



**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

August 2018

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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 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.

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			
						A	G	NT	PT
N/A	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
Advert for women's moth.	20/08/2018	Intuthuko newspaper	R 4 500.00	Advert for women's moth. Intuthuko newspaper is the sole provider to advertise in the Intuthuko newspaper.	
Repair Nissan NP 300, NUT 1919	02/08/2018	NTT Nissan Newcastle	R 14 097.20	Repair Nissan NP 300, NUT 1919. All municipal vehicles and machines are repaired and serviced from where they were initially bought because the original dealers have the necessary parts and have good knowledge of their products. It is impractical to follow SCM processes.	
Spies for making biltong.	25/07/2018	BKB	R 1 984.67	Spies for making biltong. The meat has been in the abattoir for the past 10 days and the meat must be processed urgently before it goes off. The inspectors came to assess the abattoir and requested the municipality to get rid of all the meat in the abattoir. The meat had to be processed urgently in order for it to be sold before the abattoir is closed down.	
TOTAL			R 20 581. 87		

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 DESCRIPTION	AWARD VALUE	CONTRACT AWARDED TO	NAME OF DEPARTMENT/ MUNICIPALITY	CONSENT OBTAINED FROM BOTH ORGAN OF STATE AND SERVICE PROVIDER	REASON FOR DEVIATION
None	None	None	None	None	YES n/a	NO 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.	Unauthorised expenditure	Concost Quantity Surveyors	R 30 799. 73			Professional fees for Slagveld gravel road was only budgeted for 2017-2018 financial year and is not in the budget for 2018-2019 financial year. There is no roll over.	Technical
2.	Unauthorised expenditure	Concost Quantity Surveyors	R 30 799. 73			Professional fees for Enzimate gravel road was only budgeted for 2017-2018 financial year and is not in the budget for 2018-2019 financial year. There is no roll over.	Technical

TOTAL		R 61 599. 46		

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.	DJC Trading t/a Zethembe project	R 767 446. 54	28/08/2018

2.	Camelsa Consulting Group (Pty) Ltd	R 586 120. 50	02/08/2018
3.	FBL Trading Enterprise	R 172 452. 16	28/08/2018
4.	AFRI-INFRA Group (Pty) Ltd	R 111 684. 27	29/08/2018
5.	Andile Seth Incorporated	R 96 216. 00	31/08/2018
6.	SCIP Engineering Group	R 92 209. 53	29/08/2018
7.	Concost Quantity Surveyors	R 61 599. 49	02/08/2018 14/08/2018
8.	Payday Software Systems	R 48 300. 00	14/08/2018 29/08/2018
9.	Shepstone & Wylie	R 35 861. 23	14/08/2018
10.	Newcastle office shop	R 25 294. 65	14/08/2018 29/08/2018

9.3 Top 10 suppliers by number of orders made

NO	SERVICE PROVIDER	AMOUNT	NUMBER OF ORDERS
1.	SCIP Engineering Group	R 201 565. 77	3
2.	Bell Equipment	R 25 516. 59	2
3.	Concost Quantity Surveyors	R 61 599. 49	2
4.	Konica Minolta SA	R 4 250. 04	2
5.	Newcastle Office Shop	R 11 662. 13	2

6.	NTT Nissan Newcastle	R 21 838. 95	2
7.	Payday Software Systems	R 48 300. 00	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
1.	Electrification projects - - Malinga - Dan Poti - Mooihoek - Kwamagwaza - Enzimana - Beru	Asande projects (Turnkey)	R 9 000 000 .00	R 742 979. 04 R 912 058. 70 R 1 863 900. 00 R 525 112. 49	28/08/2017 15/12/2017 29/03/2018 10/05/2018	05/05/2017
2.	MN08/2016-2017	Umlhlab geomatics Inc	R 520 000. 00	R 9 642. 85 R 28 928. 55 R 333 000. 00 R 28 928. 55 R 9 642. 85 R 9642. 85 R 9642. 85 R 9727. 44 R 9727. 44 R 9727. 44	04/08/2017 09/11/2017 09/11/2017 16/02/2018 09/03/2018 12/04/2018 19/04/2018 26/06/2018 26/06/2018 26/06/2018	12/06/2017
3.	MN01/207-18	Indwe Risk Services (Pty)Ltd	R 686 299. 00			26/03/2018

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.	Unauthorised, irregular expenditure and fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA	AG	<p><u>Management responses:</u></p> <p>The Council has been capacitated on its duties and functions.</p> <p>The council will ensure that its oversight committee is entrusted with the responsibility of investigating the Unauthorised, irregular and fruitless and wasteful expenditure on a quarterly basis and make recommendations to council.</p> <p>Management will develop the financial misconduct policy which will guide the reporting and disciplinary procedures.</p>	<p>31/05/2018</p> <p>30/06/2018</p>	<p>Councillors were trained</p> <p>The Unauthorised, irregular and wasteful expenditure was reported in February 2018 and referred to MPAC for investigation with a view of complying with the prescripts of section 32 of MFMA however the MPAC has not concluded its investigation.</p> <p>The policy is currently being developed and will be submitted to all relevant structures by 7 June 2018</p>
2.	Reasonable steps were not taken to prevent unauthorised, irregular and fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA. Non-compliance with section 65(2)(e)	AG	<p><u>Management responses:</u></p> <p>Management will ensure that the SCM processes are followed when procuring goods and services.</p> <p>Management will further rope in Risk and Compliance Officer to monitor whether the bidding processes are followed.</p> <p>The SCM reports will be compiled on a monthly basis and reported to MANCO for taking actions</p>	<p>On going</p> <p>31/05/2018</p> <p>Monthly</p>	<p>The SCM reports are compiled on a monthly basis however these reports have not been served on MANCO. Management shall ensure that going forward the report is served in the MANCO.</p> <p>Payment of service providers within 30 days is being monitored to avoid incurring</p>

			as well to all other structures i.e. Portfolio committee, EXCO, and Council. Management will monitor that the money owed by the municipality and will be paid within 30 days of receiving relevant invoice or statement	Daily	fruitless and wasteful expenditure. The municipality has identified the service providers who are charging interest and their accounts are monitored closely on monthly basis and since then there is improvement.
3.	Some of the goods and services of a transaction value above R200 000 were procured without inviting competitive bids, as required by Supply Chain Management (SCM) regulation 19(a). Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of SCM regulation 36(1).	AG	<u>Management responses:</u> Management has developed a procurement plan which will enable Supply Chain Management Unit to properly plan the procurement of goods and services. Goods above R200 000 will be procured through competitive bidding process. The approval of deviations will be confined only to emergency cases.	On going	The initial appointment of the mentioned irregularity happened in 2011 (Asanda).and in 2014 (TL engineering). The services of these contractors are coming to an end and will not be renewed in terms of their original contract. Management could not have terminated the contracts. However the procurement plan has been developed.
4.	Some of the contracts were accepted from bidders whose tax matters had not been declared by the South African Revenue Service (SARS) to be in order, in contravention of SCM regulation 43.	AG	<u>Management responses:</u> Management will beef up the tender documents and incorporate a clause which will require the prospective bidder to concur in submitting a tax clearance certificate yearly if the bidder wins the tender and that should the bidder not submit the certificate, the municipality will have a prerogative to revoke the contract. The municipality will through contract management check on a monthly basis as to whether the tax matters of any company doing business with the municipality are in order.	On going	The initial appointment of the mentioned irregularity happened in 2011 (Asanda).and in 2014 (TL engineering). The services of these contractors are coming to an end and will not be renewed in terms of their original contract. Management could not have terminated the contracts. However the procurement plan has been developed
5.	Some of the contracts were accepted from bidders who did not submit a declaration on whether they are employed by	AG	<u>Management responses:</u> The management will ensure that prior the bidders are evaluated, the tender document is fully completed including the declaration of interests.	On going	Tender documents are checked whether all relevant documents are attached.


	the state or connected to any person employed by the state, as required by SCM regulation 13(c).		The SCM committees will also check whether the declaration is signed and will also use the services of the DPSA and AG to check whether the bidder is not in the services of the state.		
6.	Some of the competitive bids were adjudicated by a bid adjudication committee that was not composed in accordance with SCM regulation 29(2).	AG	<p><u>Management responses:</u></p> <p>The SCM clerk post has been advertised. The incumbent will be appointed to serve in a bid evaluation committee as an SCM Practitioner.</p> <p>SCM Officer will serve in the Specification and Adjudication Committee as an SCM Practitioner.</p>	On going On going	The SCM clerk position was filled. SCM Officer and the SCM Clerk respectively have been appointed in the Adjudication and Evaluation Committee.
7.	Some of the contracts were awarded to bidders based on points given for criteria that differed from those stipulated in the original invitation for bidding, in contravention of SCM regulations 21(b) and 28(1)(a) and the Preferential Procurement Regulations.	AG	<p><u>Management responses:</u></p> <p>The minutes of specification committee together with an advert will be sent to the Accounting Officer to authorise publication to avoid any discrepancies between an advert and recommendations by Specification Committee.</p>	On going	Minutes together with the recommendations of the specification committee are sent to the Accounting Officer
8.	Some of the construction contracts were awarded to contractors that were not registered with the Construction Industry and Development Board, 2000 (Act No. 38 of 2000)(CIDB) in accordance with section 18(1) of the CIDB regulations 17 and 25(7A).	AG	<p><u>Management responses:</u></p> <p>Ensure that a comprehensive SCM procurement checklist is being utilised.</p> <p>The Risk and Compliance Officer will monitor that the CIDB certificate is attached to the Bidding document.</p>	On going	Implemented
	<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	
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 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.	Immediately	In progress
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 & reviewed 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 measures are in place. The internal audit recommendations will be implemented	1 July 2017	In progress

PREPARED BY	NOMBALI	REVIEWED BY	<i>Splawend Ly</i>
DATE	30/09/2018	DATE	30/09/2018
SIGNATURE		SIGNATURE	

CHIEF FINANCIAL OFFICER: S. Mhlophe

SIGNED: 

DATE: 30/09/2018

