

**FINANCIAL SERVICES DEPARTMENT: SUPPLY CHAIN MANAGEMENT: ANNUAL REPORT FOR THE 2021/2022 FINANCIAL YEAR (JULY 2021 TO JUNE 2022).**

**(File No.: 6/2/1)**

**(Author: CFO/TM/VD)**

**(1<sup>st</sup> Level: Manco –)**

**(2<sup>nd</sup> Level: Finance Committee-)**

**(2<sup>nd</sup> Level: Exco-)**

**(3<sup>rd</sup> Level: Council-)**

**1. PURPOSE**

- 1.1 To report to the Council about all the bids and quotations that has been awarded during the month(s) of July 2021 to June 2022.
- 1.2 To request the Council to note and accept the contents of this report.

**2. BACKGROUND AND REASONING**

- 2.1 The Council of the municipality has approved the procurement plan which is in line with the SDBIP.

**3. SCM OVERVIEW**

- 3.1 A Procurement Plan defines the Goods and Services that will be acquired from external suppliers.
- 3.2 The Procurement Plan further describes the process that needs to be followed when appointing those suppliers and the schedule timeframes for delivery.
- 3.3 The Council of the Municipality has approved the procurement plan which is in line with the SDBIP. The procurement plan was implemented during the 2021/2022 Financial Year however, there have been some delays which have been reported to different municipal committees on monthly basis for possible intervention.
- 3.4 A panel of Service Providers was successfully established, it is utilized in the fields of Civil Engineering Consultants, Financial Management Consultants, Planning Consultants, Legal Services, ICT services and Plumbing Material Supplies and was done to fast track the procurement process when appointing Service providers in these professions which will assist in improving service delivery. SCM unit has started the tendering process for the appointment of new panels for different goods and services which assist with the turnaround time for procurement.
- 3.5 Due to audit findings from the 2019/2020 audit report on the implementation of section 32 of the Municipal SCM regulations, the Municipality resolved to not participate on the use of section 32 of the Municipal SCM Regulations on appointment of service providers. As a result, thereof no bids were awarded under section 32 of the Municipal SCM regulations in the 2021/2022 financial year.
- 3.6 The proper management of appointed Service Providers has been a challenge in recent years as highlighted by AG in the 2020/2021 FY findings and this ultimately affects the performance of appointed Service Providers. Great efforts have been channeled into improving this situation whereby the following where undertaken –

- a) Performance Assessment of all appointed Service is conducted by the Project Manager and any payment to contracted service providers is accompanied by the assessment form.
  - b) Submission of the Performance Assessment of Service Providers report to council as required by the Section 116 of MFMA to ensure adequate monitoring and oversight is conducted by council was implemented during the financial year.
  - c) The Contract Management Officer was appointed and amongst other duties that are dedicated to him, he is, together with the project managers responsible for the performance assessment of service provider as well as ensuring that all Contract Management matters including all compliance issues are addressed.
- 3.7 The members of Bid Committee who were appointed for the 2021/2022 financial year were trained to ensure that members are aware of their roles and responsibilities and individuals serving in the bid committees of Amajuba District Municipality. Training was provided by Provincial Treasury, and it was resolved that this trend is to continue yearly prior to the appointment of new committee members for every financial year.
- 3.8 The SCM unit requested training on Local Production and Content and Bid Committees for SCM officials and the MANCO in October 2021 to avoid the repeat of findings that were raised by the Auditor General on Local Production and Content and the attendance was very poor as very few MANCO members attended that training. The purpose for inviting the whole MANCO was to ensure that our MANCO understands SCM and its implementation especially because bid committee members are appointed from MANCO members so it was to ensure that members who will possibly be appointed as new members to the bid committees for the 2021/2022 financial year have a clear understanding of their roles and responsibilities in the committees.
- 3.9 As a result of that poor attended SCM might have no choice but to invite Provincial Treasury again when new bid committee members are appointed for the 2022/2023 financial year especially if there are individuals who will be serving in the bid committees for the first time in 2021/2022 financial year.
- 3.10 The SCM unit in preparation for the audit has started the voucher auditing process with regards to quotations, bids as well as appointments through section 36 of the Municipal Supply Chain Management regulations (Deviations). The SCM process was further audited by the Internal Audit Unit conducting 100% testing of all Bids and Quotations in attempt to limit Audit Findings
- 3.11 The Municipality has adopted the cost containment measures as issued by the National Treasury with effect from the 01<sup>st</sup> of July 2019. The Budget and Treasury office assisted by the Office of the Municipal Manager are responsible for the implementation of the cost containment measures. Internal Audit will ensure that they produce a report for audit committee and MPAC for each and every quarter. BTO will produce a report monthly to assist departments to gauge themselves on the adherence to the National Treasury directive and Council Policy on cost-containment measures.

These cost containments include and are the following related to the Supply Chain Management unit;

- a) All external travel and accommodation will be approved by the municipal manager or chief financial officer after a thorough motivation by the executive manager for that department. SCM won't process anything that does not have the signature of the municipal manager or chief financial officer and if any SCM official processes that then the expenditure will be paid by him/her.
- b) Variation Orders will be entertained only when it is clear that there is an unavoidable need not because officials have failed to do their responsibilities.
- c) All projects must be within approved budget as per the appointment letters and payments will be according to what has been transferred to us and failure to adhere to that means that departments must take responsibility.

**3.12 Challenges encountered during the 2021/2022 FY includes amongst others:**

- a) Objections which have delayed the appointment for some projects which resulted in the matters being referred to Municipal Bids Appeals Tribunal while other bidders requested clarification on reasons why they were eliminated – those were received and attended to and resolve within two weeks.
- b) A poor understanding of the procurement process by bidders in general but more especially the Assessment of Functionality where we identified numerous bidders who failed to respond to the requirements of the bids on this critical step in the SCM process
- c) Incorrect specification from user departments where they request for certification or qualification in fields where there are no legal bodies where bidders have to affiliate or where certificates should be issued.
- d) Over Expenditure on contracts- the contract management officer has reported challenges on the cooperation of managers with contracts that are expired which are still in use. The use of expired contracts will have a negative impact on contract management as the over expenditure on contracts amounts to irregular expenditure. The Municipality needs to relook at the payment process on tenders and should involve the contract management officer to avoid over expenditures
- e) Poor performance of Service Providers in some projects have delayed service delivery.

## 4. Reporting Items

### 4.1 Deviations

In the normal part municipal operations deviations are unavoidable and are undertaken as a last resort and the deviations for the 2021/2022 financial year amounted to **R1,847,229.29** The Deviations have undergone the necessary compliance checks in complying with SCM Regulations 36.

#### 4.1.1 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
10 June 2021	<b>T2022/11</b>	THE CONSTRUCTION OF THE UTRECHT WASTEWATER TREATMENT WORK	R46 169 831.36	SIMANDLOVU TRADING CC	NEAK (PTY) LTD JV MSHANA CIVILS (PTY) LTD AND URBAN AND RURAL DEVELOPMENT	The BEC did not consider the letters that were submitted by Neak Trading (PTY) LTD JV Mshana Civils and Urban and Rural Development. The BAC did a verification on the letters not considered at evaluation and found that they are indeed applicable and made a recommendation to the accounting officer to approve the deviation of the two committees as per section 29 of the MFMA which gives the accounting officer this authority.			
09 JUNE 2022	<b>T2022/10</b>	REFURBISHMENT OF UTRECHT WATER TREATMENT WORKS – PHASE 1.	R40 159 806.56	KUSASA COMMODITIES (PTY) LTD	DELACOM JV SAKHA SAKHILE (PTY) LTD	The BEC initially recommended kusasa Commodities, then the BAC, through further evaluation, discovered that Delacom / Sakha Sakhile JV, the			

						references letters were corresponding with the terms of references and therefore the BAC recommended Delacom JV Sakha Sakhile cc and the accounting officer accepted this recommendation as per section 29 of the MFMA which gives the accounting officer this authority.			
02/06/2022	T2022/09	Development of road asset management system and professional support for a period of 3 years	R1,434,812.45	Phatsimo Management	Royal Haskoning DHV	The BAC, through further evaluation discovered that Royal Haskoning DHV did submit the residential lease which the BEC indicated that it was not available at evaluation stage the accounting officer accepted this recommendation as per section 29 of the MFMA which gives the accounting officer this authority.			

#### 4.2 Unauthorised, Irregular, Fruitless & Wasteful Expenditure

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

***The register was one transaction identified as Unauthorized, Irregular, Fruitless & Wasteful Expenditure in 2021/22.***

EASTBORNE AND SKOMBAREN WATER SUPPLY SCHEMES IMPROVEMENTS CONSTRUCTION OF +- 38 KM PVC AND HDPE PIPELINES RENDING FROM DN 75 TO DN 250 AT EASTBORNE ( COMPLETION OF A CANCELLED CONTRACT - Likhona Projects & Developments (PTY) LTD (R13 991 048,12)

### 4.3 Central Suppliers Database (CSD)

- i) *Access / challenges*

*The Municipality experiences no challenges with CSD access and had ensured that all bids and quotations awarded were awarded to bidders who are registered with CSD.*

## 5. 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*

### 5.1 Bids Awarded >R200K

#### Overview

Fifteen (15) bids were awarded in the 2021/2022 financial year and were added on the contract register , most bids were awarded through a Competitive Bidding Process without any identified evidence of noncompliance to SCM Regulations and other relevant prescripts. Four (04) bids were awarded under regulation 114 of the Municipal SCM regulation policy (Approval of bids not recommended by the BEC) and the total amount for the deviations that are within the threshold of tenders is **R87,764,450.20** .The total amount or all bids awarded this year is **R158,727480.86**

The Municipality did not to participate in the use of section 32 which talks to the awarding of bids under a contract secured by another service of the state therefore no bids were awarded under section 32 of the Municipal supply chain management regulations in 2021/2022 financial year.

### List of bids awarded 2021/202

TENDER NO/DESCRIPTION	NAME OF SUPPLIER	Date	Amount
T2021/06: Replacement of water and sewer steel pipe at White City and Emadlangeni Water Bulk line	Khabeni Projects	29/09/2021	256 887,00
T2021/05; Provision of Sophos Licences	AIEQ SYSTEMS	18/08/2021	251 304,35
T2021/14: Partial completion of Amajuba district municipality disaster management centre phase 1	BUKASIVE TRADING SONGELWA TRADING	12/10/2021	5 320 328,50
T2021/13: Supply and delivery of 20 lap tops computer	Bidvest Waltons	03/11/2021	432 159,65
T2021/15: Development of the Amajuba district municipality spatial development framework 2022/2027	Tshani Consulting	18/11/2021	442 865,00
T2021/18: Appointment of service provider for provision of an online satellite imagery portal for viewin and downloading	Indalo Development	17/01/2022	700 000,00
T2021/17: Supply and Delivery of pipes, fittings, tools and water meter for a period of 3 years	Sibalwethu Consulting(BOQ)	08/04/2022	Rate per Item
T2021/19: Provision of the bulk, printing and posting of monthly	Inside Data	12/04/2022	119 977,20
T2021/22: Installation of backup generators	Mizana Engineering		7 981 068,99
T2021/23: NRW Reduction program via revenue enhancement	Notha Africa Civils	21/06/2022	39 422 052,84
T2022/01: Fixed Asset register 2021/2022	Abacwaningi	06/05/2022	805 000,00
T2022/06; Supply and Delivery of electrical spares	Nanante Pty Ltd	06/05/2022	385 843,51
T2022/09: Development of RAMS	Royal HoskoningDHV	21/06/2022	1 434 812,45
T2022/18: Investigating of UITW Expenditure	SVZ Consulting	08/05/2022	697 360,00
T2022/19: General Financial Management	Nkosingiphile Inkazimulo	08/05/2022	600 000,00
T2022/11 The construction of Utretch Wastewater Treatment Works	NEAK (PTY) LTD JV MSHANA CIVILS (PTY) LTD AND URBAN AND RURAL DEVELOPMENT	27/06/2022	46 169 831,69
T2022/10 Refurbshment of Utretch Water Treatment Works Phase 1	DELACOM JV SAKHA SAKHILE (PTY) LTD	21/06/2022	40 159 806,56
EASTBORNE AND SKOMBAREN WATER SUPPLY SCHEMES IMPROVEMENTS CONSTRUCTION OF +- 38 KM PVC AND HDPE PIPELINES RENDING FROM DN 75 TO DN 250 AT EASTBORNE ( COMPLETION OF A CANCELLED CONTRACT)	Lukhona Projects & Developments (PTY) LTD	08/04/2022	13 991 048,12
<b>TOTAL</b>			<b>R 158 727 480,86</b>

## 5.2. Municipal Bid Appeals

Four (04) bids were referred to the Municipal bid appeals tribunal in the 2021/2022 financial year. One bid has already been awarded when the objection was issued to MBAT and the sitting is pending. Three objections were resolved, the bids are listed below:

1. Construction of 4NO. Booster pumpstations, re-location of a tanker filling station, leak detection, remedial works, and associated infrastructure - **RESOLVED**
2. Construction of 4 No. Booster Pumpstations, re-location of Tanker - **Resolved**
3. NRW Reduction Program via revenue enhancement - **Resolved**
4. The Construction of Utrecht Wastewater Treatment Work - **No ruling yet**

## 5.3. E-Tender Portal

### Overview

E-Tender portal is fully functional and all bids advertised in the financial year were all inserted in this portal provided for by the national treasury as regulated.



## 6. Contract Management

### Overview

The contract register has Twenty five (25) active contracts by the end of this FY. Seventeen (17) contracts are due to expire in 6 months and the departments have been informed about their expiring contract and none of them have advised the contract officer of any intention to extend.

Four (04) contracts were extended this year where the contract management unit has received extensions from the departments, and they are listed below:

### Contracts Register Statistics as of 30 June 2022

No. of Current Contracts	No. of Contracts about to expire in <6 months	No. of Awarded Contracts for the Month	No of extended contracts
11	17	04	04

### 6.2. CONTRACTS DUE TO EXPIRE

The following contracts are expiring soon and if there is still a need for these goods/ services the sourcing of these goods/services should commence

APPOINTED BIDDER	DESCRIPTION OF GOODS/SERVICES/PROJECTS	CONTRACT END DATE
UMZULU TRADING ENTERPRISE CC JV MAKHUKHU DEVELOPMENT PROJECTS	CONSTRUCTION OF BRAAKFONTEIN RESERVOIR	2021/12/31
KHABENI PROJECT ENTERPRISE	BUFFALO FLATS BULK WATER AND RETICULATION CONSTRUCTION OF 70KM OF DN75 TO DN315 HDPE PIPELINES FOR HILLTOP SETTLEMENTS WATER SUPPLY SCHEME	2022/06/03
BUKASIVE TRADING SONGELWA TRADING	PARTIAL COMPLETION OF THE AMAJUBA DISASTER MANAGEMENT CENTRE PHASE I	2022/06/30
TSHANI CONSULTING CC	DEVELOPMENT OF THE AMAJUBA DISTRICT MUNICIPALITY SPATIAL DEVELOPMENT FRAMEWORK 2022/2027	2022/07/18
WETSPEC CC	SUPPLY AND DELIVERY OF CHEMICALS FOR WATER AND WASTEWATER TREATMENT PLANTS	2022/06/28
SEMR SECURITY SERVICES	AMAJUBA DM SECURITY SERVICES	2022/07/23
KUNTWELA EZANSI VENTURES	WATER METER READING SERVICES	2022/06/24
VODACOM	MICROSOFT OFFICE 365	2022/06/01

IMVULA TECHNOLOGIES (PTY) LTD	PROVISION OF WAN,INTERNET AND VOIP SERVICES	2022/05/23
AIEQ SYSTEMS	SOPHOS FIREWALL (IT)	2022/08/03
BAMBOLUNYE SECURITY SERVICES	V.I.P PROTECTION SERVICES	2022/07/31
MI7 GROUP	V.I.P SERCURITY SERVICES	2022/07/24
DIMENSION DATA	LEASING & SET UP OF A PA AND AUDIO RECORDING SOLUTION	2022/10/23
HLENGWA BROTHERS	PROFESSIONAL SERVICES- DEBT COLLECTION AND DATA CLEANSING.	
MIZANA ENGINEERING & SERVICES	INSTALLATION OF BACKUP GENERATORS,FLOW CONTROL VALVE AND ASSOCIATED INFRASTRUCTURE DURNACOL CHELMSFORD AND BRAAKFONTEIN M&E UPGRADE	2022/08/07
LUKHONA PROJECTS & DEVELOPMENT PTY LTD	EASTBORNE AND SKOMBAREN WATER SUPPLY SCHEMES IMPROVEMENTS CONSTRUCTION OF +- 38 KM PVC AND HDPE PIPELINES RENDING FROM DN 75 TO DN 250 AT EASTBORNE ( COMPLETION OF A CANCELLED CONTRACT)	2022/09/07
VELA CAPITAL INVESTMENTS	TECHNICAL SERVICES INVENTORY STORAGE	2022/07/11
MAGENTA SERCURITY SERVICES	VIP PROTECTION SERVICES FOR MAYORS OFFICE	2022/07/23

### 6.3. EXTENDED CONTRACTS

<b>BIDDER</b>	<b>DESCRIPTION OF GOODS/SERVICES/PROJECTS</b>	<b>EXTENSION PERIOD</b>
IMVULA I TECHNOLOGIES PTY LTD	PROVISION OF WAN, INTERNET AND VOIP	3 MONTHS
VODACOM	PROVISION OF 365 LICENSES	3 MONTHS
BAMBOLUNYE SECURITY SERVICES PTY LTD	VIP PROTECTION SERVICES	3 MONTHS
MI7 GROUP	VIP PROTECTION SERVICES FOR DEPUTY MAYOR	3 MONTHS

### Supplier Performance Management June 2022

Contract no. & Description	Name of Contractor	Date of Supplier performance assessment	Supplier Performance Assessment Report Compiled		Supplier performance assessment / performance rating
			Yes	No	
T2020/13 PROVISION OF OFFICE 365 LICENSE	VODACOM	01/03/2022	Yes		Good
T2018/18 SUPPLY AND DELIVERY OF PROTECTIVE CLOTHING FOR A PERIOD OF 3 YEARS	HAMISA GROUP SAFETY & EQUIPMENT SUPPLIERS	01/03/2022	Yes		Good
T2019/23 BUFFALO FLAT BULK WATER RETICULATION: CONSTRUCTION OF 70KM AND DN315 HDPE PIPELINES FOR THE HILLTOP AREA.	KHABENI PROJECT ENTERPRISE	30/03/2022	Yes		Good
T2019/23 CONSULTING ENGINEERS FOR HILLTOP RESEVOIR	ROYAL HASKONING DHV	30/03/2022	Yes		Good
T2019/14 CONSULTING ENGINEERS FOR BRAAKFONTEIN RESERVOIR.	ROYAL HASKONNING DHV	30/03/2022	Yes		Good
CONSTRUCTION OF BRAAKFONTEIN RESERVOIR	UMZULU TRADING ENTERPRISE CC JV MAKHUKHU DEVELOPMENT PROJECTS	30/03/2022	yes		Good
T2020/03 CONSULTING ENGINEERS FO DISASTER MANAGEMENT CENTRE	B RAMGOOLAM & ASSOCIATES	30/03/2022	Yes		Good
T2019/12 CONSULTING ENGINEERS FOR CONSTRUCTION OF BULK WATER AND SANITATION FOR DANNHAUSER HOUSING DEVELOPMENT	SIVEST (SA)	15/03/2022	Yes		Good
T2020/14 SUPPLY, DELIVERY, INSTALLATION AND COMMISSIONING OF MSCOA	CCG SYSTEMS	28/03/2022	Yes		Good

COMPLIANT FINANCIAL MANAGEMENT SYSTEM					
T2019/05 ADM SECURITY SERVICES FOR A PERIOD OF 3 YEARS	S.E.M.R SECURITY CC	31/03/2022	Yes		Good
T2018/17 PROVISION OF WAN, INTERNET, VOIP AND SERVICES	IMVULA TECHNOLOGIES	31/03/2022	Yes		Good
V.I.P SECURITY SERVICES	MI7	23/03/2022	Yes		Good
T2019/03 SUPPLY AND DELIVERY OF CHEMICALS FOR WATER AND WASTEWATER TREATMENT	WETSPEC CC	10/03/2022	Yes		Good
T2019/06 LEASING AND SET UP OF A P.A RECORDING SOLUTION	DIMENSION DATA	30/03/2022	Yes		Good
T2019/12 CONSTRUCTION OF BULK WATER AND SANITATION FOR DANNHAUSER HOUSING DEVELOPMENT	M8 LOGISTICS AND PLANT HIRE PTY LTD	24/03/2022	Yes		Good
T2019/04 METER READING SERVICES	KUNTWELA EZANSI VENTURES	27/03/2022			Good
V.I.P SECURITY SERVICES	MI7	23/03/2022	Yes		Good
V.I.P SECURITY SERVICES	BAMBOLUNYE SECURITY SERVICES	23/03/2022	Yes		Good

## 6. 8. QUOTATIONS AWARDED FROM JULY 2021 TO JUNE 2022

### 8.1. Overview

The total quotations award for this financial year 2021/2021 between R0.01 To R200, 000.00 is to **R9,595,111.51** and is based on different thresholds:

1. Quotations between R1.00 and R30, 000.00 vat included sourced using the Central Supplier Database and the Amajuba District Municipality's database of service providers is **R2,470,562.48**
2. Quotation awarded this financial year between R30, 001 and 200, 000.00 amount to a total of **R7,124,549.03**.

## **9. LEGAL IMPLICATIONS**

- a. Constitution 217 (1)
- b. Municipal Finance Management Act no 56 of 2003, Chapter 11.
- c. Supply Chain Management Policy
- d. Supply Chain Management Regulation
- e. Provincial circular no.2 of 2016/2017 Implementation of the KZN Provincial contract management

## **10. POLICY IMPLICATIONS**

- a. This allows monitoring of compliance with ADM Supply Chain Management Policy, Supply Chain Management Regulation and Procurement Plan.

## **11. FINANCIAL IMPLICATIONS**

- a. Funding for the bids awarded has been either received from outside funding sources or internal funding for 2021/2022 financial year.

## **12. RISKS**

- a. Non sitting of Committees as they schedule to sit causes delays in awarding of projects as they are scheduled in the Procurement Plan.
- b. Objections which are received by the municipality.

## **13. MANAGEMENT OF RISKS**

- a. To ensure that the bid committees sit as they required and scheduled to sit.
- b. To minimize the number of objections lodged by the bidders

## **14. ANNEXURES**

- a. Procurement Plan 2021/22
- b. SCM Quarterly reports (4)
- c. Contract Register
- d. Deviation Register
- e. Bid Awards Register

## **15. RECOMMENDATION**

- a.** It is recommended that the Council note and accept the Budget and treasury: Supply Chain Management annual report for 2021/22 FY.
- b.** It is recommended that the Council discourage the use of Regulation 36 as a result of poor planning.