

# ANNEXURE A



## 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 2 Report 2021-2022

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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 – 24 February 2021*

### **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, as per the SCM Policy*

### **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 - 3**

## 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
Provision of Security Services	27/08/2021	Mi7 National Group	R 3 760 306.18	Termination of contract with Magma Security due to breach of contract.	Pending
Close Protection Officers for CFO	15/11/2021	Mi7 National Group	R 86 388.00 p.m.	Termination of contract with Magma Security due to breach of contract.	Pending
Additional capacity for Cllr Inauguration	26/11/2021	Royal Showgrounds	R 228 595.85	Delays by the IEC in the number of delegates attending the inauguration	Pending

## 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	DATE CONTRACT SIGNED	CONTRACT DURATION
UMDM02092	QUIDITY LICENCE FOR ONE YEAR	R 116,409.00	11-Oct-21	11-Oct-21	12 Months
UMDM02094	50 X 5,000L JOJO/WATER TANKS	R 244,375.00	11-Oct-21	11-Oct-21	Once-Off
UMDM02102	9 LAPTOPS FOR NEW STAFF	R 181,596.00	14-Oct-21	14-Oct-21	Once-Off
UMDM02104	GIS ANNUAL LICENCE	R 206,283.32	18-Oct-21	18-Oct-21	12 Months
UMDM02107	MAINTENANCE TOOLS	R 138,900.00	18-Oct-21	18-Oct-21	Once-Off
UMDM02113	38MM RUBBER HOSES	R 112,125.00	26-Oct-21	26-Oct-21	Once-Off
UMDM02115	12 MONTHS BACKUP SOFTWARE LICENCE	R 137,809.10	27-Oct-21	27-Oct-21	12 Months
UMDM02118	GIS: NAVIGATIONAL ENABLED DATASETS	R 145,000.00	2-Nov-21	2-Nov-21	Once-Off
UMDM02120	HYDROCHLORIC ACID FOR LIONS RIVER	R 119,000.00	2-Nov-21	2-Nov-21	Once-Off
UMDM02139	10 AIO DESKTOP COMPUTERS LEASE TO OWN	R 166,014.00	17-Nov-21	17-Nov-21	12 Months

UMDM02146	WATER CHEMICALS FOR IMPENDLE	R 136,564.80	18-Nov-21	18-Nov-21	Once-Off
UMDM02150	VENUE HIRE & CATERING FOR INAUGURATION	R 199,964.30	24-Nov-21	24-Nov-21	Once-Off
UMDM02176	VENUE HIRE FOR INAUGURATION CEREMONY FOR NEW COUNCILLORS	R 228,595.85	8-Dec-21	8-Dec-21	Once-Off
UMDM02199	CCTV SUPPLY AND INSTALLATION	R 193,360.66	29-Dec-21	29-Dec-21	Once-Off
UMDM02197	EPWP CLOTHING	R 165,000.00	29-Dec-21	29-Dec-21	Once-Off

## 5.6 Municipal Bid Appeals

- i) Bids appealed – 0
- 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
352	7 and Two Panels	0

### Contracts due to expire within 6 months

<u>CONTRACT NO.</u>	<u>BIDDER AND DESCRIPTION</u>	<u>EXPIRY DATE</u>
7/3/106	<b>Ithala Development Finance Corporation Limited</b> Lease Of Unit 25 Howick Shopping Centre	2022/02/28
7/3/162	<b>Nashua Maritzburg</b> Photocopy Services	2021/12/31
7/3/310	<b>Proudfoot Investment CC</b> Leasing Of Warehouse Space	2021/01/31
Panel	Panel of Internal Auditors	2022/02/04
Panel	Panel of Leasing of Fire Engines	2022/03/01
7/3/312	<b>Makhubu Civil CC</b> Trusted Water Reticulation: Phase 1	2022/03/22

<u>CONTRACT NO.</u>	<u>BIDDER AND DESCRIPTION</u>	<u>EXPIRY DATE</u>
7/3/349	<b>Mi7 National Group</b> Provision of Security Services	2022/03/30
7/3/208	<b>Inside Data South (Pty) Ltd</b> Printing Of Municipal Statement	2022/02/28

## 5.7.2 Variations

### i) Variations within 15% or 20%

CONTRACT NO.	CONTRACT DESCRIPTION	ORIGINAL CONTRACT VALUE	REASONS FOR VARIATION	AMOUNT
7/3/160	Lease Of Unit 25 Howick Shopping Centre	R 827 109.73	UMDM is still in the tender process	R 124 066.00
7/3/320	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
7/3/328	KwaMathwanya Water Reticulation Scheme	R 9 912 835.40	The extension to contract value of R506 202.62 (from Contingencies) was granted due to the contractors request a price adjustment for the supply and delivery of the 200kl elevated Tank and all appurtenances (item D2.3 in the BoQ)	N/A
7/3/211	uMshwathi Secondary Bulk Water Scheme Phase 3B	R 70 426 080.99	The consultation between the employer's agent and the contractor, an agreement was reached that the contractor could not complete out works according to their revised program due to disruptions as a result the NUMSA strike has affected the metal sector. The engineers ruling in terms of Clause 10.1.5, agreed in principle to the extension. The revised completion date is 25 November 2021.	N/A
7/3/331	Provision of Water Tankering	Rates based	The municipality requires the deployment of additional water tankers a maximum of 14 tankers to service needs around the district for a period of three months ending 31 December 2021.	As per contracted rates
7/3/313	Supply and Delivery of Plumbing Material	R 5 340 415.48	This claim is raised for additional material supply of 50 x Jojo tanks of which are not on the initial contract. The required number is 50 Jojo tanks at a cost of R 212 500.00 excl. VAT, this variation is within contingencies.	R 212 500.00
7/3/327	Mbhava And Mpethu-Swayimane Water Supply Scheme Extension Phase 2	R 50 900 000.00	The variation order is for increased CPG supervision, provided by the contractor, to increase the CPG sub-contractor production efforts. The extension amount of R 244 468.66 (from contingencies) was granted.	N/A



CONTRACT NO.	CONTRACT DESCRIPTION	ORIGINAL CONTRACT VALUE	REASONS FOR VARIATION	AMOUNT
7/3/328	KwaMathwanya Water Reticulation Scheme	R 9 912 835.40	Claim no.1- delays due to local labour and community unrest Claim no.2 – delays due to rain days Claim no.3- delays due to national civil unrest The extension of time for 115 days was granted at costs of R171 685.09 (from contingencies)	N/A
7/3/323	Enguga, Entshayabantu & Macksam Phase 5: Completion of Outstanding Works	R 6 247 139.95	Claim no.1 – agreement was reached that the contractor is entitled to an extension of time without cost due to the various delays: - Delays in the commencement of the contract. -Rain days -Delays due to labour strikes and site closure. -Delays due to provincial riots and protest action The extension of 86 days was granted (until 08 November 2021)	N/A
7/3/211	uMshwathi Secondary Bulk Water Scheme Phase 3B	R 70 426 080.99	The employer's (engineering consulting -MNA) and the contractor agrees that the contractor could not carry out the works due to the delays experience by external service providers due to the covid 19 pandemic in terms of clause 5.12.2.4. including additional unforeseen works in terms of clause 5.12.2.1. The extension of 35 days was granted at no costs.	N/A
7/3/211	uMshwathi Secondary Bulk Water Scheme Phase 3B	R 70 426 080.99	The employer's (engineering consulting -MNA) and the contractor agrees that the contractor could not carry out the works due to the unrest and riots in KZN in terms of clause .4.3. The extension of 147 days was granted with related cost of R 73697.58	N/A
7/3/328	KwaMathwanya Water Reticulation Scheme	R 9 912 835.40	This claim is raised for additional work to supply and installation of Submersible pump and Yard connections of which was omitted or not included in the initial scope of work. The extension amount of R 401 778 .93 was granted. (This amount is coming from contingencies)	N/A
7/3/329	The Installation of Pre-Cast Concrete VIP Toilet Units	R 27 673 795.80	Due to the special project that was being carried out at uMshwathi LM by the SANDF to assist with improving access roads bridges in support of uMshwathi LM as there were challenges in eKhamazi. The district municipality was then requested to assist with the provision of sanitation service while the SANDF is	R 841 684.00

CONTRACT NO.	CONTRACT DESCRIPTION	ORIGINAL CONTRACT VALUE	REASONS FOR VARIATION	AMOUNT
			on site. The services will be for 4 months, providing 2 portable VIP Flushable Toilets X 2, 7 X unlosable toilets and maintenance once in two days.	
7/3/329	The Installation of Pre-Cast Concrete VIP Toilet Units	R 27 673 795.80	Due to a high backlog in our communities with the District the Municipality have deemed it necessary to increase the number of VIP units allowed for in this contract by 20% of which will lead to 324 VIP units being constructed in addition to the 1620 units as on contract. This will increase the number of VIP units to be constructed within this contract to 1944.	R 5 534 759.16
7/3/211	uMshwathi Secondary Bulk Water Scheme Phase 3B	R 70 426 080.99	The engineering's ruling in terms of clause 10.1.5, agreed in principle to the extension and is awaiting employers' approval for the time extension with cost. This is due to reservoir work area being affected as per the current programme and the dates. The extension is granted to the 27 <sup>th</sup> of August 2021 subject to revision once the contractor submits a finalized programme of works. The application for the approval of the extension of time is granted with a cost implication of R 511 855.06 which is to be claimed from contingencies.	N/A
7/3/329	The Installation of Pre-Cast Concrete VIP Toilet Units	R 27 673 795.80	Changing of material from steel to concrete. These changes will not have an impact on the original Cost and Period	N/A
7/3/319	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
7/3/320	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
7/3/211	uMshwathi Secondary Bulk Water Scheme Phase 3B	R 70 426 080.99	The claim is raised for time-related cost for supervision and direct standing time cost for plant and labour, incurred through location site camp (claim1), partial forced stoppages of the works by sands suppliers (claim2), no access to proposed reservoir site (claim 3&5) and covid 19 lockdown level 5 (claim4)	N/A

CONTRACT NO.	CONTRACT DESCRIPTION	ORIGINAL CONTRACT VALUE	REASONS FOR VARIATION	AMOUNT
7/3/211	uMshwathi Secondary Bulk Water Scheme Phase 3B	R 70 426 080.99	Claims pertain to the relocation of site camp, plant standing costs. Labour standing time as well as costs associated with the covid-19 lockdown.	N/A

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

<b>Contract No.</b>	<b>Description</b>	<b>Contract Value</b>	<b>Reasons for Variation</b>	<b>Amount</b>	<b>Date Tabled at Council</b>	<b>Date of Notice to Community</b>
7/3/209	<b>Talbot laboratories</b> Supply Water Quality Monitoring Services	Rates based	Expiry of contract	Rates based	30 October 2021	18 November 2021
7/3/329	<b>Soundrite Construction</b> The Installation of Pre-Cast Concrete VIP Toilet Units	R 27 673 795.8	Install of 1,112 additional VIP toilet units to address sanitation backlog	R 19 000 000.00	29 September 2021	22 October 2021
7/3/82	<b>First National Bank</b> Provision of Banking Services	Rates based	Expiry of contract	Rates based	30 October 2020	20 October 2020
7/3/170	<b>Serenity Financial Services</b> Short Term Insurance	Rates based	Exercising of renewal clause	Rates based	04 February 2021	06 June 2021
7/3/162	<b>Nashua</b> Photocopy Services	Rates based	Renewal Clause Activated	Rates based	29 June 2021	06 June 2021

### 5.7.3 Supplier Performance Management

CONTRACT NO	DESCRIPTION	Name of Contractor	Date of Supplier performance assessment	Supplier Performance Assessment Report Compiled		Supplier performance assessment / performance rating
				Yes	No	
7/3/322	Review The District Spatial Development Framework	Isibuko Development Planners	13/12/2021	Yes		Good
7/3/209	Supply Water Quality Monitoring Services	Talbot Laboratories	09/12/2021	Yes		Good
7/3/167	Photocopy Services	Nashua Maritzburg (Sky Office Solution)	06/12/2021	Yes		Satisfactory
7/3/337	Water Quality Analysis	Talbot Laboratories	08/12/2021	Yes		Good

## 5.8 Logistics / Inventory Management

- i) Policy - Yes
- ii) Cycle counts – Yes (weekly)
- iii) Challenges – N/A.
- 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 – One

## 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
Supply of PPE for EPWP Staff	Textiles	100%	R 111 515.00	02/12/2021	03/12/2021
Supply of PPE for EPWP Staff	Textiles	100%	R 165 000.00	29/12/2021	04/01/2022

## 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
Incorrect Application Functionality Test	Where functionality criteria is unclear, the BEC will write to the Chairperson for the BSC to obtain clarity	30/09/2021	Complete
Non-compliance with Tender Requirements	The bid documentation is to be revised to align with current industry practises.	30/09/2021	Complete
Inaccuracies in BEC Reports	Training on bid committee members	30/09/2021	Complete
Municipal Accounts	Training on bid committee members	30/09/2021	Complete

## 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	01/08/2019	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	Municipality to try and procure TransUnion or equivalent facility	31 January 2022	Not Achieved
Suppliers in which partners or associates of employees has an interest	Municipality to try and procure TransUnion or equivalent facility	31 January 2022	Not Achieved
Persons in the service of the state	Municipality to try and procure TransUnion or equivalent facility	31 January 2022	Not Achieved
Suppliers in which employees has an interest	Municipality to try and procure TransUnion or equivalent facility	31 January 2022	Not Achieved

## **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.