



**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

September 2024

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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 FOR DEVIATION	NOTIFICATIONS		
						A	G	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.

No.	DESCRIPTION (INCLUDING QUOTATION / BID NUMBER)	DATE OF AWARD	AWARDED TO	AWARD VALUE	REASON FOR DEVIATION	DATE REPORTED TO COUNCIL
1.	Servicing Nissan Bakkie NUT 3732 NP 300.	30/07/2024	Utrecht Auto & General CC (UAG)	R 9 821.00	The fire and disaster bakkie is due for a maintenance service. It was recommended that it needed to be taken to the nearest service provider Utrecht Auto and General CC (UAG). It is impractical to follow SCM processes by	

					<p>obtaining a minimum of three quotations as per SCM policy because this has to be attended as a matter of emergency as it is currently fire season and this vehicle is used to respond promptly to these veld fire cases.</p>	
<p>2.</p>	<p>Servicing Fire Truck NUT 2190.</p>	<p>18/09/2024</p>	<p>Stucky Motors Newcastle</p>	<p>R 26 873.40</p>	<p>The Fire Truck is repaired and serviced from where it was initially bought, because the original dealer has the necessary parts and have good knowledge of their truck. It is impractical to follow SCM processes by obtaining a minimum of three quotations as per SCM policy because this is done to preserve the warranty & guarantee on the fire truck.</p>	
<p>3.</p>	<p>NCR Radio slot for Gender Event.</p>	<p>27/08/2024</p>	<p>Newcastle Community Radio 103.7FM</p>	<p>R 45 000.00</p>	<p>Hiring NCR to assist with Promotion & Coverage of gender event taking place on the 30th of August 2024. This event will focus on gender development initiatives in the Emadlangeni Municipal area. Newcastle Community Radio is the only local radio station serving the Amajuba Park Region, and they have the required reach and audience to effectively promote and cover this important community event.</p>	

					<p>The key benefits of partnering with Newcastle Community Radio for this event include:</p> <ul style="list-style-type: none"> • Extensive coverage and promotion of the event across their radio programming and digital platforms, reaching the target audience in Amajuba District. • Live broadcasts and interviews from the event itself to provide real-time updates and insights • Collaborative marketing and awareness-raising efforts to drive attendance and participation. <p>It is therefore impractical to follow SCM processes as Newcastle Community Radio is the only local radio station serving the Amajuba Park region.</p>	
			TOTAL	R 81 694.40		

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. REGULATION 17(1)(c)(d) APPOINTMENT

8.1 The Municipal SCM Regulation 17(1)(c)(d); provide that a Supply Chain Management Policy must stipulate the conditions for the procurement of goods or services through formal written price quotations, which must include conditions stating:

- that if it is not possible to obtain at least three quotations, the reasons must be recorded and approved by the Chief Financial Officer or an official designated by the Chief Financial Officer;
- that the Accounting Officer must record the names of the potential providers and their written quotations.

8.2 In compliance with the above-mentioned prescripts, request for quotations / invitation to quote for the required goods was advertised and received as per the table below:

No.	Description	Total number of days the RFQ was advertised	Number of price quotations or offers received	Awarded service provider	Amount
1.	N/A	N/A	N/A	N/A	N/A

9. 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.	Irregular expenditure	Gutakura Tradings (Pty) Ltd	R 45 674.90	Yes		Kaarpoort Electrification Project. The contractor was appointed by way of section 32 when the underlying contract between the supplier and the contracting municipality had already expired. The municipality extended the contract with the contractor when the original contracting municipality had not done so.	Infrastructure & Planning
2.	Irregular expenditure	Afrilectrical Consulting Engineers (Pty) Ltd	R 2 482 274.08	Yes		Dorothea Electrification Project. Service provider was appointed as a turnkey project. The requirement for a turnkey is to follow a two stage bidding process. The two stage bidding process was not followed to appoint Afrilectrical Consulting Engineers (Pty) Ltd as per SCM policy.	Infrastructure & Planning
3.	Irregular expenditure	Payday Software Systems	R 48 300.00	Yes		HR Consultation; S&T; Accommodation & Miscellaneous - Consultant: Gloria Masango - July 2024. 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.	Corporate

4.	Irregular expenditure	Ayamukelwe Trading	R 5 000.00	Yes	Hiring of Gas Heaters for Gender Programme. The SCM processes were not followed because the SCM unit did not receive a requisition for this request, and services were rendered without following the SCM processes. A minimum of three quotations was not obtained. The procedure for the procurement of goods or services through written quotations or formal written price quotations were not followed as per SCM policy.	Community
5.	Irregular expenditure	TS Media Infinite Creativity (Pty) Ltd	R 5 500.00	Yes	Décor for Gender Programme. The SCM processes were not followed because the SCM unit did not receive a requisition for this request, and services were rendered without following the SCM processes. A minimum of three quotations was not obtained. The procedure for the procurement of goods or services through written quotations or formal written price quotations were not followed as per SCM policy.	Community
	TOTAL		R 2 586 748.98			

10. 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

10.1 Bids awarded – Above R 100 000

NO.	SERVICE PROVIDER	DESCRIPTION OF GOODS/SERVICE	CONTRACT AMOUNT
1.	Siyaroro Trading CC	Balele Game Park Refurbishment Project – Phase 2	R 2 894 787.60
2.	Sibangwane Trading and Projects	Service Provider To Provide The Services Of Printing Newsletter: Design, Layout, Editing, Proof-Reading, Translation, Printing, Delivery And Distribution Of The Emdlangei Municipality Newsletter	R 165 500.00

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

NO.	SERVICE PROVIDER	AMOUNT	DATE OF PAYMENT
1.	Afrilectrical Consulting Engineers (Pty) Ltd	R 2 482 274.08	05/09/2024
2.	Mbogz Civils (Pty) Ltd	R 904 387.70	27/09/2024
3.	Jambo Holdings (Pty) Ltd	R 856 520.98	27/09/2024
4.	Jabelu Plant and Logistics (Pty) Ltd	R 849 811.51	27/09/2024
5.	PK Financial Consultants CC	R 838 701.90	27/09/2024
6.	FBL Trading Enterprise	R 689 868.90	04/09/2024
7.	Amahlungu Civils (Pty) Ltd	R 632 153.30	27/09/2024
8.	Double Action Security and Training Academy CC	R 434 355.00	04/09/2024
9.	Sipho Glad Construction and General Trading CC	R 418 773.11	27/09/2024
10.	Konke Kuzokhanya Holdings Enterprise	R 395 437.80	06/09/2024

10.3 Top 10 suppliers by number of orders made

NO.	SERVICE PROVIDER	AMOUNT	NUMBER OF ORDERS
1.	Tunimart Travel Agency	R 39 433.70	8
2.	Auditor-General SA	R 818 428.81	3
3.	SALGA	R 602 262.20	3
4.	Umhlaba Geomatics Inc	R 25 666.66	2

11. 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	PAYMENT S TO DATE	DATE OF PAYMENT	APPOINTMENT DATE	SUPPLIER PERFORMANCE ASSESSMENT REPORT COMPILED		SUPPLIER PERFORMANCE ASSESSMENT / PERFORMANCE RATING		
								Yes	No	Good	Fair	Poor
1.	MN03/2021-22	Konica Minolta South Africa	Leasing of printers for a period of 3 years.	575 692.92 (fixed amount) for 3 years	31 983.02 15 991.51 15 991.51 15 991.51 15 991.51 15 991.51 15 991.51 15 991.51 15 991.51 15 991.51 15 991.51 15 991.51	31/10/2022 30/11/2022 30/12/2022 31/01/2023 28/02/2023 31/03/2023 28/04/2023 31/05/2023 30/06/2023 31/07/2023 31/08/2023 29/09/2023	31/05/2022		No	Not submitted		

9.	MN09/2018-19 (Turnkey)	Afrilectrical Consulting Engineers (Pty) Ltd	Fixed Assets Register for a Period of 3 Years	17 093 682.84	3 975 275.68 2 024 327.68 2 084 986.26 2 482 274.08	18/12/2023 05/03/2024 15/08/2024 05/09/2024	17/04/2023	No	Not submitted
10.	MN11/2022-23	Loma Business Enterprises (Pty) Ltd	Appointment of Service Provider to Provide Pound Keeper Services for a Period of 36 Months	538 200.00	14 950.00 14 950.00 14 950.00 14 950.00 14 950.00 14 950.00 14 950.00 14 950.00	29/02/2024 29/02/2024 29/02/2024 29/02/2024 03/06/2024 03/06/2024 08/08/2024 08/08/2024	17/10/2023	No	Not submitted
11.	MN14/2022-23 (Panel)	FBL Protection Services	Security Services for Emadlangeni Local Municipality for a Period of 12 Months	8 550 971.28	712 580.94 712 580.94 756 349.02 756 349.02 378 174.53 378 174.53 372 703.50 372 703.50 378 174.51 378 174.51 378 174.51 378 174.51 665 677.50 689 868.90	01/12/2023 22/12/2023 01/02/2024 01/03/2024 02/04/2024 05/04/2024 03/05/2024 15/05/2024 11/06/2024 28/06/2024 12/07/2024 16/07/2024 02/08/2024 04/09/2024	01/11/2023	No	Not submitted
12.	MN14/2022-23 (Panel)	Double Action Security	Security Services for Emadlangeni Local Municipality for a Period of 12 Months	4 385 916.00	317 820.00 317 820.00 434 355.00 434 355.00 217 177.50 217 177.50 217 177.50	01/12/2023 22/12/2023 01/02/2024 01/03/2024 02/04/2024 05/04/2024 03/05/2024	01/11/2023	No	Not submitted

20.	MN16/2023-24	Jambo Holdings (Pty) Ltd	Regravelling of Lenz Access Road in Ward 5	2 064 848.91	856 520.98	27/09/2024	16/08/2024	No	Not submitted
21.	MN18/2023-24	Mbogz Civils (Pty) Ltd	Construction of Emathangeni Access Road in Ward 3	3 994 506.19	904 387.70	27/09/2024	16/08/2024	No	Not submitted

12. 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.



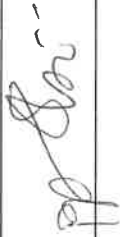
NO.	ISSUE RAISED	ISSUE RAISED BY	PROPOSED ACTION TO ADDRESS ISSUE	DUE DATE	CURRENT STATUS ON REPORT DATE
1.	<p>Auditor General</p> <p>Some goods and services of a transaction value above R200 000 were procured without inviting competitive bids, as required by the Regulation 19(a) of the Municipal Supply Chain Regulations (SCM regulations). Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of SCM regulation 36(1). Similar non-compliance was reported in the prior year. This non-compliance was identified in the procurement processes for various electrification projects.</p>	Auditor General	<p>Management will ensure strict adherence to the SCM Policy and Regulations by ensuring that:</p> <ul style="list-style-type: none"> - For all bids above R200 000, competitive bidding is implemented. - Cost / benefit analyses will be conducted prior to the appointment of Regulations 32 contracts. - All Regulation 32 appointments will be supported by written consent obtained from the other organ of state, however management has no intention to enter into any regulation 32 contract. 	Ongoing	The municipality has not entered into any Regulation 32 contract.

	<p>Some good and services procured under contracts secured by other organs of state were not procured in accordance with SCM regulation 32, as there were no demonstrable benefits and discounts for participating in these contracts. Some goods or services procured under contracts secured by other organs of state and the provider did not consent to such procurement in writing. This non-compliance was identified in the procurement processes for various electrification projects.</p> <p>Some goods and services procured under the contracts secured by other organs of state were not procured in accordance with SCM regulations 32, as the prices paid were not the same as the original contract. This non-compliance was identified in the procurement process for various electrification projects.</p>			
<u>INTERNAL AUDIT</u>		<u>Management responses:</u>		

1.	<p>Some goods and services of a transaction value above R200 000 were procured without inviting competitive bids, as required by the Regulation 19(a) of the Municipal Supply Chain Regulations (SCM regulations). Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of SCM regulation 36(1). Similar non-compliance was reported in the prior year. This non-compliance was identified in the procurement processes for various electrification projects.</p>	Internal Audit	<p>All procurement must go through Supply Chain Management office.</p> <p>No procurement should be authorized where procurement processes were not followed.</p> <p>Seek advice from the SCM office on the necessary steps to be followed on procurement processes.</p>	Ongoing	<p>Currently the municipality has not procured any goods and services of a transaction value above R200 000 without inviting competitive bids, as required by the Regulation 19(a) of the Municipal Supply Chain Regulations (SCM regulations).</p>
2.	<p>1. Some good and services procured under contracts secured by other organs of state were not procured in accordance with SCM regulation 32, as there were no demonstrable benefits and discounts for participating in these contracts.</p> <p>2. Some goods or services procured under contracts secured by other organs of state and the provider did not consent to such procurement in writing. This non-compliance was identified in the procurement processes for various electrification projects.</p> <p>3. Some goods and services procured under the contracts secured by other organs of state were not procured in accordance</p>	Internal Audit	<p>SCM regulation 32 should be avoided at all times because of its strict conditions.</p> <p>Proper planning must be done for all procurement and requisitions must be submitted on time to allow all necessary steps for competitive bidding processes to be followed.</p> <p>Seek advice from the SCM office on the necessary steps to be followed on procurement processes.</p>	Ongoing	<p>The municipality has not entered into any Regulation 32 contract.</p>

	<p>with SCM regulations 32, as the prices paid were not the same as the original contract. This non-compliance was identified in the procurement process for various electrification projects.</p>				
	<p><u>Risk Management</u></p> <p>Poor implementation of Supply Chain Management processes:</p> <ol style="list-style-type: none"> 1. Increase in Irregular, Unauthorised, Fruitless and Wasteful expenditure. 2. Exceeding threshold for variation orders. 3. Compromised service delivery. <ul style="list-style-type: none"> -Delays in implementation of projects. -Municipal performance targets might not be achieved -Underspending on allocated budget and subsequent withdrawal of grant funding. 	<p>Risk Management</p>	<p><u>Action plan to improve the management of the risk:</u></p> <ol style="list-style-type: none"> 1. To submit inputs for the SCM Clerks position during the review processes of the municipal organogram. 2. To enforce the SCM policy and standard operating procedures, to review all transactions to ensure compliance. 3. To prepare and monitor the Procurement Plan on a quarterly basis and communicate progress to User Departments, and submit to the Provincial treasury. 5. To develop a schedule plan for the for bid committee sittings. 		<ol style="list-style-type: none"> 1. Inputs were submitted in regards of the SCM CLERKS position. 2. There is an existing SOP which is reviewed annually. 3. Procurement plan was consolidated and submitted to Provincial treasury. 4. Procurements plans are monitored and submitted to PT next quarter will be sent to user departments. 5. Schedule plan is part of the Procurement plan. 6. Contact register is in place and updated. Variations are being authorised by the accounting officer and monitored not to exceed stipulated threshold.
	<p>2.</p> <p>Financial Management: Unauthorised, Irregular, Fruitless and Wasteful Expenditure:</p>	<p>Risk Management</p>	<ol style="list-style-type: none"> 1. To develop the unauthorised, irregular or fruitless and wasteful expenditure strategy and procedures. 2. Implementation of the unauthorised, irregular or fruitless and wasteful expenditure strategy and procedures. 		<ol style="list-style-type: none"> 1. SCM unit is continuously monitoring budget for all requisitions.

	<p>1. Overspending on allocated budget.</p> <p>2. Financial Loss.</p> <p>3. Adverse Audit opinion.</p> <p>3. Non Compliance with the provisions of the Municipal Finance Management Act.</p>		<p>3. Strict Budget monitoring controls</p> <ul style="list-style-type: none"> - UIFWE will be supported by memorandum approved from the Accounting Officer 4. Strict implementation of the updated SCM policy - Procurement Plans - Adherence to provincial and national treasury circulars 5. MDB and MPAC to investigate and implement consequence management which may include recovery or disciplinary action. 		<p>2. SCM unit ensures that all processes are followed for all requisitions.</p> <p>3. SCM unit ensures that SCM policy is followed and it is up to date and in line with the latest regulations and circulars.</p> <p>4. Invoices are submitted on time for payments.</p>
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<p>PREPARED BY SCM Practitioner</p>	<p>S.I Mpanza</p>	<p>REVIEWED BY SCM Manager</p>	<p>T.N.S Madondo</p>	<p>APPROVED BY CFO</p>	<p>P.P Sithole</p>
<p>SIGNATURE</p>		<p>SIGNATURE</p>		<p>SIGNATURE</p>	
<p>DATE</p>	<p>08/10/2024</p>	<p>DATE</p>	<p>09/10/2024</p>	<p>DATE</p>	<p>09/10/2024</p>