineering Services for the Planning, Design and Construction	T12/2013	<ul style="list-style-type: none"> • MVD Kalahari Consulting • • Element Consulting Engineers • SMEC South Africa • PD Naidoo Associates Consulting 	MVD Kalahari Consulting	<ul style="list-style-type: none"> • R267 900. 00 • R403 741. 40 • R440 826. 60 • R342 000. 00 	<ul style="list-style-type: none"> • 90.00 • 60.36 • 47.91 • 65.11

for the Upgrading of Athletics Track at De Aar Sportgrounds		Engineers			
Consultant for Upgrading of De Aar Water Works.	T8/2013	<ul style="list-style-type: none"> • Element Consulting Engineers • BVI Consulting Engineering • MVD Kalahari • SMEC South Africa 	Element Consulting Engineers	<ul style="list-style-type: none"> • R 741 243.96 • R 747 023.24 • R 932 496.97 • R6 895 370.00 	<ul style="list-style-type: none"> • 98.00 • 24.98 • 85.86 • 39.41
Employee Health and Wellness Programme for Emthanjeni Municipality	T9/2013	<ul style="list-style-type: none"> • Fortogenic Solution • Barend Springbok Psychological Services 	Fortogenic Solution	<ul style="list-style-type: none"> • R 4 541 840 • R 2 800 000 	<ul style="list-style-type: none"> • 42.88 • 98.00
Upgrading of Streets and Storm Water in De Aar and Britstown	T10/2013	<ul style="list-style-type: none"> • Funda Civils • Wasserman Teerwerke • Weird Industries • Wezan Building and Civil Construction CC • NTSU Trading • Zamuvuka Construction • Benver Civils and Plant Hire • Entsa Henra • De Jagers Loodgieter Construction 	Funda Civils	<ul style="list-style-type: none"> • 5 339 614.76 • R6 776 452. 98 • R6 806 051. 15 • R5 137 370. 90 • R5 604 236. 58 • R5 564 236. 26 • R5 837 658. 42 • R5 995 960. 37 • R6 328404. 12 	<ul style="list-style-type: none"> • 92.90 • 71.29 • 70.77 • 90.00 • 89.82 • 90.52 • 86.73 • 79.96 • 69.13 • 40.23

		<ul style="list-style-type: none"> • Barnies Construction 		<ul style="list-style-type: none"> • R7 9878 051. 96 	
Upgrading of Streets and Storm Water in De Aar and Britstown	T11/2013	<ul style="list-style-type: none"> • Funda Civils • Wasserman Teerwerke • Weird Industries • Wezan Building and Civil Construction CC • NTSU Trading • Zamuvuka Construction • Benver Civils and Plant Hire • Enthsa Henra • De Jagers Loodgieter Construction • Barnies Construction 	Funda Civils	<ul style="list-style-type: none"> • R4 766 060. 87 • R5 857 412. 06 • R5 780 709 .77 • R4 526 903. 63 • R4 717 790. 02 • R5 075 514. 84 • R4 894 560 .13 • R5 023 592 .59 • R5 419 806 .18 • R6 395 196 .48 	<ul style="list-style-type: none"> • 93.25 • 73.55 • 75.07 • 90.00 • 95.20 • 87.09 • 91.69 • 85.13 • 80.25 • 52.86
Upgrading of Streets and Storm Water in De Aar and Britstown	T12/2013	<ul style="list-style-type: none"> • Zamuvuka Construction • Wasserman Teerwerke • Weird Industries • Wezan Building and Civil Construction CC • NTSU Trading • Funda Civils • Benver Civils and Plant Hire • Enthsa Henra • De Jagers Loodgieter Construction • Barnies Construction 	Zamuvuka Construction	<ul style="list-style-type: none"> • R6 164 043 .27 • R8 583 166. 02 • R8 655 153. 27 • R6 375 613. 13 • R7 613 734 .99 • R6 863 039. 17 • R7 734 754 .76 • R7 691 6629. 70 • R8 285 609 .38 • R10 502 167. 74 	<ul style="list-style-type: none"> • 98.00 • 64.68 • 63.63 • 86.91 • 77.83 • 87.79 • 76.07 • 72.70 • 67.02 • 40.23

Upgrading of Streets and Storm Water in De Aar and Britstown	T13/2013	<ul style="list-style-type: none"> • NTSU Trading • Wasserman Teerwerke • Trucon Professional Civil Engineering Solutions • Zamuvuka Construction • Funda Civils • Benver Civils and Plant Hire • Enthsa Henra • De Jagers Loodgieter • Barnies Construction 	NTSU Trading	<ul style="list-style-type: none"> • R2 733 634. 74 • R4 207 797 .00 • R3 626 137. 88 • R3 712 934. 18 • R3 647 869. 68 • R3 344 637. 45 • R3 591 126. 20 • R3 808 774. 20 • R4 112 .566. 74 	<ul style="list-style-type: none"> • 90.00 • 55.08 • 72.35 • 69.74 • 71.70 • 80.71 • 73.39 • 66.93 • 57.91
Upgrading of Streets and Storm Water in De Aar and Britstown	T14/2013	<ul style="list-style-type: none"> • NTSU Trading • Wasserman Teerwerke • Trucon Professional Civil Engineering Solutions • Zamuvuka Construction • Funda Civils • Benver Civils and Plant Hire • Enthsa Henra • De Jagers Loodgieter • Barnies Construction 	NTSU Trading	<ul style="list-style-type: none"> • R2 738 525 .33 • R4 272 252. 60 • R3 626 137. 88 • R3 317 024. 37 • R3 811 816. 40 • R3 356 299. 65 • R3 600 817. 11 • R3 845 046 .15 • R4 069 580. 87 	<ul style="list-style-type: none"> • 90.00 • 53.37 • 72.52 • 81.68 • 67.02 • 80.52 • 73.27 • 66.03 • 59.38
Provision of Shortterm Insurance	T4/2014	<ul style="list-style-type: none"> • AON • Marsh • Unison Lateral 	AON	<ul style="list-style-type: none"> • R2 200 000 	<ul style="list-style-type: none"> • 89.00 • 87.90 • 67.61

The following SCM Notices were advertised during the 2014/2015 financial year. These notice were evaluated against the 80/20 bid principle.

In cases where less than three quotations were received for any procurement, these procurement will be part of the summary and it will also appear in the deviation register or monthly deviations summaries

Notice No	Description	Closing / Open date	Quotes Received	Price	Awarded to
30/2014	Complete a water use	25-Mar-14	Metadal Vox JV	R 92 761,80	Metadal Vox JV
			SMEC	R 606 000,00	
			NCC Environmental services	R 145 283,93	
79/2014	Upgrade of TV transmitters De Aar, Britstown and Hanover	25-Jul-14	Tele Ray	R 76 904,40	Tele Ray
89/2014	Safety boots	13-Aug-14	Ryamic Mining Supplies	R 144 509,82	
			Qongqo T.G Trading	R 191 040,00	
			KN Safety	R 102 540,00	Ryamic Mining Supplies
			Nontlaninge Trading	R 152 044,75	
98/2014	Bitumen drums (200L)	03-Aug-14	Tosas	R 195 641,00	Tosas
91/2014	Purchase of bundle conductor with streetlight connection	22-Aug-14	N.B. Mechanical Sales	R 78 900,00	Ubertech
			Vuyani Electrical Supplies	R 102 030,00	Hennies
104/2014	Upgrading of De Aar Council Chamber		MH Office	R 891 334,00	Not awarded
105/2014	Driving lessons of 25 participants at driving school	22-Oct-14	Northern Cape Driving School	R 92 200,00	Northern Cape Driving School
102/2014	Anoxic Mixer for Biological Reactor at the De Aar waste water treatment works		Becon watertech	R 183 196,00	Tecroveer Project
			Tecroveer Project	R 174 473,00	
				R 198 001,00	

103/2014	Access Bridge for Anoxic Mixer and Recycle pump at the De Aar waste water treatment works	24-Oct-14	Becon watertech	R 192 403,00	Tecroveer Project
			Tecroveer Project	R 174 912,00	
107/2014	Purchase and replacement of three couplings capacitors at De Aar Substations	07-Nov-14	Farad	R 175 914,54	Farad
108/2014	Purchase of 400 prepaid electricity meters	07-Nov-14	Qongqo T.G Trading	R 174 273,50	Contour Technology
			Conlog	R 182 231,96	
			Contour Technology	R 88 632,60	
01/2015	Strategic planning sessions	13-Feb-15	Masilakhe Management Consulting	R 100 320,00	Masilakhe Management Consulting
			Ignite Advisory	R 29 460,00	
			Blue Disa	R 198 000,00	Blue Disa
2/2015	Repair and restore of the wooden floor of the De Aar town hall	16-Feb	Grib and Vos	R 227 700,00	
			Sedza Mushumo	R 216 600,00	
03/2015	Supply and dellivery of 120 Drums of Tar	16-Feb-15	Tosas	R 176 802,60	Tosas
04/2015	Telemetry site visit	03-Mar-15	Spectrum Communication	R 41 600,00	Spectrum Communication
07/2015	Renovation of Britstown Museum	12-Mar-15	Moekhetsi trading	R 27 930,00	NOT AWARDED
			Pixley Building Safe Construction	R 95 000,00	
06/2015	Compilation of housing sector plan	06-Mar-15	Aga Mzansi	R 190 280,70	Aga Mzansi
			Harambee construction	R 275 000,00	
05/2015	Training of ward committee members	10-Mar-15	Mabcor Facilities Solutions	R 45 500,00	NOT AWARDED

10/2015	Expression of interest offer to purchase and develop erf 1035 De Aar				NOT AWARDED
	Maintenace on the 22kv current transformers and breakers at De Aar	13-Mar-15	Siphiwuthando Trading & Projects	R 76 405,08	Siphiwuthando Trading & Projects
08/2015			Mzozu Trading Enterprise	R 81 182,25	
			Mabcor Facilities Solutions	R 84 000,00	
13/2015	Mano pump parts	13-Mar-15	Irrigation Equipment	R 174 879,00	Irrigation Equipment
18/2015	Supply of steel canteen Tables: Public Amneties - De Aar	15-May-15	Siphiwuthando Trading & Projects	558.6 (Unit price)	NOT AWARDED
19/2015	Supply of Mac Stack Charcoal Chairs: Public Amneties- De Aar	15-May-15	Siphiwuthando Trading & Projects	285 (Unit price)	Non awarded
20/2015	Manufacturing of steel frames covered with with steel mesh,29 windows: Public Amneties - De Aar	15-May-15	Siphiwuthando Trading & Projects		Non awarded
21/2015	Purchase of 400 prepaid electricity meters	22-May-15	Conlog	R 167 597,10	Siphiwuthando Trading & Projects
			Siphiwuthando Trading & Projects	R 174 215,94	

5. Minor Breaches and Deviations

a. 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”

b. 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 2014/2015 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:

Business	Date	Cheque	Amount	Interest
			R	
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:

Supplier	Date	Cheque number	Amount	Reason for deviating
			R	
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.

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

The stock take for the 2014/15 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 2014/2015, the responsibilities of quarterly stock takes have been allocated to the Expenditure Department. These stock takes have been done for the quarters ending September 2014, December 2014 and March 2015 and June 2015.

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.

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