

REPORT ON THE IMPLEMENTATION OF

SUPPLYCHAIN MANAGEMENT POLICY

As at 31 March 2012

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SECTION A

1. INTRODUCTION AND BACKGROUND INFORMATION

The Municipality approved its Supply Chain Management Policy on 26 October 2005. The commencement date of the policy was date of adoption.

2. OBJECTIVES OF THE REPORT

The objective of the report is to comply with SCM regulation 6(3) & (4) of the Supply Chain Management regulation which reads as follows:

“6(3).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 or the board of directors of the municipality entity, as the case may be”.

“(4).The reports must be made public in accordance with section 21 A of the municipal systems Act. The reports of a municipal entity must be made in public in similar way”

3. PERIOD

The report covers the period 1 January 2012 to 30 March 2012.

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 26 October 2005 and is reviewed annually.

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 and procedure manual developed

1.2. Establishment of the Supply Chain Management Unit.

Supply chain management has been centralized and resides within the Chief Financial Office's office.

The current structure is as follows:

Chief Financial Officer

Manager: SCM
Expenditure Clerk

All positions are not currently filled. A register of business interest is circulated annually to all staff to complete.

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 before the committee are confidential and undertake not to make known 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 or 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 the legislation. The municipality also faces the challenge of retaining experienced staff.

Proposed Solution

Amending the SCM structure as and when funds become available. Payment of market related salaries.

1.3. Establishment of the Supply Chain Management Bid Committees

The Municipality has established the following bid committees:-

- Bid specification committee
- Bid evaluation committee
- 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 turn around time.

Proposed Solution

Timeously issuing of agenda's and the development of a time frame schedule. A turn around time schedule for the various bid committees has to be introduced which must be adhered to as far as practically possible.

1.4. Implementation of MBDs Documents.

The new municipal bid documents (MBDs) recently issued by National treasury incorporating new BEE score sheet 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 not completing all municipal bid documents.

Proposed Solution.

Educating service providers on the importance of the completion of all municipal bid documents by holding bi-annual workshops.

During December 2011 and January 2012 a SMME workshop concerning Supply Chain Management was arranged by the office of the Municipal Manager, Supply Chain Office and Local Economic Development Department and we have since received positive feedback for the local business community who attended. It is envisaged that this initiative will be ongoing.

1.5. Establishment of Database of Suppliers/Service Providers.

The municipality has developed and implemented a database of suppliers. 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 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.
- Development of listing qualifying criteria

Proposed Solution

Continuous updating of the database and there has been continuous engagement of local suppliers and SMME to promote Local Economic Development

1.6. Training and Development of the SCM Unit and Bid Committees

Training has training been provided to the bid committee members by the responsible provincial government SCM unit but ongoing training is encouraged.

Challenges

Keeping abreast with the latest developments regarding to supply chain management and Construction Industry procurement, this has led to heavy reliance on consultants and there is no proper skills transfer from consultants to municipal officials

Proposed Solution

Continuous training of bid committee members and officials involved in supply chain more especially in construction industry procurement because of difficulties and complexities involved

in infrastructure tendering process. That all official involved in supply chain get training from National Treasury accredited service providers to obtain Minimum Competency levels as issued in terms of the MFMA.

Provincial Treasury this financial year conducted training to councilors which was also a step to ensure that they understand their oversight role .

2. SUPPLY CHAIN MANAGEMENT PLANNING

2.1. Procurement Plan

The municipality has developed an annual procurement plan template for 2011/2012.

Procurement is been measured against the plan.

Challenges

2011/12 is the first year that the municipality has developed a procurement plan. Constant improvements will be made to the plan as the municipality progresses with its implementation.

Proposed Solution

Constant improvement, development and monitoring of the implementation of the procurement plan.

3. ACHIEVEMENT OF PREFERENTIAL PROCUREMENT GOALS & TARGETS

‘See Annexure ‘A’ for all accepted quotes as 31 March 2012’

3.1. Number of Bids Awarded above prescribed amount (R100 000.00) as at 30 March 2012

BID NUMBER	DESCRIPTION	SUPPLIER'S NAME	DATE	AMOUNT
1.UMHL04/2010/2011	SPATIAL DEVELOPMENT AND LAND USE SCHEME	INHLOSO CONSULTANTS	16/08/2011	R 996 428.00
2.UMHL10/2010/2011	GROUND NUT COMMERCIALIZATION	WELISA CONSULTANTS	11/08/2011	R 387 000.00
3.UMHL12/2010/2011	REFUSE SKIPS	KHOLEKA ENGINEERING	29/08/2011	R 508 554.00

4.UMHL14/2010/2011	MBAZWANE ROADS	WJ CONSTRUCTION	11/08/2011	R 6 208 394.75
5.UMHL15/2010/2011	CONSTRUCTION OF MARKET STALLS	KHAYELIHLE PROJECTS	13/08/2011	R 12 146 802.03
6.UMHL16/2010/2011	CONSTRUCTION OF COUNCIL CHAMBER	MET BUILDERS	11/08/2011	R 9 995 000.00
7.UMHL01/2011/2012	VEHICLE – 1.MAYORAL 2.POOL VEHICLE	IMPERIAL NISSAN PROVINCIAL MOTORS	15/09/2011 23/09/2011	R 557 139.58 R 164 785.00
8.UMHL02/2011/2012	TRAVEL AGENCY	TRAVEL WITH FLAIR	22/09/2011	CONTRACTED RATES
9.UMHL04/2011/2012	IDP CONSULTANTS	ISIBUKO SE AFRIKA	30/11/2011	R 243 040.00
10.UMHL05/2011/2011	MANGUZI ROAD-TRIBAL ROAD	A N V Plant Hire	30/11/2011	
11.UMHL07/2011/2012	MANABA ELETRICITY CONNECTION PROJECT	Mashobane Eletrical	13/01/2012	
12.UMHL13/2011/2012/1	FENCING MBAZWANE DUMPSITE	SECURITY FENCING AND ALARMS	15/03/2012	R 312 717.57
13.UMHL13/2011/2012/2	FENCING SKHEMELE DUMPSITE	SECURITY FENCING AND ALARMS	15/03/2012	R 357 750.94
14.UMHL13/2011/2012/3	THANDIZWE DUMPSITE	S.A WIRE ZULULAND	15/03/2012	R 384 512.86
15.UMHL14/2011/2012	MBAZWANA DUMPSITE RD			
16.AA005289	KHIPHIMBAZO ROAD G7 MATERIAL	MAPUTALAND HOUSING	27/03/2012	R 198 838.80
17.UMHL08/2011/2012	MANGUZI SPORT COMPLEX REFURBISHMENT	SNX CONSTRUCTORS CC	15/03/2012	R 618 772.00
18.UMHL09/2011/2012	NGUBANE GOURLEY	HR POLICIES	09/02/2012	R278 000.00

3.2. Existing Contracts as at 30 March 2012

SUPPLIER'S NAME	SERVICE RENDERED	APPOINTMENT DATE	EXPIRY DATE	CURRENT STATUS
ANDERSON VOGT	Project management	12-May-11	On Completion of appointed projects	

Ulungeni consultancy	Project management - electricity Manaba	28-Feb-11	31-Jan-12 or On completion	Active
Travel with Flair	Traveling Arrangements	11/11/2011	11/11/2016	Active
Fujistu	Financial Systems	unkown	unkown	Active
Telkom	Internet Provision	3-Feb-11	03/02/2016	Active
Indwe Risk Services	Insurance cover	17/12/2012	30/06/2013	Active
Aquagem Security	Security	2-Apr-10	30/04/2012	Active
Nashua	Telephone	1-May-10	30-May-15	Active
Inhloso Planning cc	LUMS	22-Sep-11	22-Jun-12	Active
G4S	Cash and Transist	1-Jan-11		Active but no concluded contract.They are the only service provider covering this area for cash in transit
TLS CIVILS	Manguzi town regeneration market stores	7-Feb-11	31-Dec-12	Active
Khayelihle Project cc	Demolishing and re-construction of Manguzi Market	12-Aug-11	On Completion of appointed projects	Active
Nashua	Photocopy Machine	1-Apr-10	31-Dec-15	Active
Softline VIP	Software licence		No Signed contract	Active

3.3. Deviation.

No deviation from SCM process as at 30 March 2012.

3.4. Appeal.

Tender UMHL07/2011/2012 for Manaba Electrification has been received from Malesela and Company

4. CONTRACT BREACH AND POOR/NON-PERFORMANCE

Suppliers' performances are monitored. There have been no suppliers contract cancelled due to poor or non performance this financial year.

Challenges

Under expenditure on capital projects due to poor performances of contractors, especially on Municipal Infrastructure Grant funded projects. This results in projects not meeting their projected timelines and delays in service delivery.

Proposed Solution

Strict monitoring of the performances of all service providers.
There has been a vast improvement noted in the performance of MIG project managers and contractors since the formation of PMU and the employment of Director Technical Services

5. 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.