



**Implementation of the supply chain management policy of the
Emadlangeni Local Municipality**

(As per Section 6(3) (4) of the Municipal SCM Regulations)

SCM MONTHLY REPORT

December 2017

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1. Introduction

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.

2. SCM Policy and procedures

2.1 Items for consideration in the policy review

All the items in the policy review should be considered.

2.2 Delegations

The delegations are in the SCM policy but there are no financial delegations.

2.3 Implementation of the procedure manual

SCM procedure manuals are in place.

3. Functioning of the SCM Unit

3.1 Declaration of interest by SCM personnel

- All SCM personnel have not declared interest.

3.2 Adequacy of personnel within SCM

- The personnel is not adequate within SCM Unit.

4. Functioning of bid committees

4.1 Bid committees constituted

- Bid committee are established as per SCM regulations.

4.2 Adequacy of Bid committees

- SCM bid committees are functioning, except for bid adjudication committee. There is no SCM practitioner in the bid adjudication committee.

4.3 Bid committees declarations

- Bid committees declare their interest before any bid committee meeting commences.

5. SECTION 114 DEVIATIONS

Section 114 of the MFMA permits the Accounting Officer to approve a tender “other than the one recommended through a normal procurement process “. The Accounting Officer is required to report such a deviation to the Auditor –General, the Provincial Treasury, and the National Treasury within 10 working days (in terms of Regulation 29(7) of the Municipal SCM Regulations, 2005), stating the reasons that necessitated such a decision.

DATE OF AWARD	CONTRACT DESCRIPTION (TO INCLUDE BID/QUOTATION NUMBER)	AWARD VALUE	BEC RECOMMENDATION	BAC RECOMMENDATION	REASON FOR DEVIATION	NOTIFICATIONS		
						AG	NT	PT
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

6. REGULATION 36 DEVIATION

Regulation 36 of the Municipal SCM Regulations of 2005 permits the Accounting Officer to “dispense with the official procurement processes established by the policy and to procure any required goods or services through any convenient process”. This would typically include urgent and emergency cases, single –source goods, and any other cases where it is impractical to follow normal SCM process. In the event of such a decision, the accounting officer is required to report this to the next Council meeting

DESCRIPTION (INCLUDING QUOTATION / BID NUMBER)	DATE OF AWARD	AWARDED TO	AWARD VALUE	REASON FOR DEVIATION	DATE REPORTED TO COUNCIL
SANS 10216:2017:6 book for traffic department.	01/11/2017	SABS	R 671. 46	SANS 10216:2017:6 book for traffic department. SABS is the sole supplier for this requested book. It is impractical to follow SCM process	
TOTAL			R 671. 46		

7. SECTION 32 APPOINTMENTS

Regulation 32 of the Municipal SCM Regulations of 2005 allows the Accounting Officer to procure goods or services for the municipality under a contract secured by another organ of state.

DATE OF AWARD	CONTRACT DISCRIPTION	AWARD VALUE	CONTRACT AWARDED	NAME OF DEPARTMENT/MUNICIP ALITY	CONSENT OBTAINED FROM BOTH ORGAN OF STATE AND SERVICE PROVIDER		REASON FOR DEVIATION
					YES	NO	
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

8. Reports on unauthorized, irregular, fruitless and wasteful expenditure

Section 32(4) of the MFMA requires that the Accounting Officer “promptly” inform the Mayor, MEC for Local Government, and the Auditor-General of any unauthorized, irregular, and fruitless and wasteful expenditure that the municipality has incurred. Only Council can deal with these matters in the manner prescribed.

NO.	TYPE OF EXPENDITURE INCURRED	RECIPIENT OF THE PAYMENT	EXPENDITURE AMOUNT	REPORTING		DETAILED EXPLANATION OF THE EXPENDITURE	DEPARTMENT RESPONSIBLE
				MEC:COGTA	A-G		
1.	Fruitless and wasteful expenditure	Telkom	R 97. 67			interest on overdue account	Council
2.	Fruitless and wasteful expenditure	Amajuba municipality	R 24. 56			interest on overdue account	Council
3.	Irregular expenditure	Asande Projects CC	1945830.08			Electrification of Malinga, Mgwaza, Da Port & Mooihoek. There is no evidence of contract. Section 117 of the Municipal Finance Management Act states that "No councillor of any municipality may approve tenders, quotations, contracts or bids after their submission. "According to MFMA circular No. 62 "Contracts may be expanded or varied by not more than 20% for construction related goods, services and /or infrastructure projects and 15% for all other goods and /or services of the original value of the contract.	
4.	Irregular expenditure	Lokothwayo Marketing Enterprise t/a Moonlight College	72500.00			SCM process was not followed. SCM office only received the invoice for this training without requisitions. The trainings were already done by the relevant officials.	

5.	Irregular expenditure	Concost Quantity Surveyors	66796.88		SCM process was not followed. Procedures for the application of Regulation 32 was not followed. Circular No 01/2016 states that "The Accounting Officer of a municipality must first obtain consent from Provincial Treasury before he/she could approach another state of organ to request participation. The role of Provincial Treasury would be to assess the reason given by the Accounting Officer not to advertise the bid." This request was not approved by Provincial Treasury because there were findings in the bid process from Newcastle municipality and no explanations for the findings were given to Provincial Treasury.	
6.	Irregular expenditure	Concost Quantity Surveyors	400306.89		SCM process was not followed. Procedures for the application of Regulation 32 was not followed. Circular No 01/2016 states that "The Accounting Officer of a municipality must first obtain consent from Provincial Treasury before he/she could approach another state of organ to request participation. The role of Provincial Treasury would be to assess the reason given by the Accounting Officer not to advertise the bid." This request was not approved by Provincial Treasury because there were findings in the bid process from Newcastle municipality and no explanations for the findings were given to Provincial Treasury.	
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	TOTAL		R 2 552 352. 96			

9. Spend Analysis

In order for the Council to have an oversight role the following information is supplied.

1. All bids awarded above R 100 000
2. Top 10 suppliers by value of contracts awarded
3. Top 10 suppliers by number of contracts awarded

9.1 Bids awarded – Above R 100 000

NO.	SERVICE PROVIDER	DESCRIPTION OF GOODS/SERVICE	CONTRACT AMOUNT
1.	N/A	N/A	N/A

9.2 Top 10 suppliers by value of payment (bids and quotations)

NO.	SERVICE PROVIDER	AMOUNT	DATE OF PAYMENT
1.	Asande Projects	R 1 945 830. 08	15/12/2017
2.	Auditor - General	R 912 058. 70	20/12/2017
3.	Concost Quantity Surveyors	R 533 900. 65	20/12/2017
4.	FBL Trading Enterprise	R 319 105. 16	06/12/2017 20/12/2017
5.	Bayaphambii Properties (Pty)Ltd	R 239 040. 36	20/12/2017
6.	Kunene Makopo Risk Solutions	R 279 250. 58	20/12/2017
7.	Lulisandla Trading	R 146 649. 20	06/12/2017
8.	Super Size Investments	R 84 873. 00	06/12/2017
9.	Payday Software System	R 72 520. 17	06/12/2017 14/12/2017 20/12/2017
10.	Lokothwayo Marketing Enterprise t/a Moonlight College	R 72 500. 00	20/12/2017

9.3 Top 10 suppliers by number of orders made

NO	SERVICE PROVIDER	AMOUNT	NUMBER OF ORDERS
.			

1.	Auditor – General	R 912 058. 70	4
2.	Yedsons Trading CC t/a Hardware King	R 24 115. 00	4
3.	Concost Quantity Surveyors	R 533 900. 65	3
4.	NTT Nissan Newcastle	R 36 954. 30	3
5.	Ossies Motor World	R 15 510. 60	3
6.	Rally Supermarket & Hardware	R 21 080. 00	3
7.	Umhlaba Geomatics Inc	R 35 952. 36	3
8.	Voltex	R 26 861. 25	3
9.	Camelsa Consulting Group (Pty)Ltd	R 29 198. 00	2
10.	Nashua	R 13 269. 60	2

10. Performance management

The Section 116 (2) (d) report is submitted by the relevant user departments on the management and performance on the appointed contractors whose contracts are still in progress.

NO.	BID REFERENCE NUMBER	NAME OF CONTRACTOR	VALUE OF CONTRACT	PAYMENTS TO DATE	DATE OF PAYMENT	APPOINTMENT DATE
	Electrification projects - - Malinga	Asande projects (Turnkey)	R 9 000 000 .00	R 742 979. 04 R 912 058. 70	28/08/2017 15/12/2017	05/05/2017

	- Dan Poti - Mooihoek - Kwamagwaza - Enzimane - Beru					
1.	MN08/2016-2017	Umhlaba geomatics Inc	R 520 000. 00	R 9 642. 85 R 28 928. 55 R 333 000. 00	04/08/2017 09/11/2017 09/11/2017	12/06/2017
2.	MN15/2016-2017	Price waterhouse Coopers	R 598 733. 70			12/07/2017

11. Risk Management

From the audits done by the Auditor-General and Internal Audit and the Provincial assessment the following issues were noted which requires monitoring before the municipality is exposed.

NO.	ISSUE RAISED	ISSUE RAISED BY	PROPOSED ACTION TO ADDRESS ISSUE	DUE DATE	CURRENT STATUS ON REPORT DATE
	<u>Auditor General</u>				
1.	Competitive bidding processes not followed	AG	<p>Management response</p> <p>Audit finding acknowledged. It is a fact that the SCM policy and the requirements of the MFMA were not followed for the appointments of the service providers in question. The incorrect process followed was explained to the auditors and the only available documents pertaining to these appointments were given to the AG. Therefore there are no other documents hence we argue that it is irregular expenditure rather than a limitation of scope.</p>	14/11/2017	In progress

2.	<p>1.The performance of some of the contractors was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA.</p> <p>2.The contract performance and monitoring measures and methods were insufficient to ensure effective contract management, in contravention of section 116(2)(c) of the MFMA.</p>	AG	<p>Management response</p> <p>Management agrees with the audit finding. Management will ensure that for new projects the appointments and the contracts shall be in accordance with SCM regulations, SCM policy and MFMA.</p>	20/11/2017	In progress
3.	<p>Contracts were awarded to contractors that were not registered with the CIDB in accordance with section 18(1) of the CIDB Act and CIDB regulations 17 and 25(7A) .This non-compliance was identified in the procurement processes for Balgray road, Kwa-Ntaba gravel road, Small town rehabilitation(Kantoor and De Kock street) projects</p>	AG	<p>Management response</p> <p>We have not received a request of the information raised in this finding. The contractor is contracted to the service provider and not the municipality, however we have established that the service provider who was contracted by TL Engineering has a CIDB grading of 8CE (refer to the CIDB grading documents supplied). We have requested more documents. We will make them available as soon as we get them.</p>	22/11/2017	In progress
4.	<p>Prior year's unauthorised, irregular and fruitless and wasteful expenditure not investigated</p> <p>It was noted that the municipality does not conduct effective and insightful investigations into the unauthorised, irregular or fruitless and wasteful expenditure.</p>	AG	<p>Management response</p> <p>The finding is acknowledged. This function of performing the investigations has to be performed by a committee of council in terms of section 32 of the MFMA. Going forward the same will be forwarded to such committee.</p>	13/11/2017	In progress
5.	<p>No reasonable steps were taken to prevent unauthorised, irregular, fruitless and wasteful expenditure.</p> <p>During the audit it was noted that irregular expenditure and fruitless</p>	AG	<p>Management response</p> <p>The audit finding is acknowledged, management will endeavour to take reasonable steps to prevent irregular, fruitless and wasteful expenditure.</p>	13/11/2017	In progress

	and wasteful expenditure had been incurred in the current year and the prior year. Management has not taken the necessary steps to prevent the re-occurrence of irregular and fruitless and wasteful expenditure in the current year. It must be noted that non-compliance that caused the irregular expenditure in the previous year re-occurred in the current year				
	<u>INTERNAL AUDIT</u>		<u>Management responses:</u>		
6.	Minimum of 3 quotations not obtained.	IA	Audit finding noted, we have an account with spar. That was the only local supplier that can provide reliable and quality products. Going forward three (3) quotations will be sourced. The expenditure will be recorded in the irregular expenditure register. We are going to do an excise to update the register. Furthermore internal audit recommendations will be implemented.	Immediately	In progress
7.	No evidence of supplier performance monitoring	IA	Audit finding noted, however we do have a written system on a parallel contract register. Furthermore written system will be incorporated into the primary contract register. The performance written system has a scale of 1-5 where 1 is unsatisfactory, and 5 being highest score for exceptional performance.	In progress	In progress
8.	Quotations not advertised on the municipal website	IA	Going forward will adhere to SCM policies check list.	1 July 2017	
9.	Procedures for handling, opening and recording of bids	IA	Audit finding noted, for the bids that have recently closed we have published the results accordingly. An exercise is underway to publish all the tender	Immediately	In progress

			opening registers for the current financial year. In addition it will be a prerequisite procedure for Bid Adjudication Committee to ensure that a copy of evidence for publication is obtained for every bid adjudicated.		
10.	Order forms not signed by the municipal manager	IA	Audit finding noted and acknowledge .going forward we will ensure that all orders are completed in full.	Immediately	In progress
11.	Dates on the order forms not completed	IA	Audit finding noted and acknowledge .going forward we will ensure that all orders are completed in full.	Immediately	In progress
12.	SCM reports are not made public as per the regulation	IA	Audit finding noted and acknowledged. We will ensure that SCM monthly reports are placed on the website on a monthly basis. In addition the compliance check list will be updated to incorporate the publication of SCM reports	Immediately	In progress
13.	Inadequacies noted in the section 32 contracts	IA	Audit finding noted, in the view of the KZN Municipal circular 01/2016 specific procedures have to be carried out in when sourcing regulation 32. Therefore the municipality has stopped procurement in terms of Regulation 32. We will follow up on the outstanding contracts and correct accordingly.	In progress	In progress
14.	There is no evidence that long outstanding orders are reviewed monthly	IA	Audit finding noted, the requisitions and orders register will be amended with two (2) extra columns namely : 1) States of order placed 2) Has the order been fulfilled The register will be monitored on the monthly basis by procurement officer & revenue by CFO. Evidence thereof will be indicated in the form of signature. exception reports will be reviewed on the system after consultation with Camelsa.	Immediately	In progress
15.	Disposal management	IA	Audit finding noted. The processes & procedures within this function of asset management will be re configured, to ensure that adequate internal controls	1 July 2017	In progress

			measures are in place. The internal audit recommendations will be implemented		
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PREPARED BY	NOMBALI		REVIEWED BY	
DATE			DATE	
SIGNATURE			SIGNATURE	

CHIEF FINANCIAL OFFICER: _____

SIGNED: _____

DATE: _____