



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

(As per Section 6(1) (3) of the Municipal SCM Regulations)

SCM MONTHLY REPORT

July 2023

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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 declared interest.

3.2 Adequacy of personnel within SCM

- The personnel is not adequate within the 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 FORgh DEVIATION	NOTIFICATIONS		
						A G	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 the next Council meeting.

No.	DESCRIPTION (INCLUDING QUOTATION / BID NUMBER)	DATE OF AWARD	AWARDED TO	AWARD VALUE	REASON FOR DEVIATION	DATE REPORTED TO COUNCIL
1.	Video and Photography Services for the Mayor's Cup.	21/06/2023	TS Media Infinite Creativity	R 14 500.00	SCM procedures for procuring goods and services through formal written quotations above R 2000 up to R 200 000 were followed as per SCM policy, S17.2 (1). Request for quotations were sent to five service providers, only one service provider responded and one quotation was obtained instead of three quotations as per SCM policy S17.1 (1).	
2.	Fault Finding and Carry Out 500Hrs Service as well as Repairs on ELB Grader NN 96809.	14/04/2023	ELB Equipment	R 66 654.06	The ELB Grader needs some repairs as it switches off the engine while in motion and stops. This problem would result to accidents if it can happen when the Grader is within congested traffic and it takes long to restart again. The end-user suggests that the Grader be repaired and serviced from the manufactory dealer ELB Equipment, because the original dealers have the necessary parts and have good knowledge of their products. It is impractical to follow SCM processes. This is done to preserve the warranty & guarantee on vehicles.	

3.	Radio Slot on iGagasi FM radio station for Mayoral interview for the post IDP/budget roadshow on 06/06/2023.	05/06/2023	Radio iGagasi 99.5 FM	R 14 999.80	Gagasi FM Radio is the sole provider for the requested radio interview. It is the main stream medium within the province and it has over 801 000 daily cum (M-S) listenership in the region (province). The municipality is able to reach all ward via this radio station. It is impractical to follow SCM process.	
4.	Radio Broadcast for Mayoral Cup at Gagasi Fm on the 24 June 2023.	23/06/2023	Radio iGagasi 99.5 FM	R 59 593.00	Gagasi FM Radio is the sole provider for the requested radio interview. It is the main stream medium within the province and it has over 801 000 daily cum (M-S) listenership in the region (province). The municipality is able to reach all ward via this radio station. It is impractical to follow SCM process.	
5.	Assessment on municipal devices.	15/06/2023	Umnotho Tradings (Pty) Ltd	R 361 389.80	The mayor and other officials inclusive of (16 devices in total) experienced an incident of a security breach with work emails as well as mobile devices. Due to the urgency and risk involved, a service provider was immediately commissioned to do an assessment on the devices. The results of the assessment indicated that there were (16) sixteen devices that were hacked which resulted to other implications that indicated a serious breach in the municipal network and mobile devices. The SCM unit received (3) three quotations but the competitive bidding process was not followed as per SCM policy due to the	

	<p>Repairs and maintenance of 4 x Brushcutters, 1 x Lawnmower and 2 x Ride on Lawnmowers.</p>	<p>01/03/2023</p>	<p>Construction & Cutting Machines</p>	<p>R 46 428.00</p>	<p>urgency and the risks involved to urgently resolve this situation.</p> <p>Repairs and maintenance of 4 x Brushcutters, 1 x Lawnmower and 2 x Ride on Lawnmowers. All municipal vehicles and machines are repaired and serviced form 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. This is done to preserve the warranty & guarantee on machines.</p>	
<p>7.</p>	<p>Calibration of Prolaser speed machine.</p>	<p>30/05/2023</p>	<p>Truvelo Africa Electronics Division (Pty) Ltd</p>	<p>R 6 780.66</p>	<p>Calibration of Prolaser speed machine. Truvelo manufacturers (Pty) Ltd is the sole supplier and or manufacturers of Truvelo range products. This includes maintenance, training and installation. All municipal vehicles and machines are repaired and serviced form where they were initially bought, because the original dealers have the necessary parts and have good knowledge of their products. This is done to preserve the warranty & guarantee of the products. It is impractical to follow SCM processes.</p>	
			<p>TOTAL</p>	<p>R 570 345.32</p>		

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
					YES	NO	
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.	Unauthorised expenditure	FBL Trading	R 590 196,10	Yes		Budget has been exceeded / overspent on the allocated vote.	
2.	Unauthorised expenditure	Double Action	R 47 500,00	Yes		Budget has been exceeded / overspent on the allocated vote.	

3.	Unauthorised expenditure	Auditor-General SA	R 5 139,35	Yes	Budget has been exceeded / overspent on the allocated vote.
4.	Unauthorised expenditure	Auditor-General SA	R 16 423,73	Yes	Budget has been exceeded / overspent on the allocated vote.
5.	Irregular expenditure	FBL Trading	R 590 196,10	Yes	The contract has expired on 30/09/2018 and the expansion has exceeded the 15% threshold stipulated in MFMA Circular 62. The municipality cannot follow SCM processes to appoint service provider for new security services because of a pending court case.
6.	Irregular expenditure	Double Action	R 47 500,00	Yes	SCM unit did not receive a formal request from the user department to procure these services. The procedure for the procurement of goods or services through written quotations or formal written price quotations were not followed or competitive bidding processes as per SCM policy.
7.	Irregular expenditure	CCG Systems	R 911 105,00	Yes	The contract has expired and the expansion has exceeded the 15% threshold stipulated in MFMA Circular 62.
8.	Irregular expenditure	Gutakura Tradings (Pty) Ltd	R 251 850,00	Yes	The variation order has exceeded the 20% threshold stipulated in MFMA Circular 62. The initial contract amount was R 2 901 071-65 and the variation order amounts to R 1 616 286-33 which adds up to a new total contract value of R 4 517 357-98. According to MFMA circular No.62 "Contracts may be expanded or varied only by the Accounting Officer 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. Therefore, the 20% threshold has been exceeded.

9.	Irregular expenditure	Igoda Projects (Pty) Ltd	R 309 905,50	Yes	The variation order has exceeded the 20% threshold stipulated in MFMA Circular 62. The initial contract amount was R 3 596 509-00 and the variation order amounts to R 2 602 503-68 which adds up to a new total contract value of R 6 199 012-68. According to MFMA circular No.62 "Contracts may be expanded or varied only by the Accounting Officer 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. Therefore, the 20% threshold has been exceeded.
10.	Irregular expenditure	Payday Software Systems (Pty) Ltd	R 53 176,00	Yes	The contract has expired on 29 February 2020 and the expansion has exceeded the 15% threshold stipulated in MFMA Circular 62. The contract was terminated on 30 June 2022.
11.	Irregular expenditure	Syntell	R 144 325,44	Yes	The contract has expired and the expansion has exceeded the 15% threshold stipulated in MFMA Circular 62.
12.	Irregular expenditure	Redbell Trading t/a Uncle Deli Spar	R 993,86	Yes	Assistance of groceries for indigent burial was requested by the Office of the Mayor. SCM processes were not followed because the SCM unit did not receive this request, and goods were taken without informing the SCM office. A minimum of three quotations was not obtained.
13.	Irregular expenditure	Makali Group	R 49 901,14	Yes	Makali Group was initially appointed for R132 790-50 to investigate financial misconduct against the former CFO. After the investigation, Makali Group was required to give oral evidence regarding the forensic audit

					during the said disciplinary proceedings, which was not part of the scope of work in the initial appointment. The total cost of the oral evidence amounts to R 69 819-72 and exceeds the 15% threshold stipulated in the MFMA circular No.62.	
14.	Irregular expenditure	FBL Trading	R 590 502,50	Yes	The contract has expired on 30/09/2018 and the expansion has exceeded the 15% threshold stipulated in MFMA Circular 62. The municipality cannot follow SCM processes to appoint service provider for new security services because of a pending court case.	
15.	Irregular expenditure	Double Action	R 47 500,00	Yes	SCM unit did not receive a formal request from the user department to procure these services. The procedure for the procurement of goods or services through written quotations or formal written price quotations were not followed or competitive bidding processes as per SCM policy.	
	TOTAL		R 3 657 214.72			

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.	Igoda Projects (Pty) Ltd	R 3 791 769.62	05/07/2023 05/07/2023 31/07/2023 31/07/2023
2.	Afrilectrical Consulting Engineers (Pty) Ltd	R 3 518 005.59	20/07/2023 25/07/2023
3.	FBL Trading Enterprise	R 1 181 698.60	04/07/2023 31/07/2023
4.	Gutakura Tradings (Pty) Ltd	R 1 138 190.79	05/07/2023 05/07/2023 05/07/2023 05/07/2023
5.	Camelsa Consulting Group (Pty) Ltd	R 911 105.00	05/07/2023
6.	Lemalwa Trading	R 657 499.61	05/07/2023
7.	Impumelelo Consulting Engineers	R 519 221.37	31/07/2023
8.	Umnotho Tradings (Pty) Ltd	R 361 389.80	29/07/2023
9.	Mdledle Incorporated	R 220 800.00	28/07/2023
10.	CQS Technology Holdings (Pty) Ltd	R 200 876.58	05/07/2023

9.3 Top 10 suppliers by number of orders made

NO.	SERVICE PROVIDER	AMOUNT	NUMBER OF ORDERS
1.	Igoda Projects (Pty) Ltd	R 2 867 414.19	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	DESCRIPTION OF CONTRACT	VALUE OF CONTRACT	PAYMENTS TO DATE	DATE OF PAYMENT	APPOINTMENT DATE	SUPPLIER PERFORMANCE ASSESSMENT / PERFORMANCE RATING					
								SUPPLIER PERFORMANCE ASSESSMENT REPORT COMPILED	Yes	No	Good	Fair	Poor
1.	MN08/2016-2017	Umhlaba geomatics Inc	General valuation and preparation of valuation roll – Ending on 30/06/2023.	970 000.00	861 266.60 43 578.95 5 750.00 15 131.58 15 131.58 7 565.79 7 565.79 7 565.79	b/f from previous financial years 12/06/2017 27/07/2022 15/09/2022 14/10/2022 11/01/2023 28/02/2023 24/03/2023 18/04/2023				Not submitted			
2.	MN03/2021-22	Konica Minolta South Africa	Leasing of printers for a	575 692.92 (fixed amount) for 3 years	51 443.00	31/10/2022	31/05/2022		No		Not submitted		

3.	MN04/2021-22	Lateral Unison Insurance Brokers (Pty)Ltd	period of 3 years. Short term insurance for a period of years	3 630 951.55 (3 years)	999 958.00 1 810.00	14/07/2022 09/11/2022	31/05/2022		No	-
4.	MN10/2021-22	Umhlaba geomatics Inc.	General valuation and preparation of valuation roll – 01/07/2023 – 30/06/2028.	1 470 000.00	37 818.19 447 272.73 41 268.19 37 818.19 75 636.38 63 636.62	09/12/2022 19/12/2022 11/01/2023 28/02/2023 24/03/2023 18/04/2023	08/09/2022		No	Not submitted
5.	RFQ	Vodacom	Supply 30 Mbp wireless business internet for a period of 12 months	R 68 388.00					No	Not submitted
6.	Regulation 32	Gutakura Trading (Pty)Ltd	Kaarpoort Electrification	2 645 188.90	1 414 041.84 421 486.47 497 878.29	Balance b / f 07/12/2022 05/07/2023	01/07/2022	Yes		Satisfactory
7.	MN09/2018-19 (Turnkey)	NWS consulting engineering (Pty)Ltd	Kwa Ntaba Electrification	2 866 194.41	823 211.09 144 538.48 431 241.13 361 705.55	Balance b / f 29/04/2022 28/02/2022 06/05/2022	18/09/2022	Yes		Satisfactory
8.	MN05/2022-23	Lemalwa Trading	Upgrading of Kerk Street - Phase 3	4 257 937.15	214 563.56 708 086.97 974 240.06 750 000.00 657 499.61	05/05/2023 11/05/2023 14/06/2023 30/06/2023 05/07/2023	08/03/2023			
9.	MN09/2018-19 (Turnkey)	Afrilectrical Consulting Engineers (Pty) Ltd	Emadlangeni Phase 2 Electrification	6 999 000.00	1 383 098.89 2 134 906.70	20/07/2023 25/07/2023	17/04/2023			




10.	MN09/2018-19 (Turnkey)	Igoda Projects (Pty) Ltd	Blue Mountain Phase 2 Electrification	10 867 000.00	1 256 361.86 614 449.93 45 066.16 2 822 348.03	12/05/2023 05/07/2023 31/07/2023 31/07/2023	17/04/2023		
11.	MN09/2018-19 (Turnkey)	Igoda Projects	Waaiohoek Phase 2	6 199 012.68	1 384 195.80 1 302 531.98 768 903.22 518 408.41 65 474.32 1 232 072.28 307 525.40 309 905.50	05/11/2021 05/11/2021 07/01/2022 02/03/2022 29/07/2022 30/11/2022 03/03/2023 05/07/2023	01/06/2022		

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 expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure as required by section 32(2)(a) of the MFMA.	Auditor General	The Council has been capacitated on its duties and functions. 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.	Ongoing	Councillors were trained The Unauthorised expenditure is being reported and referred to MPAC for investigation with a view of complying with the prescripts of section 32 of MFMA.

		Auditor General	<p>Going forward the management has taken the necessary steps and has sourced a service provider to investigate unauthorised expenditure incurred by the municipality.</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>Going forward the management has taken the necessary steps and has sourced a service provider to investigate irregular expenditure incurred by the municipality.</p>	Ongoing	<p>Councillors were trained.</p> <p>The Unauthorized expenditure is being reported and referred to MPAC for investigation with a view of complying with the prescripts of section 32 of MFMA.</p>
2.	<p>Irregular expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure as required by section 32(2)(a) of the MFMA.</p>				
1.	<p><u>INTERNAL AUDIT</u></p> <p>During the time of the audit of the Supply Chain Management processes for the period from 1 July 2018 to 31 January 2019, it was found that only three (3) of the sixteen (16) tenders listed in the 2018/19 Tender Register had been awarded.</p>	Internal Audit	<p><u>Management responses:</u></p> <p>The management acknowledge the finding; the management will prepare a detail plan of meeting to ensure all tender advertised are being finalized timeously</p>	Ongoing	

PREPARED BY SCM Practitioner	S.I Mpanza	REVIEWED BY SCM Manager	T.N.S Madondo	APPROVED BY CFO	P.P Sithole
SIGNATURE		SIGNATURE		SIGNATURE	
DATE	30/08/2023	DATE	30/08/2023	DATE	30/08/2023

