



**UMSINGA MUNICIPALITY  
UMASIPALA WASEMSINGA**

# Supply Chain Management

## 01<sup>st</sup> 2019/2020 Quarterly Report To the Municipal Council

**IMPLEMENTATION OF THE SUPPLY CHAIN MANAGEMENT POLICY FOR  
MSINGA MUNICIPALITY**

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

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## 1. Introduction

In terms of clause 6(1)(3) of the Municipal Supply Chain Management Regulations, 2005, which deals with the Oversight role of council of municipality or board of directors of municipal entity:

- (1) *The council of a municipality and the board of directors of a municipal entity must maintain oversight over the implementation of its supply chain management policy.*
- (3) *The accounting officer must, within 10 days of the end of each quarter, submit a report on the implementation of the supply chain management policy to the mayor of the municipality or the board of directors of the municipal entity, as the case may be.*

## 2. SCM Policy & Procedures

### 2.1 Adoption of Policy by Council

2.1.1 Adopted on the 23 May 2018 with resolution number:

### 2.2 SCM Procedures

2.2.1 SCM procedures manual

### 2.3 Delegations

2.3.1 all delegations have been delegated and accepted

### 2.4 Infrastructure Procurement

The Standard for Infrastructure Procurement and Delivery Management policy is in the process of adoption.

## 3. Functioning of the SCM Unit

### 3.1 SCM Structure:

3.1.1 The approved SCM Structure is in place, Fully Organogram

### 3.2 Declaration of Interest:

3.2.1 All SCM Practitioners Have declared their interests

### 3.3 Code of Conduct for SCM Practitioners:

3.3.1 All SCM Practitioners have signed the Code of Conduct

### 3.4 Training of SCM Personnel:

3.4.1 all SCM Personnel have been trained

## 4. Functioning of Bid Committees

4.1 All Bid Committees are constituted in line with Regulations 27, 28 &29

4.2 All Infrastructure Committees are aligned with Infrastructure Delivery Management System (IDMS)

4.3 Bid Committee Terms of Reference are in place

4.4 Bid Committees are sitting in every Bid Adjudication Meetings.

## 5. REPORTING ITEMS

### 5.1 DEVIATIONS

#### 5.1.1 SECTION 114 (Approval of tenders not recommended)

Section 114 of the MFMA permits the Accounting Officer to approve a tender “other than the one recommended through normal procurement processes”. The Accounting Officer is required to report such a deviation to the Auditor-General, the Provincial Treasury, and the National Treasury, stating the reasons that necessitated such a decision. If such expenditure is not defined as ‘unauthorized expenditure’ then it is ‘irregular expenditure’.

In the course of implementing the SCM policy of the municipality, following MFMA Section 114 deviations were authorized by the Accounting Officer:

Date of Award	Bid No.	Description of Goods/Services/Works	Award Value	BEC Recommendation	BAC Recommendation	Reason for Deviation	Notifications		
							AG	PT	NT
			Not Applicable						

**5.1.2 SECTION 32 OF THE MFMA, SCM REGULATIONS: PROCUREMENT OF GOODS AND SERVICES UNDER CONTRACTS SECURED BY OTHER ORGANS OF STATE:**

1. The accounting officer may procure goods or services under a contract secured by another organ of state, but only if the contract has been
  - a) Secured by that other organ of state by means of a competitive bidding process applicable to that organ of state.
  - b) There is no reason to believe that such contract was not validly procured;
  - c) There are demonstrable discounts or benefits to do so; and
  - d) That other organ of state and the provider have consented to such procurement in writing.

**HEREWITH THE REPORT TO COUNCIL ON CONTRACTS SECURED BY OTHER ORGANS OF STATE FOR THE PERIOD OF JULY TO SEPTEMBER 2019:**

Date of Award	Contract Description	Award Value	Service Provider	Name of Contract Owner (Department / Municipality)	Consent obtained from Organ of State and Service Provider		Reason for Deviation	PT Decision	
					Yes	No		Approved	Not Approved
			Not Applicable						
			Not Applicable						
			Not Applicable						

5.1.3 Regulation 36 (Deviation from, and ratification of minor breaches of, procurement processes)

Description of Goods/Services/Works	Date of Award	Awarded To	Award Value	Reason for Deviation	Date reported to Council
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**Attached**

**1. REGULATION 36 DEVIATIONS**

*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.*

**DISPENSING WITH CALLING FOR TENDERS FOR THE PERIOD FROM JULY TO SEPTEMBER 2019:**

Doc Date	Creditor Name	Total Amnt	Specifications	Deviation Reasons
25 07 2019	Mosinda trading enterprise	15 000.00	HIRING OF INTERMEDIATE LIFE SUPPORT AMBULANCES AS PER ATTACHED QUOTE	IN AN EMERGENCY
25 07 2019	Mosinda trading enterprise	10 500.00	HIRING OF INTERMEDIATE LIFE SUPPORT AS PER ATTACHED QUOTE FOR GOLDEN GAMES.	IN AN EMERGENCY
24 07 2019	Government Printing Works	15 132.00	PUBLICATION OF MUNICIPAL PROPERTY RATES TARRIFS AS PER ATTACHED QUOTE	IF SUCH GOODS OR SERVICES ARE PRODUCED OR AVAILABLE FROM A SINGLE PROV

Total Amount

40 632.00

## 5.2 REPORTS ON UNAUTHORISED; IRREGULAR; FRUITLESS & WASTEFUL EXPENDITURE

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

	TYPE OF EXPENDITURE INCURRED	RECEIPT OF THE PAYMENT	EXPENDITURE AMOUNT	REPORTING		DETAILED EXPLANATION OF THE EXPENDITURE	INDIVIDUAL RESPONSIBLE
				MEC: COGTA	AUDITOR-GENERAL		
						NONE	

### 5.3 Central Suppliers Database (CSD)

- i) *No challenges*

### 5.4 Procurement Plan Implementation

- i) *Format of Procurement Plan as per Circular 62 (Annexure B)*
- ii) *Report on implementation as per KZN Municipal Circular 04 of 2017/18*

### 5.5 Bids Awarded >R100K



BID / TENDER NUMBER	DESCRIPTION OF TENDER	SERVICE PROVIDER	DATE CONTRACT SIGNED	AWARD DATE	AWARD VALUE	CONTRACT DURATION
MS/2018/2019/006/T	SUPPLY AND DELIVERY OF TRACKSUITS, T-SHIRTS, BAGS AND CAPS FOR SALGA GAMES.	FANA MANUFACTURING CC	27 09 2019	27 09 2019	139 725.00	ONCE OFF
MS/2018/2019/095/951/C)	SUPPLY SERVICE FOR TRAINING OF 270 WARD COMMITTEE ON COMMUNITY BASED PLANNING PROGRAMME	POWER RUSH	26 09 2019	26 09 2019	232 000.01	ONCE OFF
QU0003/2019/2020/TEC	SUPPLY 15 X 900MM X 2.5M PRECAST CONCRETE PIPES AND 20 X 600MM X 2.5M PRECAST CONCRETE PIPES AND DELIVERY TO FABENI SPORT FIELD	NDELA MULTI SERVICES	26 09 2019	26 09 2019	157 800.00	ONCE OFF
MS/2018/2019/006/T	SUPPLY AND DELIVERY OF TRACKSUITS, T-SHIRTS, BAGS AND CAPS FOR SALGA GAMES.	FANA MANUFACTURING CC	25 09 2019	25 09 2019	191 475.00	ONCE OFF
MS/2018/2019/003/951/T	SUPPLY AND DELIVER OF 10000 X A1 CALENDARS, 300 X A5 DIARIES, 50 X A4 DIARIES, 150 X A5 NOTEBOOKS AND 30 A4 NOTE BOOKS	PAPER HOUSE-MARKETING-FIRE ZON	30 08 2019	30 08 2019	581 612.50	ONCE OFF

<b>MS/2016/2017/001/C</b>	PEST CONTROL SERVICES AS PER ATTACHED QUOTATIONS PM004, PM005 AND PM006	PHILL MEDIC SERVICES	20 08 2019	20 08 2019	182 100.00	ONCE OFF
<b>9/5/1/ MS/2017/2018/003/F</b>	REVIEW OF ASSET REGISTER AS PER ATTACHED QUOTATION.	BONAKUDE CONSULTING	02 08 2019	02 08 2019	179 566.75	ONCE OFF
<b>MS/2018/2019/009/951/T</b>	HIRING OF EXCAVATOR FOR 30 DAYS AS PER ATTACHED QUOTE 134.	SIKOTI INVESTMENTS	01 08 2019	01 08 2019	189 060.00	ONCE OFF
<b>MS/2018/2019/007/951/T</b>	SUPPLY AND DELIVERY OF STATIONERY AS PER ATTACHED QUOTATION NO:27.	ISWELIHLE LEZWE	26 07 2019	26 07 2019	131 497.00	ONCE OFF
<b>MS/2018/2019/002/951/C</b>	SUPPLY OF SERVICE AS PER ATTACHED QUOTATION FOR IT INFRASTRUCTURE UPGRADE.	ETHEMBA COMPUTERS AND CONSULTI	26 07 2019	26 07 2019	855 682.11	ONCE OFF
<b>MS/2018/2019/001/951/MM</b>	SUPPLY AND DELIVER OFFICE FURNITURE FOR MUNICIPAL MANAGER OFFICE AS PER RESOLUTION NO: SCM0103/2018/2019/BAC	S & M KUHLE	25 07 2019	25 07 2019	200 000.00	ONCE OFF

## 5.6 Municipal Bid Appeals

	DATE COMPLAINT RECEIVED	NAME OF COMPLAINANT	BID/QUOTATION DESCRIPTION AND REFERENCE	SUMMARY OF COMPLAINT	OUTCOME OF THE PROCESS AND DATE OF FINALISATION
			NONE		

## 5.7 Contract Management

- Contract management register is in place and is maintained

### 5.7.1 Contracts Register Statistics

No. of Current Contracts	No. of Contracts about to expire in <6 months	No. of Expired Contracts but still in use
29	29	None

### 5.7.2 Variations

#### i) Variations within 15% or 20% -None

Contract No.	Contract Description	Contract Value	Reasons for Variation	Amount
				None

#### ii) Variations above 15% or 20% (Comply with MFMA S116(3)) -None

Contract No. & Description	Contract Value	Reasons for Variation	Amount	Date Tabled at Council	Date of Notice to Community
					None

**5.7.3 Supplier Performance Management in the Financial year 2019/2020** The performance of service providers was assessed using the scale below

***Very Good: 5, Good: 4, Acceptable: 3, Poor: 2 and Very Poor: 1***

Contract no. & Description	Name of Contractor	Date of Supplier performance assessment	Supplier Performance Assessment Report Compiled		Supplier performance assessment / performance rating
			Yes	No	

**5.7.4 Performance Scale**

#	SERVICE PROVIDER	PROJECT NAME	STAGE 1 PLANNING/ COMMUNICATION	STAGE 2 CONSTRUCTION/ QUALITY	STAGE 3 SUPERVISION/ DELIVERY	OVERALL PERFORMANCE
<b>Supplier Performance Management assessment is done Annually</b>						

**5.8 Logistics / Inventory Management**

*i) All policies are in place*

**5.9 Unsolicited Bids**

Description of Goods/services	Amount	Date Submitted to Council	Supported		Date submitted to Provincial Treasury	Supported	
			Yes	No		Yes	No

	None					
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## 6. Preferential Procurement Policy Framework Act (PPPFA), Regs2017

### 6.1 Contracts with Pre-Qualification (Regulation 4)

Contract Description	Pre-Qualification Criteria	Award Value	Date of Award
	None		

### 6.2 Contracts with Objective Criteria (Section 2(1)(f) PPPF Act)

Contract Description	Objective Criteria	Award Value	Date of Award
	None		

### 6.3 Contracts above R30 million (Contract Participation Goals) (Regulation 4)

Contract Description	Sub-Contracting Criteria	Award Value	Amount Sub-Contracted	Date of Award
	None			

## 7. Local Content Procurement

Contract Description	Designated Sector	% Designated	Award Value	Date of Award	Reporting to DTI
	None				

## 8. Risk Management

- Risk management is done quarterly by the Internal Auditor

### 8.1 Fraud Prevention Plan

*There is a Fraud Prevention Plan in place*

### 8.2 Internal Audit Findings

Finding Raised	Action Plan to address the finding	Due Date	Progress with Action Plan Implementation

			None

### 8.3 Provincial Treasury Assessment Findings

Finding Raised	Action Plan to address the finding	Due Date	Progress with Action Plan Implementation
	None		

### 8.4 Auditor General Findings

Finding Raised	Action Plan to address the finding	Due Date	Progress with Action Plan Implementation
	None		

## 11. CONTRACT MANAGEMENT

Section 75 (1) (g) of the MFMA stipulates that the municipality must place all awarded contracts above a certain value on the municipal website. The Municipal Council is to decide the value of this threshold. Regulation 23 (c)(iii) also specifies that all bid results must be submitted/advertised on the municipal notice board website.

Msinga Municipality has adopted Contract Management policy in order to guide all Contracts entered to. The aim of this Plan is to outline how the Supply Chain Management Unit will manage Municipal Contracts from award to the completion of the contract period. The Plan also lists the key performance indicators to monitor the effectiveness and efficiency of the contract.

The obligations of the relevant parties, services to be performed and the terms and conditions under which the agreement will operate are detailed in this plan.

Dynamic areas of this document that can be subject to change and may require updating by the relevant Contract Manager.

This CMP was developed with the guiding principles that it:

- (1) Shall be a useful tool for administering the contract.
- (2) Shall be an executive summary of the roles and responsibilities of the contracting parties.
- (3) Shall identify who is responsible for various contract administration activities.
- (4) Shall be flexible and adapt to changing circumstances.

This CMP does not include every action that Municipal must take to make the contract successful. Instead, it summarizes the higher-level requirements, deliverables, and tasks necessary, and describes the overall process with which the tasks are performed.

This CMP is intended solely to provide guidance to Municipal employees and should not be construed to create any rights or obligations on the part of any person or entity, including the Contractor and its employees. It is not intended to be either prescriptive or inclusive of all actions necessary to support and/or administer the contract. It describes the various contract management

Appropriate links to these details are included in the CMP. Familiarization with this CMP and its related links is vital to all Municipal employees involved in contract management,

## 12. PERFORMANCE MANAGEMENT

Section 116 (2) (d) stipulates that every contract that the municipality enters into, a regular report must be submitted to council detailing its management and the performance of the contractor. In order to be able to do this, the accounting officer is thus required to compile a schedule summarizing progress against all the contracts that the municipality entered into.

Supplier Performance Policy in order to help this Municipality to monitor all suppliers we interact with. This Municipality has adopted Supplier Management Plan where which is an important aspect of SCM. Particular importance is attached to the support and development of small, medium and micro enterprises. In many instances, these suppliers have not been exposed to supplying large corporations and lack many of the skills and expertise required to qualify as preferred suppliers.

Good suppliers are often difficult to locate and necessitates organizations becoming actively involved in developing suppliers to suit their requirements. Suppliers have a direct impact on the effectiveness and efficiency of the Municipality's service delivery. It is therefore imperative that sound supplier management and relationships are formulated along professional lines and performance is monitored and corrective action taken in the case of non-performance and we look the characteristics of the reliable supplier which is the following:

- ✓ Complies with all applicable legislation, including tax commitments.
- ✓ Is established and stable and has good management ability.
- ✓ Delivery dates and quantities are adhered to.
- ✓ Complies with specifications.
- ✓ Offers competitive prices.
- ✓ Is flexible and reacts to emergency situations and changes.
- ✓ Actively assists with cost avoidance or cost reduction.
- ✓ Communicates to **SCM** Units expected problems or delays in delivery.
- ✓ Continually improves performance.
- ✓ Communicates development and improved technology.
- ✓ Offers technical support and expertise.
- ✓ Maintains sound, ethical business practices;
- ✓ Honors terms and conditions of contracts and agreements.
- ✓ Offers quality products or services.

## 13. RISK MANAGEMENT



*All issues that have been identified in the course of the period under review as potentially posing a threat to the optimal functioning of the SCM unit need to be included and brought to the attention of Council for consideration.*

*Municipality has adopted Supply Chain Management Risk Management Policy and Plan.*

(1) The criteria for the identification, consideration and avoidance of potential risks in the supply chain management system, are as follows:

(2) Risk management includes –

- the identification of risks on a case-by-case basis;
- the allocation of risks to the party best suited to manage such risks;
- acceptance of the cost of the risk where the cost of transferring the risk is greater than that of retaining it;
- the management of risks in a pro-active manner and the provision of adequate cover for residual risks; and
- The assignment of relative risks to the contracting parties through clear and unambiguous contract documentation.

#### ***The Risk Management Process***

The risk management process shall be applied to all stages of supply chain management, be it the conceptual stage:

- ✓ Project definition
- ✓ Specification preparation
- ✓ Acquisition approval or implementation to completion.

Risk management is an integral part of good management of acquisition activities and cannot be effectively performed in isolation from other aspects of acquisition management. Appropriate risk management conditions should therefore be incorporated in contracts.

#### ***Key Principles***

The key principles on managing risk in supply chain management include:

- ✓ Early and systematic identification of risk on a case-by-case basis,
- ✓ Analysis and assessment of risks, including conflicts of interest and the development of plans for handling them;
- ✓ Allocation and acceptance of responsibility to the party best placed to manage risk;

- ✓ Management of risks in a pro-active manner and the provision of adequate cover for residual risks;
  - ✓ Assignment of relative risks to the contracting parties through clear and unambiguous contract documentation;
  - ✓ Acceptance of the cost of the risk where the cost of transferring the risk is greater than that of retaining it;
  - ✓ And ensuring that the costs incurred in managing risks are commensurate with the importance of the purchase and the risks to the Msinga Municipal operations.
-