

EMTHANJENI MUNICIPALITEIT



**SUPPLY CHAIN MANAGEMENT
IMPLEMENTATION REPORT
FOR THE
2021/2022 FINANCIAL YEAR
HALF YEAR
(JULY 2021-DECEMBER 2021)**

INDEX

1. Introduction	P3
2. The Delegations	P3
3. Organizational Structure	P4
4. Competency Levels of the Supply Chain Management Unit	P6
5. Demand and Acquisition Management	P7
6. The Bid Committee System	P9
7. Minor Breaches and Deviations	P14
8. Awards to Close Family Members of Persons in the Service of the State	P19
9. Logistic, Disposal and Risk Management	P20
10. Summary	P21

1. INTRODUCTION

The scope of the implementation review will include the following:

Supply Chain Management Implementation Report

The Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003), (the 'MFMA') requires the municipality to have and implement a Supply Chain Management Policy which gives effect to the provisions of Part 1 of Chapter 11 of the Act that deals with 'Supply Chain Management'.

On the 30th May 2005 the Municipal Supply Chain Management Regulations were issued. As a Medium Capacity Municipality Emthanjeni Local Municipality had to comply with the provisions of the Regulations from 01 January 2006. Annually the SCM Policy is revised by Council. The SCM Policy, together with the applicable set of delegations was approved by Council on 29 May 2018 at a legally constituted Council meeting.

Although the MFMA prohibits a Councillor from being a member of a bid committee or any other committee evaluating or approving quotations, bids or tenders the council has an oversight role to ensure that the accounting officer implements all supply chain management activities in accordance with this policy. For the purposes of such oversight the Regulations require that the accounting officer must –

- (a) Within 30 days of the end of each financial year, submit a report on the implementation of the policy to the Council.**

2. The Delegations

The Accounting Officer is responsible for implementing the policy and taking all reasonable steps to ensure that proper mechanisms and separation of duties in the supply chain management system are in place to minimise the likelihood of fraud, corruption, favouritism and unfair and irregular practices.

In terms of this responsibility Council has adopted a full set of delegations which assist in maximising the administrative and operational efficiency. The delegations also provide adequate checks and balances in the municipalities Supply Chain Management function. According to Section 79 and 106 of the MFMA delegations and sub-delegations in terms of sub-section 1 must be in writing.

The Accounting Officer has delegated powers and duties to directors as prescribed by the SCM Policy, these delegations have been conferred in writing between the individuals (CFO, MFS and all Accountant). There are also minor sub-delegations in place in terms of individual officials' job description but these sub-delegations have not been conferred in writing between the parties as is prescribed by the policy. The municipality has duly implemented the Bid Committee system, also with the proper written delegations.

The undertaking by the Supply Chain Management Unit to exercise a thorough identification of the powers and the duties of officials to determine the relevant levels for sub-delegations to the incumbents and compile written delegations and have implemented this system of written delegations in terms of the legislation by the 1st of October 2007 has been reached.

SCM reports are submitted to the National and Provincial Treasury as well as the Council and MPAC on a regular basis.

Progress on the implementation will be provided on an ongoing basis through the quarterly reports.

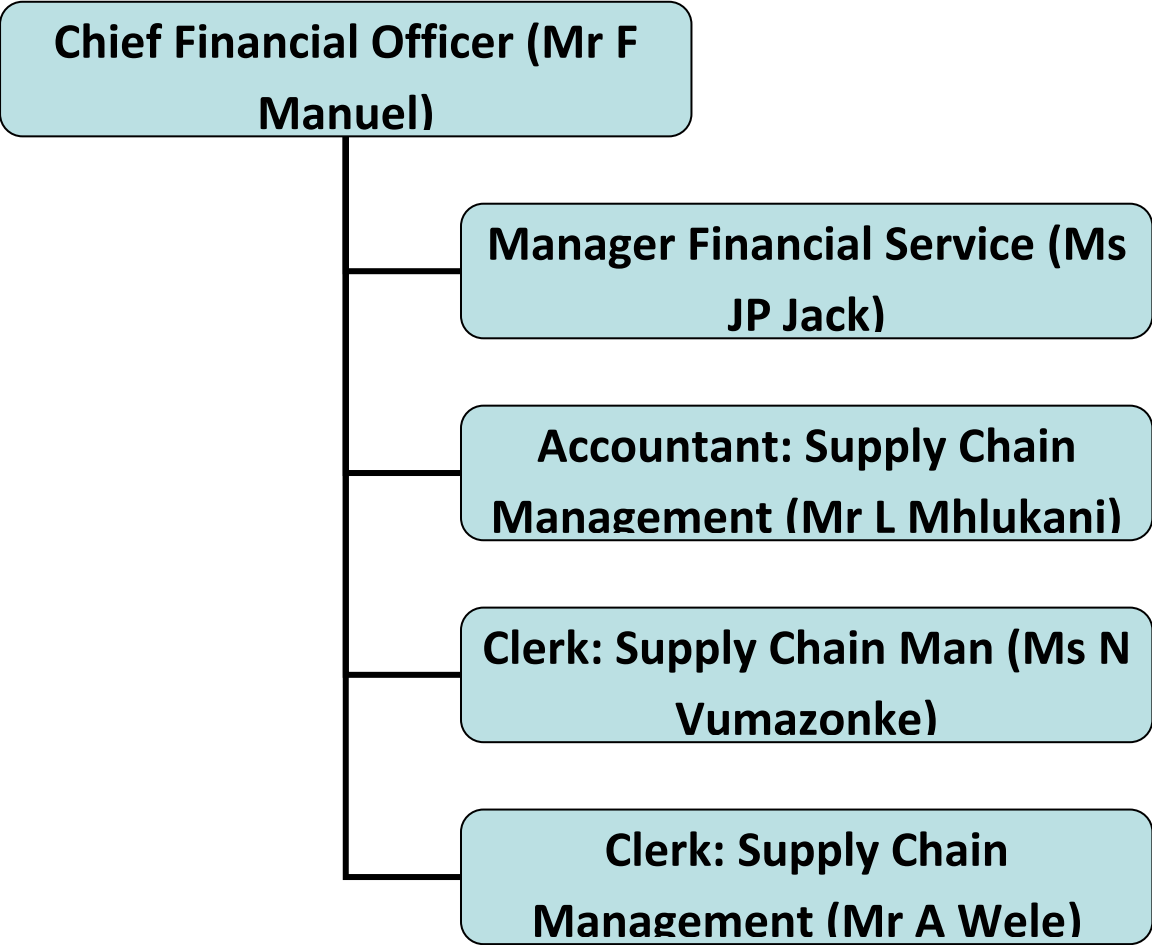
3. Organisational Structure

In terms of Paragraph 7 of the Municipal Supply Chain Management Regulations (MSCMR) the municipality must establish a Supply Chain Management Unit (SCMU) to implement its supply chain management policy. The SCMU operates under the direct supervision of the Chief Financial Officer (CFO) or may be delegated to an official in terms of Section 82 of the MFMA.

However the SCM Accountant and staff reports directly to the Manager Financial Services.

With all the challenges facing the SCM unit, procurement is being done centrally and the SCM unit is trying its best to cope with the workload.

The organizational structure within the unit is set out as follows:



During the reporting period, the staff complement that performed the duties and functions in terms of the SCM policy were as follows:

Chief Financial Officer -	Supply Chain Management Practitioner Co-ordinates and controls the implementation of the Policy
Manager of Financial Services -	Supply Chain Management Practitioner Co-ordinates and controls the implementation of the Policy
Accountant: Supply Chain Management -	Implementation of the policy Supervise the implementing staff Processing of all procurement
Clerks: Supply Chain Management -	Processing of all procurement

This structure ensures that proper mechanisms and separation of duties in the supply chain management system are in place to minimise the likelihood of fraud, corruption, favouritism and unfair and irregular practices. The Chief Financial Officer is responsible for the administration and the implementation of the SCM policy and interchangeably takes part in the Bid Committee system.

4. Competency Levels of the Supply Chain Management Unit

No SCM related workshops were attended by the supply chain management unit staff under the current financial year 2021/2022(July 2021 till December 2021). However all three officials in the supply chain management have been enrolled with supply chain management learnership program which is facilitated by National and Provincial Treasury offered by Commerce Edge. This program has since commenced in September 2020 ended May 2021.

The Supply Chain Unit staff Possesses a lot of experience amongst themselves; but because this unit is an ever changing unit on an everyday basis it is important that the staff be equipped by attending workshops and trainings when they request to do so, so that as the country and world is developing they are equally equipped to deal with the changes that comes with development. It is my plea then that this becomes one of the priorities in the municipality to make sure that this municipality is kept in par with the rest of the country.

5. Demand Management

5.1 Preferred Suppliers Database

In terms of the Municipal Financial Management Act (MFMA) (Act 56 of 2003) the Emthanjeni Local Municipality is required to have a Preferred Suppliers Database.

However Purchases for goods and services for all the Municipality since 2015/16 Financial Year has been made through the Central Suppliers Database (CSD). The Emthanjeni Local Municipality is using the Central Suppliers Database (CSD) and requested all current as well as interested suppliers to register on the database.

The Central Suppliers Database is an online web based system and anyone doing business with Municipality should register online. Emthanjeni Local Municipality has made efforts and continues to make efforts e.g. Workshops to assist businesses to register online on CSD and this is happening on a day to day as the office of SCM Unit is assisting individuals to register their businesses on the CSD.

5.2 Supply Chain Management processes

The following thresholds are currently being adhered to in order to support the strategic and operational commitments of the Municipality:

(a) For procurement to a value of R1 000 (VAT included)

- One quotation will be required
- The supplier is selected and appointed on a rotation basis, provided that the parts or repairs are supplied immediately
- Normal stock items: the buyer will re-order at the agreed minimum stock level
- For the purchasing of non-stock items authorization is required in accordance with the delegations

(b) For procurement of values between R1 001 and R2 000 (VAT included)

- One quotations will be required
- The supplier is selected and appointed on a rotation basis, provided that the parts or repairs are supplied immediately
- Normal stock items: the buyer will re-order at the agreed minimum stock level
- For the purchasing of non-stock items authorization is required in accordance with the delegations

(c) For procurement of values between R2 001 and R10 000 (VAT included)

- Two written quotations will be required
- The supplier is selected and appointed on a rotation basis, provided that the parts or repairs are supplied immediately
- Normal stock items: the buyer will re-order at the agreed minimum stock level
- For the purchasing of non-stock items authorization is required in accordance with the delegations

(d) For procurement of values between R10 001 and R200 000 (VAT included)

- Three formal written quotations will be required
- The CFO will appoint the supplier on a rotation basis, depending on the urgency and delivering period
- All requirements in excess of R30 000 must be advertised for at least 7 days on the website and an official notice board of Emthanjeni Local Municipality
- The CFO will approve all purchases above R100 000

(e) For procurement above R200 000 (VAT included) and long term contracts

- Goods and services are procured by way of a competitive bidding process for-
- procurement above a transaction value of R200 000 (VAT included); and
 - the procurement of long term contracts.

The development of efficient and effective Procurement Procedures was set as a prime objective. This goal, although it is an ongoing process, has been reached.

6. The Bid Committee System

The Bid Committee system for competitive bids has been actively applied within the municipality over the past 6 months of financial year (July 2021 till December 2021). Officials are still being invited on an ad-hoc basis to participate in the committees as and when required, but with written delegations in order to participate in the committees.

6.1 The bid specification committee

The bid specification committee compiles the specifications for the procurement of goods or services by the municipality.

The committee is appointed by the Accounting Officer and must be composed of one or more officials of the municipality, preferably a Supply Chain Management Practitioner and the manager responsible for the function involved, and may when regarded appropriate by the Accounting Officer, include external specialist advisors.

The relevant Director is normally the chairperson of the Specifications Committee

The current members of the Bid Specification Committee are:

Standing Members

A Wele
P Claaste
J Barth
L Ranelo
M Mbombo

Advisors to the Specification Committee as Specialised Function as per specific tender that relates to a particular Directorate.

Finance Directorate	:	F Manuel & JP Jack
Corporate Services	:	T Msengana
Community Services	:	MR CP Appies
Infrastructure Services	:	L Thiso, L Billy, Bressies

6.2 The bid evaluation committee

The bid evaluation committee is appointed by the Accounting Officer and must as far as possible be composed of –

- One or two senior managers from the departments requiring the goods or services;
- Supply Chain Management Practitioner / Controller

- Tender Secretariat
- Internal Auditor

The current members of the Bid Evaluation Committee are:

P Jack
S Felix
L Billy
CP Appies
N Vumazonke (SCM)

6.3 The bid adjudication committee

The bid adjudication committee may consist of:

- The Chief Financial Officer
- Supply Chain Accountant
- Director
- Tender Secretariat
- Technical Expert in the relevant field who is an official, if such an expert exists

The Bid Adjudication Committee has been fully functional and has been involved in all bids exceeding R 200 000 and due to a conservative approach even awards to a lesser value. The Bid Adjudication Committee recommends to the Accounting Officer, the successful Bidder. The Accounting Officer has the discretion to ratify or rejects the recommendation of the Bid Adjudication Committee.

The current members of the Bid Adjudication Committee are:

F Manuel
L Thiso
T Msengana
H Joka
LC Mhlukani (SCM)

The following Tenders were advertised in the 6 months (July 2021 till December 2021) bids in terms of the SCM Policy and the Preferential Procurement Policy:

TENDER	TENDER AWARDED	DATE	VAT 15%	AMOUNT	DESCRIPTION
T1/2020	IGNITE ADVISORY	19-Nov-21	VAT INCLUSIVE	R4 115 397,00	COMPILATION OF EMTHANJENI MUNICIPALITY PERFORMANCE MANAGEMENT SYSTEM
T16/2021	1. MELOKUHLE MANAGEMENT 2. BVI CONSULTING ENGINEERS 3. SMEC SOUTH AFRICA 4. NALA Construction Services (Pty) Ltd 5. IEngineers (Pty)Ltd 6. Sefako Engineering (Pty)Ltd 7. Dibetsi (Pty)Ltd 8. Ribicon Consulting Group 9. SYDWALT (Pty) Ltd 10. Masiyane and Associates Engineering Solutions (Pty) Ltd 11. Bigen African Sevices (Pty)Ltd	02-Dec-21	VAT INCLUSIVE VAT INCLUSIVE VAT INCLUSIVE VAT INCLUSIVE VAT INCLUSIVE VAT INCLUSIVE VAT INCLUSIVE VAT INCLUSIVE VAT INCLUSIVE VAT INCLUSIVE VAT INCLUSIVE	PANEL	THE APPOINTMENT OF CONSULTING CIVIC ENGINEERS FOR ALL CIVIC WORKS FRAMEWORK AGREEMENT BASIS FOR CIVIC PROJECTS IN EMTHANJENI MUNICIPAL AREA FOR THREE YEAR PERIOD
T17/2021	1. MELOKUHLE MANAGEMENT 2. BVI CONSULTING ENGINEERS 3. NEIL LYNERS & ASSOCIATES (PTY) LTD 4. Matsapa Trading 705 CC 5. HVR Consulting Engineers (Pty)Ltd 6. Nala Construction Services (Pty)Ltd	02-Dec-21	VAT INCLUSIVE VAT INCLUSIVE VAT INCLUSIVE VAT INCLUSIVE VAT INCLUSIVE VAT INCLUSIVE	PANEL	THE APPOINTMENT OF CONSULTING ELECTRICAL ENGINEERS FOR ALL ELECTRICAL WORKS FRAMEWORK AGREEMENT BASIS FOR ELECTRICAL PROJECTS IN EMTHANJENI MUNICIPAL AREA FOR THREE YEAR PERIOD
T18/2021	ABSA BANK LIMITED	06-Oct-21	VAT INCLUSIVE	R13 000 000,00 (At Interest Rate of 6.75)	ACCREDITED FINANCIAL INSTITUTIONS FOR THE PROVISION OF LONG TERM LOAN FOR THE AMOUNT OF R13 000 000.00 FOR REPAYMENT PERIOD OF 10 YEARS

Procurement above R30 000 and less than R200 000 where formal written quotations were invited. The following SCM Notices were advertised for at least seven days on the municipal website and official notice board of the municipality during the Period (July 2021 till December 2021). These notices were evaluated against the 80/20 bid principle.

Project Notice Number	Project Description	Supplier Contractor	Prices	AWARDED SUPPLIER	ORDER NUMBER	ORDER DATE
1. Notice 1/2022	Quotation for the fault location and repairs to low and medium voltage underground cables	Not awarded				
2. Notice 2/2022	Quotation for Pinting of Monthly Municipal Rates and Taxes Municipal Services Accounts for the period of twelve months	i) CAB Holdings	R115 920,00	CAB Holdings	D1022177	08/09/2021
3. Notice 3/2022	Quotation for Supply and Delivery of 60mm Interlocking Paving Bricks	i) De Aar Stone Crushers cc ii) S & R Enterprise	R185 552,50 R263 545,50	De Aar Stone Crushers	D1022230	13/10/2021
4. Notice 4/2022	Quotation for the Repair and Upgrading of Emthanjeni Vehicle Test Station, Philipstown Road De Aar	i) Fulcrum Technology ii) National Brake Testing Services (Pty)Ltd	R193 263,45 R230 000,00	Fulcrum Technology	D1022235	13/10/2021
5. Notice 5/2022	Quotation for Supply and Delivery of 200	i) JPA Business and Energy Solutions iii) Etrostax (Pty)Ltd iv) Magudu Corporate Supplies v) Blou Huis Enterprise vi) Masiye Consulting viii) Mabcom Metering ix) Praysa Trade x) Lwazcon xi) Themba Holdings xii) U-Vend-Nc xiii) Cema Holdings	R108 725,60 R200 675,00 R360 000,00 R158 800,00 R186 900,00 R220 110,00 R99 820,00 R127 500,00 R448 500,00 R218 500,00 R144 000,00	JPA Business and	D1022296	25/11/2021
6. Notice 6/2022	Quotation for the Supply and Delivery of a Three Phase Transformer	Re-advertised				
7. Notice 7/2022	Quotation for the Supply and Delivery of a Three Phase Transformer	Not yet closed				

In cases where less than three quotations were received for any procurement, these procurement will form part of the detail summary list of deviation register (list). These deviations were tabled to Council on monthly basis. Detail of deviations are as follows:

7. Minor Breaches and Deviations

7.1 Minor breaches of procurement processes

The Supply Chain Management Policy states in Paragraph 36(1)(b) that: “The accounting officer may ratify minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely of a technical nature”

7.2 Deviations from Procurement Process

The Supply Chain Management Policy states in Paragraph 36(1)(a): “The accounting officer may dispense with the official procurement processes established by this policy and may procure any required goods or services through any convenient process, which may include direct negotiations, but only –

- (i) in a emergency;
- (ii) if such goods or services are produced or available from a single provider only;
- (iii) for the acquisition of special works of art or historical objects where specifications are difficult to compile;
- (iv) acquisition of animals for zoos and/or nature and game reserves; or
- (v) in any other exceptional case where it is impractical or impossible to follow the official procurement processes”

A detailed schedule of all the minor breaches & deviations were approved by the Accounting Officer during the 2021/2022 financial year. These were also adopted by the Executive Committee and MPAC. Please see below

SCM DEVIATION REGISTER - JULY 2021						
DATE	CHEQUE / ORDER NO.	SUPPLIER	AMOUNT	REASON FOR DEVIATION	Summary of Quotations	
					One	Two
22/07/2021	D1022118	Spectrum Communication	48 507,00	The SCADA system needs and urgent services cause booster pumps and balancing tanks that cause operational problems because of connection. Currently the booster pumps must be switch on and off manually. The town water levels are in a critical state at 9% over the next few days. Ony one quote was received on Spectrum Communication.	48 507,00	
29/07/2021	EB073753	John Williams Motors	25 974,40	The service provider was rendering service of servicing the Mayor's car and it was due for service	25 974,40	
			74 481,40		74 481,40	-

SCM DEVIATION REGISTER - AUGUST 2021

DATE	CHEQUE / ORDER NO.	SUPPLIER	AMOUNT	REASON FOR DEVIATION	Summary of Quotations	
					One	Two
17/05/2021	EB073776	Tri-Lectro	20 129,60	The only service provider of the MV service for our municipality. They have already supply the material for the repairs and have already done the work.	20 129,60	
17/05/2021	EB073776	Tri-Lectro	26 156,45	The only service provider of the MV service that can render service for our municipality, they already repair the mini Sub at Vleissentraal	26 156,45	
22/07/2021	D1022134	Ubertech	2 869,25	The service provider render the service of installing zoom account to conduct virtual council meeting.	2 869,25	
30/07/2021	D1022133	Astron Alarms	2 307,48	The only service provider locally that can do maintenance of alarm system	2 307,48	
05/08/2021	EB073772	Checkers De Aar	4 840,78	Two quotes were received, the cheapest service provider don't have all the items we requested		4 840,78
13/08/2021	EB073793	Mr H v/d Merwe	19 133,00	Abakus FMS is not being developed and supported since MSCOA came into effect in 2017. Mr v/d Merwe who has been involved with development and upgrade of the ABAKUS FMS was approach to assist the financial staff with several system errors, discrepancies, balancing of billing ledger, previous financial year errors, corrections, adjustment and the balancing of TB&GL and assets with journal that corrected the imbalances of the trail balance. Mr v/d Merwe assisted the municipality from July2021 to be able to address the AFS	19 133,00	
18/08/2021	D1022142	Fit It	9 160,00	Two quotes were received, the cheapest service provider assist the municipality with repair and maintainance of tyres of Mayoral vehicle.		9 160,00
18/08/2021	EB073815	Aqua Friend	24 725,00	The service provider provide the municipality with the storage facility for solar gyser.	24 725,00	
			109 321,56		95 320,78	14 000,78

SCM DEVIATION REGISTER - SEPTEMBER 2021

DATE	CHEQUE / ORDER NO.	SUPPLIER	AMOUNT	REASON FOR DEVIATION	Summary of Quotations	
					One	Two
07/09/2021	EB073860	Early Worx 282	10 588,50	The only service provider, provides the Municipality with postage stamps florescent ink and fastway satchel.	10 588,50	
16/09/2021	D1022208	Government Printing Works	16 005,61	According to the AARTO Act 46 of 1998 and AARTO amendmant Act 4 of 2019 Regulation 37 issue monthly that we must procure AARTO forms book from Government printing	16 005,61	
16/09/2021	D1022216	LexisNexis	3 811,02	The service provider provide online road traffic legislation. This online licensing keeps traffic legislation up to date.	3 811,02	
			30 405,13		30 405,13	-

SCM DEVIATION REGISTER - OCTOBER 2021 (NO DEVIATION WAS RECEIVED FOR THIS MONTH)

DATE	CHEQUE / ORDER NO.	SUPPLIER	AMOUNT	REASON FOR DEVIATION	Summary of Quotations	
					One	Two
			-		-	-

SCM DEVIATION REGISTER - NOVEMBER 2021

DATE	CHEQUE / ORDER NO.	SUPPLIER	AMOUNT	REASON FOR DEVIATION	Summary of Quotations	
					One	Two
03/11/2021	EBO74019	Checkers	4 374,23	Two quotes were received. The cheapest (which is shoprite), they can't provide us with all items we needed, that is why we decided to take the second supplier.		4 374,23
			4 374,23		-	4 374,23

SCM DEVIATION REGISTER - DECEMBER 2021

SCM DEVIATION REGISTER - DECEMBER 2021						
DATE	CHEQUE / ORDER NO.	SUPPLIER	AMOUNT	REASON FOR DEVIATION	Summary of Quotations	
					One	Two
			-		-	-

8. Awards to Close Family Members of Persons in the Service of the State

In terms of Regulation 45 of the Supply Chain Management Regulation, awards to close family members of persons in the service of the state must disclose particulars of awards of more than R 2000 in the Annual Financial Statements.

No bids were awarded to a person who is a family member of a person in the service of the state.

Awards to Persons in the Service of the State

In terms of Council's Supply Chain Management Policy, Paragraph 49, the municipality is prohibited from doing business with any person in the service of the state.

No bids were awarded to a person in the service of the state (July 2021 till December 2021).

9. Logistics, Disposals and Risk Management

The SCM unit must provide an effective system to ensure the setting of inventory levels, placing of orders, receiving and distribution of goods, stores and warehouse management, expediting orders, vendor performance, maintenance and contract administration as well as provide for an effective method of disposal and letting of assets which is inclusive of redundant and obsolete stock. Such systems must also have in place mechanisms to identify, consider and avoid potential risk in the SCM system.

Sec 40 Municipal Supply Chain Management Regulations: Disposal Management provides for an effective system of disposal management for the disposal or letting of assets, including unserviceable, redundant or obsolete assets.

No Immovable and/or Moveable Asset/s were disposed this Financial Year 2021/2022 (July 2021 till December 2021).

a. Setting of Inventory Levels

The inventory levels are monitored on a regular basis and updated, with the assistance with the Expenditure Department.

b. Inventory Control

At the Time this report was prepared the stock take for the 2021/2022 financial year has just not been concluded (July 2021 till December 2021).

c. Placing of Orders

Copies of all orders are kept onsite and outstanding orders are followed up on a regular basis.

d. Receiving and Distribution of Goods

The receipt and distribution of goods are recorded on the accounting system. This enables us to regularly do spot checks on stock as well as a full formal stock take at the end of the financial year.

e. Vendor Performance, Maintenance and Contract Administration

Vendor performance is monitored continuously and problems are promptly addressed. Vendor records are also updated on a regular basis and contract administration are performed regularly to ensure service delivery.

f. Redundant and Obsolete Stock

Redundant and obsolete stock are written off in terms of Council's Asset Management Policy.

g. Mechanisms to identify, consider and avoid potential risk in the SCM System

The potential of risks are identified on a case by case basis when the specifications of a particular requirement are drawn up. Individual transactions are scrutinized by the heads of department with the relevant delegation of authority to ensure compliance 36 with the SCM policy and further scrutiny is placed on the transactions before the payment is made by the office of the CFO.

10. Summary

The implementation of Supply Chain Management in the municipality has become an accepted reality in the municipality.

Projects and procurement is being planned with cognisance of the requirements of the Supply Chain Management legislative framework. However more work should be done in order to improve strategic sourcing to enhance the value the municipality can derive in improved sourcing and supplier development.

The current shortcomings in the implementation of the Supply Chain Management Policy are constantly addressed. Council's SCM policy fully complies with the requirements of the SCM Regulations, and is ideally set to ensure that procurement processes of the municipality is fair, equitable, transparent, competitive and cost effective and comply with the prescriptions of the Municipal Finance Management Act.

**I. VISSER
MUNICIPAL MANAGER**

