

ANNEXURE E



QUARTERLY REPORT TO THE MUNICIPAL COUNCIL IMPLEMENTATION OF THE SUPPLY CHAIN MANAGEMENT POLICY [UMGUNGUNDLOVU DISTRICT MUNICIPALITY]

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

SCM Quarter 1 Report 2022-2023

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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.*

2. SCM Policy & Procedures

2.1 Adoption of Policy by Council

Date and Resolution – 27 May 2022

2.2 SCM Procedures

List procedures that are in place – A Procedure Manual is in place

2.3 Delegations

Are SCM Process Delegations in place? – Yes

2.4 Infrastructure Procurement

Has Council adopted the Standard for Infrastructure Procurement and Delivery Management? – Yes (28 June 2019)

3. Functioning of the SCM Unit (phrase as questions)

3.1 SCM Structure:

Is there an approved Structure in place? - Yes

3.2 Declaration of Interest:

Have all SCM Personnel declared their interests? - Yes

3.3 Code of Conduct for SCM Practitioners:

Have all SCM Personnel signed the Code of Conduct? - Yes

3.4 Training of SCM Personnel:

Have all SCM Personnel been trained? – Yes

4. Functioning of Bid Committees

4.1 Are Bid Committees constituted in line with Regulations 27, 28 & 29? - Yes

4.2 Are Infrastructure Committees aligned with Infrastructure Delivery Management System (IDMS)? – Yes

4.3 Are Bid Committee Terms of Reference in place? - Yes

4.4 Number of Bid Committee Meetings held during the reporting period - 5

5. Reporting Items

5.1 Deviations

5.1.1 Section 114 (Approval of tenders not recommended)

Date of Award	Bid No.	Description of Goods/Services/Works	Award Value	BEC Recommendation	BAC Recommendation	Reason for Deviation	Notifications		
							AG	PT	NT
N/A									

5.1.2 Regulation 32 (Procurement of goods and services under contracts secured by other organs of State)

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
N/A									

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
N/A					

5.2 Unauthorised, Irregular, Fruitless & Wasteful Expenditure

- i) *Template as per MFMA Circular 68 to be utilized - Yes*
- ii) *Submission of register to PT - Yes*
- iii) *Report as per KZN Municipal Circular 04 of 2017/18 - Yes*

5.3 Central Suppliers Database (CSD)

- i) *Access / challenges – N/A*

5.4 Procurement Plan Implementation

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

5.5 Bids Awarded >R100K

BID NO.	BID DESCRIPTION	AWARD VALUE	AWARD DATE	CONTRACT SIGN	CONTRACT DURATION
UMDM02417	WEBSITE MAINTENANCE AND HOSTING FOR 12 MONTHS	R 175,260.00	8-Jul-22	8-Jul-22	12 Months
UMDM02430	WATER CHEMICALS FOR IMPENDLE	R 186,906.74	19-Jul-22	19-Jul-22	Once-Off
UMDM02434	ELEVATORS MAINTENANCE AND OPERATION	R 107,486.68	20-Jul-22	20-Jul-22	Once-Off
UMDM02456	PLUMBING TRAINING FOR 15 STAFF	R 150,937.50	1-Aug-22	1-Aug-22	Once-Off
UMDM02457	SUPPLY OF DEBT PACK FOR DEBT MANAGEMENT SOFTWARE	R 169,050.00	1-Aug-22	1-Aug-22	12 Months
UMDM02458	SUPPLY AND MAINTENANCE OF MSCOA COMPLIANT MUNICIPAL PLANNING AND BUDGET FOR 6 MONTHS	R 197,252.84	1-Aug-22	1-Aug-22	6 Months
UMDM02476	FIREWALL LICENCE FOR 12 MONTHS	R 1,107,773.38	5-Aug-22	5-Aug-22	12 Months
UMDM02477	SUPPLY OF PROTECTIVE CLOTHING FOR FIRE FIGHTERS	R 1,733,036.64	11-Aug-22	11-Aug-22	Once-Off
UMDM02479	PLUMBING MATERIAL	R 123,073.24	15-Aug-22	15-Aug-22	Once-Off
UMDM02480	BACKUP GENERATOR FOR 176 BUILDING	R 179,950.80	15-Aug-22	15-Aug-22	Once-Off

BID NO.	BID DESCRIPTION	AWARD VALUE	AWARD DATE	CONTRACT SIGN	CONTRACT DURATION
UMDM02470	PLUMBING MATERIAL	R 178,695.20	17-Aug-22	17-Aug-22	Once-Off
UMDM02505	ATTEND INTERSECTION OF WALL AND PILLAR AT OFFICES	R 189,000.00	29-Aug-22	29-Aug-22	Once-Off
UMDM02511	ELEVATED STATIC TANKS WATER STATIONS IN UMNGENI LM	R 126,500.00	31-Aug-22	31-Aug-22	Once-Off
UMDM02494	50 X DISASTER TENTS FOR EMERGENCY RESPONSE	R 410,000.00	23-Aug-23	23-Aug-23	Once-Off
UMDM02528	PURCHASE LIGHTING PLANT UNITS FOR THE FIRE SERVICES UNIT	R 135,340.00	13-Sep-22	13-Sep-22	Once-Off

5.6 Municipal Bid Appeals

- i) Bids appealed – N/A
- ii) Appeal status: N/A

5.7 Contract Management

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
441	4	0

Contracts due to expire within 6 months

CONTRACT NO.	BIDDER AND DESCRIPTION	EXPIRY DATE
7/3/306	Richmond Local Municipality Leasing Of Property: Richmond Fire Station	2023/02/28
7/3/313	PK Valves Supply And Delivery of Plumbing Material	2022/12/31
7/3/209	Talbot Laboratories Supply Water Quality Monitoring Services	2022/11/30
7/3/350	The Angel Falls Family Trust Leasing Of Premises: Mooi River Fire Station	2022/03/31

5.7.2 Variations

i) Variations within 15% or 20%

CONTRACT NO.	CONTRACT DESCRIPTION	ORIGINAL CONTRACT VALUE	REASONS FOR VARIATION	AMOUNT
7/3/366	Yuretek Photocopy Machine Services	R 2 846 569.27	Additional printer equipment for Howick CCC and & PA for LED: HOD. Printer server to monitor usage of machines.	R 185 236.56
7/3/323	Sibusiso Projects Enguga, Entshayabantu & Macksam Phase 5:	R 6 247 139.95	Vo No 1- Delays in the commencement of the contract, delays due to labour strikes, site closures, rain delays, Delays due to KZN provincial riots and protest action. Extension to Contract period is 86 days	N/A
7/3/323	Sibusiso Projects Enguga, Entshayabantu & Macksam Phase 5:	R 6 247 139.95	Extension of time with costs due to KZN riots, delays due to Local Government Elections, increase in costs for Safety Monitoring and Environmental Monitoring and increase in CLO wages because of extended contract duration; Increased costs amendments and additions to the Scope of Works such as Earthworks, Medium Pressure pipelines Gabions and pitching, Reservoirs break pressure tank and abstraction work. The extension to contract period is 13 days.	R 1 116 974.21
7/3/323	Sibusiso Projects Enguga, Entshayabantu & Macksam Phase 5:	R 6 247 139.95	Delays due to labour strikes, site closures, rain delays, and new OHS requirements. Extension to contract period is 113 days.	N/A
7/3/319	Icon Construction (Pty) Ltd UMshwathi Phase 4- Greater Efaye Reticulation Scheme	R 233 005 985.00	Vo No 2: Delays Due to Social Unrest In KZN, The Extension Of 8 Days Was Granted and The Extension of Value Is Within Contingencies (R 421 588.50)	N/A
7/3/319	Icon Construction (Pty) Ltd UMshwathi Phase 4- Greater Efaye Reticulation Scheme	R 233 005 985.00	Vo No 3: Delays Due to Taxi Strike in Dalton Area, The Extension Of 01 Day Was Granted And The Extension Of Value Is Within Contingencies (R421 588.50)	N/A
7/3/319	Icon Construction (Pty) Ltd UMshwathi Phase 4- Greater Efaye Reticulation Scheme	R 233 005 985.00	Vo No 4: Delays Due to Local Government Elections, The Extension Of 01 Day Was Granted And The Extension Of Value Is Within Contingencies (R87 932.56)	N/A
7/3/319	Icon Construction (Pty) Ltd UMshwathi Phase 4- Greater Efaye Reticulation Scheme	R 233 005 985.00	Vo No 5: Delays Due To Local Violent Demonstrations , The Extension Of 02 Day Was Granted And The Extension Of Value Is Within Contingencies (R 169 947.44)	N/A
7/3/319	Icon Construction (Pty) Ltd UMshwathi Phase 4- Greater Efaye Reticulation Scheme	R 233 005 985.00	Vo No 6.1: Additional Site Camps And Change Of Scope For CPG Works, The Extension Of Value Is Within Contingencies (R 717 947.59)	N/A

CONTRACT NO.	CONTRACT DESCRIPTION	ORIGINAL CONTRACT VALUE	REASONS FOR VARIATION	AMOUNT
7/3/319	Icon Construction (Pty) Ltd UMshwathi Phase 4- Greater Efaye Reticulation Scheme	R 233 005 985.00	Vo No 6.2: Additional Site Camps And Change Of Scope For CPG Works, The Extension Of Value Is Within Contingencies (R 416 954.99)	N/A
7/3/331	Aqua Transport and Plant Hire (Pty) Ltd Provision Of Water Tankering	Rates based	The municipality requires the deployment of additional water tankers a maximum of 10 tankers (16000l) to service needs around the district for a period of three months ending 31 October 2022.	Rates based
7/3/355	Fleet Horizon Solutions (Pty) Ltd Supply Vehicles on a Full Maintenance Lease	R 33 995 762.64	Variation Order for the vehicles of the public office bearers.	R 1 399 184.28
7/3/336	Afriscan Construction (Pty) Ltd Nkanyezini Secondary Bulk Water Supply Scheme	R 120 890 000.00	VO No 2: Changes to Layer works and Pipeworks At No Cost.	N/A
7/3/320	Hidrotech Infra (Pty) Ltd Mpolweni Water Supply Scheme	R 213 815 852.35	The extension to contract value of R 4 706 812.56 (from Contingencies) was granted due to the difficulties in procuring uPVC pipe due to nationwide shortage of PVC raw material. As a result, the suppliers have had to increase the pipe costs by values which exceed the escalation.	N/A
7/3/320	Hidrotech Infra (Pty) Ltd Mpolweni Water Supply Scheme	R 213 815 852.35	The contractor has proposed alternative material namely PVC-O (PN25) which will meet the technical requirements and will result in an overall saving on the project. No extension of time has been requested. There is a proposed saving Of R 2 668 711.65.	N/A
7/3/320	Hidrotech Infra (Pty) Ltd Mpolweni Water Supply Scheme	R 213 815 852.35	Extraordinary price increase in pipe supply costs on uPVC and PVC-O materials	N/A
7/3/320	Hidrotech Infra (Pty) Ltd Mpolweni Water Supply Scheme	R 213 815 852.35	Claim for extension of time with related costs as a result of riots in KZN between 12-19 July 2021- VO no. 5. The extension of eight days is granted, the application for the approval of costs is approved to the valuation of R 167 880.00 (Excl. VAT) after considering the reasoning and comments as made by the consulting engineers. this variation is within contingencies.	N/A
7/3/328	Esethu Isipho Construction and Trading KwaMathwanya Water Reticulation Scheme.	R 9 912 835.40	Additional work for supply and installation of Submersible pump and Yard connections which were omitted in the initial Scope of work.	N/A

CONTRACT NO.	CONTRACT DESCRIPTION	ORIGINAL CONTRACT VALUE	REASONS FOR VARIATION	AMOUNT
7/3/328	Esethu Isipho Construction and Trading KwaMathwanya Water Reticulation Scheme.	R 9 912 835.40	Time related P&G costs for supervision and provisional sums for EAR's accommodation and CLO stipend. Costs increase due to stoppages from disgruntled labour group, community unrest an the KZN riots, and the additional work. The extension to contract period is 115 days	N/A
7/3/328	Esethu Isipho Construction and Trading KwaMathwanya Water Reticulation Scheme.	R 9 912 835.40	Price adjustment for for DN 100 GMS roll grooved pipe PN40 w/t 3.9mm x 1.15km (item C40.1 in the BOQ) due to a high price increase of steel raw materials worldwide. The Contractor's initial tendered rate was R150/m, whereas the new price in the market varies from R450/m-R500/m. The Contractor requests to increase their rate to R513.19/m	N/A
7/3/328	Esethu Isipho Construction and Trading KwaMathwanya Water Reticulation Scheme	R 9 912 835.40	Price adjustment for the supply and delivery of the 200kl Elevated tank and all appurtenances (item D2.3 in the BOQ), The Contractors tendered rate of R449 189.21 excl VAT was insufficient to procure the required elevated tank as the current rate of procuring the tank is R808 514.00 excl VAT. The Contractor then procured the tank for R898 365.40 incl. of their mark-up. Therefore, the variation request is to cover the shortfall. N.B The allocated 15% of Contingencies of R1 202 882.36 has been exceeded by 6.19% as it is currently at R1 707 782.26	R 506 202.62
7/3/319	Icon Construction (Pty) Ltd UMshwathi Phase 4- Greater Efaye Reticulation Scheme	R 233 005 985.00	Changing of material from uPVC pipes to PVC-O and HDPE pipes. No extension of time and additional cost requested.	N/A
7/3/327	WK Construction South Africa (Pty) Ltd Mbhava And Mpethu-Swayimane Water Supply Scheme Extension Phase 2	R 50 900 000.00	Variation order no.03 -extension of time and additional costs incurred due to violent disruptions of site access routes during July 2021. The extension of 7.61 days is granted. The application for the approval of costs is approved to the valuation of R 560 076.16 (Excl. VAT), this variation is within contingencies.	N/A
7/3/327	WK Construction South Africa (Pty) Ltd Mbhava And Mpethu-Swayimane Water Supply Scheme Extension Phase 2	R 50 900 000.00	Variation order no. 05 -extension of time and additional costs associated with pipeline diversion (etc004) and for delays attributed to the election day (ETC 007). The extension of 1 day is granted. The application for the approval of costs is approved to the valuation of R 98 723.19 (Excl. VAT), this variation is within contingencies.	N/A
7/3/327	WK Construction South Africa (Pty) Ltd Mbhava And Mpethu-Swayimane Water Supply Scheme Extension Phase 2	R 50 900 000.00	Variation order no. 06 -dissatisfaction claim under recovery on CPA for supply of PVC pipes. There is no application for extension of time. The application for the approval of costs is approved to the valuation of R 735 071.70 (Excl. VAT), this variation is within contingencies.	N/A

CONTRACT NO.	CONTRACT DESCRIPTION	ORIGINAL CONTRACT VALUE	REASONS FOR VARIATION	AMOUNT
7/3/327	WK Construction South Africa (Pty) Ltd Mbhava And Mpethu-Swayimane Water Supply Scheme Extension Phase 2	R 50 900 000.00	Variation order no.7-extension of time and additional costs associated with the delays incurred due to the prolonged period of appointment and performance of CPG subcontractors (ETC 001). the application for the approval of costs is approved to the valuation of R 2 892 823.96 (excl. vat) after considering the reasoning and comments as made by the consulting engineers. contingencies = R 1 796 947.32 and addition to contract value is R 1 095 876.64	R 1 095 876.64
7/3/327	WK Construction South Africa (Pty) Ltd Mbhava And Mpethu-Swayimane Water Supply Scheme Extension Phase 2	R 50 900 000.00	Variation order no.08- amicable settlement for the extension of time and additional costs incurred due to covid-19 level 4 imposition and temporary site closure (etc 003). the application for the extension of 4.5 days is granted. the application for the approval of costs is approved to the valuation of R 426 670.62 (excl. vat)	R 426 670.62
7/3/327	WK Construction South Africa (Pty) Ltd Mbhava And Mpethu-Swayimane Water Supply Scheme Extension Phase 2	R 50 900 000.00	Variation order no.10- 3 Additional works with additional costs, namely: repair work for existing pipeline downstream of Reservoir P. Storm damage repair work near steel pipeline using gabion. Access road upgrade to existing booster pump station no.2. The extension to contract period is 39 days	R1 395 131.01
7/3/327	WK Construction South Africa (Pty) Ltd Mbhava And Mpethu-Swayimane Water Supply Scheme Extension Phase 2	R 50 900 000.00	Variation order no.11 - Additional remedial work to complete the project: Reinstatement of existing fencing; Remedial works to reservoir D and DD inlet control valve replacement; Additional repair work to address consumer water supply issues; Bitumen seal joint on air valve chamber; Suction pressure transmitters in PS2 and PS3; Surplus materials on site taken over by UMDM; and CPG compensation for mentorship and training of 1CE Sub-Contractors. The extension to contract period is 73 days.	R1 612 984.08
7/3/312	Makhubu Civil Cc Trustfeed Water Supply Scheme	R 21 872 255.00	Increase in Labour Wage Rate from time of tender to construction; the increase in costs as a result of EDTEA COVID 19 lockdown regulations; Delays due to KZN riots; Increased costs due to the amendments and additions to the Scope of Works: Data Capturer, CLO, training, and Geo-Technical costs, Pipe trenches, medium pressure pipelines; and Escalations which were not catered for at the tender stage. The extension to contract period is 10 days.	
7/3/312	Makhubu Civil Cc Trustfeed Water Supply Scheme	R 21 872 255.00	Additional Scope of Works due to the installation of Erf Connections off the existing pipelines. Delay caused by workers when they "downed tools" due to the delay in payment by the employer. The extension to contract period is 47 days.	
7/3/313	PK Valves Supply and Delivery of Plumbing Material	Rates based	This claim is raised for additional material supply of 50 Jojo tanks of which are not on the initial contract. The required number is 50 X Jojo tanks at a cost of R 212 500.00 excl. VAT, this variation is within contingencies.	N/A

ii) Variations above 15% or 20% (Comply with MFMA S116(3))

Contract No.	Description	Contract Value	Reasons for Variation	Amount	Date Tabled at Council	Date of Notice to Community
7/3/209	Talbot laboratories Supply Water Quality Monitoring Services	Rates based	Extension to allow for tender process to conclude. Extended until 30/11/2022	Rates based	31 August 2022	09 September 2022
7/3/82	First National Bank Provision of Banking Services	Rates based	Extension to allow for tender process to conclude. Extended until 30/08/2022	Rates based	28 July 2022	09 September 2022
7/3/310	Proudfoot Investments Rental for Stores Warehouse	R 730 917.00	Extension to allow for tender process to conclude. Extended until 30/08/2023	Rates based	28 June 2022	12 July 2022

5.7.3 Supplier Performance Management

CONTRACT NO	DESCRIPTION	Name of Contractor	Date of Supplier performance assessment	Supplier Performance Assessment Report Compiled		<i>Supplier performance assessment / performance rating</i>
				Yes	No	
7/3/313	Supply And Delivery of Plumbing Material	PK Valves	27/09/2022	Yes		Good
7/3/209	Supply Water Quality Monitoring Services	Talbot Laboratories	26/09/2022	Yes		Good
7/3/337	Water Quality Analysis	Talbot Laboratories	23/09/2022	Yes		Good

5.8 Logistics / Inventory Management

- i) Policy - Yes
- ii) Cycle counts – Yes (weekly)
- iii) Challenges – Additional Storage space required.
- iv) Other activities – N/A

5.9 Unsolicited Bids

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

5.10 E-Tender Portal

- i) Access - Yes
- ii) Bids published during the quarter – FOUR

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
N/A			

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

Contract Description	Objective Criteria	Award Value	Date of Award
N/A			

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

Contract Description	Sub-Contracting Criteria	Award Value	Amount Sub-Contracted	Date of Award
N/A				

7. Local Content Procurement

Contract Description	Designated Sector	% Designated	Award Value	Date of Award	Reporting to DTI
PPE Clothing for Fire Services	Textiles	100%	R 1 733 036.64	11-Aug-22	09-Sept-22

8. Risk Management

8.1 Fraud Prevention Plan

Is there a Fraud Prevention Plan in place? – Yes

8.2 Internal Audit Findings

Finding Raised	Action Plan to address the finding	Due Date	Progress with Action Plan Implementation
Lack of system to detect false declaration by bidders	> Request MBD 4 declaration forms > Verify against CSD Reports	On-Going	There are no other mechanisms to test false declarations. Instances of false declaration are reported to NT.
SCM Policy not reviewed and approved	> SCM Policy to be revised and submitted to Council	Complete	SCM Policy has been approved on 27 May 2022.
UIFW Reduction Strategy not approved by Council	> UIFW Reduction Strategy to be submitted to Council	Complete	UIFW Reduction Strategy approved on 28 July 2022.
Rotation Policy not approved by Council	> Appointment from Panel Policy to be re-submitted to Council	Pending	Policy has been approved by EXCO and is to be submitted to Full Council.

8.3 Provincial Treasury Assessment Findings

Finding Raised	Action Plan to address the finding	Due Date	Progress with Action Plan Implementation
Vacant Posts	Advertise critical posts in SCM		Incomplete. HR has re-advertised for the position of contracts administrator.

8.4 Auditor General Findings

Finding Raised	Action Plan to address the finding	Due Date	Progress with Action Plan Implementation
Awards made to persons in the service of the state	KZN Provincial Treasury to engage with the Auditor-General on use of facilities to identify matters of in service of the state	N/A	There are no other mechanisms to test false declarations. Instances of false declaration are reported to NT.

9. Conclusion

That the report meets the requirements of the Supply Chain Management Regulations, Section 6(1) and KZN Municipal Amended Circular No. 04A of 2018/2019 by submitting the report to Council on the implementation of the supply chain management policy.