



UMZIMVUBU
— LOCAL MUNICIPALITY —

**REPORT ON IMPLEMENTATION
OF
SUPPLY CHAIN MANAGEMENT (SCM) POLICY
QUARTER 3 (JANUARY – MARCH 2016)
2015-16 FINANCIAL YEAR**

1. INTRODUCTION AND LEGAL BACKGROUND

In terms of paragraph 6(3) of the Municipal Supply Chain Management Regulations, the council must maintain an oversight role over the implementation of the municipal Supply Chain Management policy. The accounting officer must within 10 days of the end of each quarter, submit a report on the implementation of this policy to the mayor.

1.1 Progress and compliance

The Supply Chain Management Unit (SCM) is fully established and functional. SCM unit operates under the direct supervision of the Deputy Chief Finance Officer (DCFO). SCM Manager is responsible for the day to day management of the unit. Turn-around time on award of quotations and tenders has improved significantly. SMME's training has been undertaken to improve capacity and quality of goods and services supplied to ULM. Bid committee are fully functional and discharging their duties effectively.

2. Compliance and reporting

Re-registration of Suppliers on the database: An advert as required by section 14(1)(A)9(i) of the Municipal Supply Chain Management regulations was placed in the Daily dispatch on the 10 March 2016 calling all current and prospective service providers to register in order to do business with ULM in the 2015/16.

2.1 Monthly and quarterly reports

- Monthly deviation reports are submitted to MANCO in terms of the SCM policy.
- Monthly procured goods and services in the 30 000 – 200 000 threshold
- Awarded tenders on a monthly basis
- Monthly reports required to be submitted to Provincial and National Treasury in respect of procurement of goods and services above R100 000 in terms of SCM circular 19 of 2008 – These reports were not submitted as due to the pending registration.
- Quarterly SCM reports on implementation of the SCM policy

3. Improvements and compliance to internal controls

The SCM committees are fully established and have been discharging their responsibility in the form of meeting timeously to ensure the turn-around time for procurement of good and services is improved. The committees are as follows:

- Bid specification committee
- Bid evaluation committee
- Bid adjudication committee

The members for the committees have been scheduled to be trained in the month of 12 April 2016.

Internal controls within SCM have been strengthened and improved significantly by introducing the following measures to ensure compliance with the policy and regulations.

- Checklist specification
- Checklist for evaluation of quotes
- Checklist for the bid committees
- Register for deviations which ensures that all deviations are tracked evaluated by SCM and recorded to ensure completeness.
- Trans-union system which scans company directors to detect those in the service of the state.
- SCM officials now do have access to the CIDB website to advertise infrastructure projects, however there are challenges at times in accessing the website

4. Risk management

The following measures are in place to mitigate risks in the SCM processes

- Officials are made aware and have signed the SCM code of conduct
- All staff and councillors declare all business interests that they may have
- Supplier database is regularly updated to ensure that it contains credible information
- Quotations received are approved prior to being considered.
- Checklists are in place to ensure that all applicable SCM requirements are adhered to.
- Trans-union system is used to vet service providers to ensure that no awards to people in the service of the state.

5. Challenges and constraints

The following challenges and constraints are in existence.

- SCM officials are currently not registered on the Treasury website in order to capture awards above R100 000 as required by SCM circular 19 of 2008.
- A training to address this has been scheduled for the Month of May 2016 in Mt Frere.

6. Irregular expenditure

The irregular expenditure that the municipality was faced with was that of service providers who declare that they are not in the service of the state, whereas in actual fact they are. This risk has been mitigated by the introduction of the TransUnion system to scan company directors and disqualify those in the service of the state. Furthermore the appointment letters do indicate that should such a service provider declare that they are not in the service of the state whereas they are, such a contract and all monies paid will be recovered.

We have reasons to believe that the controls in place are detecting and preventing irregular expenditure, hence none has been identified thus far.

7. Solutions and way forward

- A request has been sent to Provincial Treasury to assist on creation of accounts for awards uploading in the website as well as for training on this.

8. Summary of awards for the quarter

Threshold	Rand value of the awards
0 – R2000	R146 834.95
R2000 – R30 000	R3 491 719.69
R30 000 – R200 000	R4 878 957.79
Above R200 000	R62 507 445.61

9. Summary of regulation 32 awards for the quarter

Threshold	Rand value of the awards
Above R200 000	R3100 000.00

10. Summary of deviations per regulation 36 for the quarter

Reasons for the deviation	Rand value of the awards
In an emergency	R nil
Single provider	R nil
Special works of art or historical objects	R nil
Acquisition of animals for zoos	R nil
Impractical and impossible to follow process	R140 778.02


ANNEXURES

Annexure A: Schedule of goods and services procured

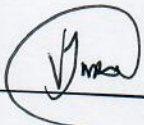
Annexure A: Schedule of tenders awarded

Annexure B: Schedule of contracts that are awarded through other organs of state (Regulation 32) –

Annexure C: Schedule of deviations from the procurement processes (Regulation 36)



Prepared by: N Duze
Senior SCM Officer



Reviewed by: T Mbukushe
AM: SCM