

NGWATHE LOCAL MUNICIPALITY



NOTICE 03/2015-2016 FYE
QUARTERLY SUPPLY CHAIN MANAGEMENT IMPLEMENTATION REPORT
FOR THE PERIOD

01 JANUARY 2016 TO 30 MARCH 2016

Notice is hereby given in terms of section 21(1) of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) that the quarterly supply chain management implementation report in terms of paragraph 6(3) of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003), Supply Chain Management Regulations (Notice 868 of 2005) – 30 May 2005 for the Ngwathe Local Municipality for the period ended 30 September 2015 is available for inspection at the following

Locations from Monday to Friday from 08:30 to 16:00;

- SCM Unit
- All Libraries in the jurisdiction of Ngwathe Local Municipality
- All service and pay points in the jurisdiction of Ngwathe Local Municipality

The aforementioned report is also available on the municipality's official website at www.ngwathe.fs.gov.za

A handwritten signature in blue ink, appearing to read 'P. Tsekedi', is written over a horizontal dotted line.

Mr. P. TSEKEDI
ACTING MUNICIPAL MANAGER

30 March 2016

SUPPLY CHAIN MANAGEMENT QUARTERLY REPORT 3rd Quarter: 01 January 2015 – March 2015

1. Purpose:

The purpose of the report is to give feedback on the implementation of the Supply Chain Management Policy for the quarter ended 30 March 2016.

2. Introduction:

The municipal Supply Chain Management Regulations (Promulgated in Government Gazette Number 27636 on 30 May 2005) states the following:

National Treasury promulgated on the 06th September 2012 Supply Chain Management Circular (Please see attached **NT MFMA Circular No.62- Supply Chain Management: Enhancing compliance and accountability**) which was aimed at addressing issues such as ; but not limited to; demand management; procurement plans; publication of names of bidders in respect of advertised competitive bids above the threshold value of R200 000; the verification of the names and identity numbers of directors/trustees/shareholders of companies; enterprises; close corporations and trusts against the relevant Municipal structure; process to deal with false declarations by bidders; process to deal with irregular expenditure as a result of false declarations by bidders; the revised Municipal Bidding Document (MBD 4); the verification by the Chief Financial Officer prior to advertisement of bids above R10 million; the confirmation of bidding process in excess of R 10 million; the placing of orders for payment in another financial year; the publication of awards in respect of advertised competitive bids and management of expansion or variation of orders against the original contract.

National Treasury promulgated on the 11th December 2012 a **Municipal Budget MFMA Circular No.66 for the 2014/15 MTREF (Medium Term Revenue and Expenditure Framework)**, which was aimed at providing further guidance to municipalities for preparation of their 2013/14 Budgets and Medium Term Revenue and Expenditure Framework. In generating capacity for spending on key municipal infrastructure, municipalities will have to identify inefficiencies and **eliminate non-priority spending**. The Circular further highlights the current bad practice as conducted by municipalities to spend funds on non-priority expenditure. Municipalities are thus advised to immediately halt this practice and are reminded of the need of resource allocation to be prioritised in expanding public –sector investment, considering the challenging economic landscape.

The following examples of non-priority expenditure have been observed by National Treasury and are hereby requested to be eliminated:

- 1- Excessive of music festivals, beauty pageants and sporting events, including the purchase of tickets to events for councillors and/or officials.
- 2- Public relations projects and activities that are not centred on actual service delivery or are not a municipal function (e.g celebrations, gala dinners, commemorations, advertising and voter education);
- 3- LED projects that serve the narrow interests of only a small number of beneficiaries or fall under the mandate of other government departments such as Department of Agriculture
- 4- Excessive caterings for meetings and other events, including the use of public funds to buy alcoholic beverages.
- 5- Arranging workshops and other events at expensive venues, especially ones outside the municipality (as opposed to using municipal venues).
- 6- Excessive printing costs (instead of maximising municipality's website, including providing facilities for the public to access the website);
- 7- Excessive luxurious office accommodation and office furnishing;
- 8- Foreign travelling by Mayors, Councillors and officials, particularly "study tours";
- 9- Excessive Councillors and staff perks such as expensive Mayoral cars and houses, notebooks, I-PADS and cellphone allowances; travel and subsistence allowances. Municipalities are reminded that in terms of Section 7 (1) of the Remuneration of Public office-bearers Act, 1998 (Act No. 20 of 1998), the Minister of Cooperatives Governance and Traditional Affairs must determine the limit of salaries and allowances of the different members of municipal councils and any budget provision may not be outside this framework;
- 10- Excessive staff in the office of the Mayor- particularly the appointment of political "advisors" and "spokespersons";
- 11- All donations to individuals that are not made in terms of the municipality's indigent policy or a bursary scheme, for instance donations to cover funeral costs (other than pauper burials which is a district municipality function);
- 12- Costs associated with long-standing staff suspensions
- 13- and the legal costs associated with not following due process when suspending or dismissing staff, as well as payment of severance packages or 'golden handshakes; and
- 14- The use of consultants to perform routine management tasks, and payment of excessive fees to consultants.

Eliminating of non-priority expenditure must not be limited to the above-mentioned examples as provided by National Treasury. Municipalities are therefore encouraged to apply their minds.

Oversight role of Council municipality

Section 6(3) of the municipal Supply Chain Regulations states:

"The Accounting Officer must within ten (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"

This report complies with Municipal Supply Chain Regulations as stated above by providing detailed compliance information in respect of compliance, progress, challenges and constraints in the implementation of the Supply Chain Management Policy.

3. Discussion

3.1 Review of the Supply Chain Management Policy

The Council of Ngwathe Local Municipality adopted an amended SCM policy on the 29 June 2015. Section 3 of the SCM Policy states that when the Accounting Officer considers it necessary, he/she may submit proposals for the amendment of this Policy to Council, and such amendments must comply with the legislative requirements. National Treasury and the circulars issued, prompt that the SCM Policy be revised and amended accordingly to align it with the legislative requirements. The policy was amended and adopted by Council on the 29th June 2015 in order to be in line with the National Treasury Supply Chain Management Model Policy.

No amendments were made in this quarter (Q3) 2015/2016 to the SCM Policy, refer to Ngwathe Local Municipality website.

Ref No.	Details	Paragraphs of policy	Effective Date
SCM Policy 2015-2016 FYE	All documents	All Paragraphs	01 July 2015 -30 July 2016

3.2 Supply Chain Management Unit

Regulation 3 states the following:

- a. Each municipality must establish a supply chain management unit to implement its supply chain management policy.
- b. A supply chain management unit must, where possible, operate under the direct supervision of the Chief Financial Officer or an official to whom this duty has been delegated in terms of section 82 of the act.

The Supply Chain Management Unit in terms of the legislation is responsible for the following prescribed functions:

- ❖ Demand Management
- ❖ Acquisition Management
- ❖ Disposal Management
- ❖ Logistics Management
- ❖ Stores and Assets and Fleet Management
- ❖ Performance Management; and
- ❖ Risk Management

3.3. Supply Chain Management Processes

Demand Management

The system of demand management must allow for the analysis of proper needs, establishment of a supplier database, implementation of IDP project and drafting of proper specifications. Circular 62 of issued by National Treasury requires that municipalities develop a procurement plan for all procurement needs with an estimated value above R200 000.00.

Acquisition Management

The system of acquisition must allow for compliance with all the ranges of procurements as legislated.

Bid Committees

The following bid committees are established to allow for the smooth implementation of the competitive bidding process:

Bid committees are fully functional,

- Bid Specification Committee (BSC),
- Bid Evaluation Committee (BEC) and;
- Bid Adjudication Committee (BAC)

Members of all bid committees have been appointed by the Accounting Officer. All tenders (procurement above R200 000.00) are dealt with all the committees. The functioning was of bid committee in the quarter under review was as follows:

Committees	No. of meetings Convened	No. of items Tabled	No. of items Approved	Comments
Bid Specification Committee (BSC),	1	1	1	Appointment is done on Regulation 32
Bid Evaluation Committee (BEC) and;	1	1	1	Appointment is done on Regulation 32
Bid Adjudication Committee (BAC)	1	1	1	Appointment is done on Regulation 32

Attached as **Annexure "A" Jan/Feb/Marc** is the details of the items presented at different committees and (as the status Quo Report on tenders):

- Formal price written quotations and Competitive bids awarded by Municipal Manager

Awards above R30 000.01 – Less than R200 000.00
 Awards above R200 000.01 – Less than R10 Million
 Awards above R10 Million

Please refer to web site under awarded seven days and tenders.

3.4. Supplier Database

There is a supplier database in place. Prospective suppliers are allowed submit the forms any time, however the received forms are processed quarterly on review of the database. The process of cleaning the supplier database started in the past quarter and is still in progress.

The municipality assigned one item in order to ensure proper and accurate registration of suppliers and that includes but not limited thereto;

- Ensuring suppliers are registered with Cipc
- Linking Commodities to the suppliers profile
- Entering the suppliers tax reference number VAT registration number
- Entering the physical postal address of the supplier
- Confirm all suppliers have completed database forms, etc.

By the end of the quarter under review the processes was at 100% complete

3.5. Ranges of procurement

The following are the ranges of procurement and their implementation thereof;

Procurement Process	Value	Implementation
Petty Cash or One (1) quotation	R0.01 – R2000.00 (one quotation or more) or	Petty Cash fund managed by the expenditure section
Written Quotations	R0.01 – R10 000.00 (1/2/3 or Verbal Quotation(s))	Centralised with SCM unit. SCM officials initiate and complete the process.
Written Quotations	R10 001.00 – R30 000.00 (3 or more formal written quotations)	Centralised with SCM unit. SCM officials initiate and complete the process.
Formal Written Price Quotation	R30 000.00 – R200 000.00 (7 Days bid document)	Centralised with SCM unit. SCM officials initiate and complete the process.
Competitive Bidding	Over R200 000.00 or Long Term Contracts	Centralised with SCM unit. SCM officials initiate and complete the process. See the functioning of bid committees below

3.6. Deviations and Minor Breaches:

Section 36 of the Municipal Supply Chain Regulations allows for the Accounting Officer to dispense with SCM process under one of the following circumstances:

The Supply Chain Management Policy states in paragraph 36. (1) "The accounting officer may –

- (a) dispense with the official procurement processes established by this Policy and to procure any required goods or services through any convenient process, which may include direct negotiations, but only –
 - (i) in an 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; and

- (b) ratify any 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.

(2) The accounting officer must record the reasons for any deviations in terms of subparagraphs 36(1)(a) and (b) of this policy and report them to the next meeting of the council and include as a note to the annual financial statements.

(3) Subparagraph 36(2) does not apply to the procurement of goods and services contemplated in paragraph 11(2) of this policy.”

3.6.1. The Accounting Officer may dispense with the official procurement process established by the policy, and procure any required goods and services through any convenient process, which may include direct negotiation, but only in respect of:

3.6.2. Any contract relating to an emergency where it would not be in the interest of Ngwathe Local Municipality (NLM) to invite bids;

3.6.3. Any goods or services which are available from a single provider only;

3.6.4. Any other exceptional circumstances where it is impractical or impossible to follow the official procurement process, including:

3.6.5. Any purchase on behalf of the NLM at a public auction sale;

3.6.6. Any contract in respect of which compliance would not be in the public interest;

3.6.7. Ad-hoc repairs to plant and equipment where it is not possible to ascertain the nature or extent of the work required in order to call for bids: and

3.6.8. Accounting Officer may condone a deviation from the procurement process, provided such deviation is limited to the circumstances referred as above.

- Emergency Deviation:

The conditions warranting Emergency Deviations should include the existence of one or more of the following:

- The possibility of human inquiry of death;
 - The prevalence of human suffering of deprivation of rights (water, electricity);
 - The possibility of damage to property, or suffering and death of livestock and animals;
 - The interruption of essential services, including transportation and communication facilities or support services critical to the effective functioning of NLM as a whole;
 - The possibility of serious damage occurring to natural environment;
 - The possibility that failure to take necessary action may result in the NLM not being able to render an essential community service; and
 - The possibility that the security of the state could be compromised.
-
- The prevailing situation or imminent danger, should be of such scale and nature that it could not readily be alleviated by interim measures, in order to allow time for the formal procurement process, emergency deviation shall not be granted in respect of circumstances other than those contemplated above.
-
- Where possible, in an emergency situation, **three quotes in accordance with general acquisition management principles should be obtained** and a report be submitted to the Accounting Officer for approval, however where time is of the essence the emergency shall be immediately addressed and the process formalized in a report to the Accounting officer as soon as possible thereafter.

Disclosures in terms of the Municipal Supply Chain Management Regulations - Promulgated by Government Gazette 27636 dated 30 May 2005:

Regulation 36(2) - Details of deviations approved by the Accounting Officer in terms of Regulation 36(1)(a) and (b)

Attached as **Annexure “B”** is a list of all approved deviation incurred for the quarter under review.

4. Publication of Tender Results

Section 75(1) (f) of the Municipal Finance Management Act states that "The Accounting Officer of a municipality must place on the website all supply chain management awarded contracts".

5. Contract Management

The role of contract management was officially assigned to the SCM unit as at December 2012. A draft contract management policy was developed and presented to the political principals in June 2013. The policy is not yet approved, it is however anticipated that it will be approved in the next financial Year. A contract register is kept at and is updated as and when contracts are concluded, while personnel dealing with contracts are being capacitated.

6. Logistics Management

The Accounting Officer must implement an effective system of logistics management in order to provide the setting of inventory levels, placing of orders, receiving and distribution of goods, stores and warehouse management, expediting orders, transport management, vendor performance, and maintenance and contract administration. The municipality has a store whereby the purchase orders and consumables are issued to the departments. The SCM Policy requires that stock taking should be conducted quarterly or annually. Stock taking will be conducted quarterly or annually in order to ensure that stock levels reconcile with the financial system. The outcome of the stock take will be presented quarterly or annually.

7. Disposal Management

There have been no disposals in the quarter under review

8. Conflict of Interest

8.1 Awards to Close Family Members of Persons in the Service of the State

The notes to the annual financial statements must disclose particulars of any award of more than R2 000 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve months, which particulars shall include:–

- (a) the name of that person;
- (b) the capacity in which that person is in the service of the state; and
- (c) the amount of the award.

Following please find the particulars of awards to persons whose spouse or close family members are in the service of the state:

Month	Supplier	Product or service	Employee/ the capacity in which the person is in the service of the state	Relationship	Amount (R)
<u>Jan</u>	None	None	None	None	0.00
<u>Feb</u>	None	None	None	None	0.00
<u>Mar</u>	None	None	None	None	0.00

Amount of awards: R0.00

8.2 Awards to persons in the service of the state

In terms of Council's Supply Chain Management Policy, Paragraph 44, the municipality is prohibited from doing business with any person in the service of the state.

Month	Supplier	Supplier Relationship	Product or service	Employee/ the capacity in which the person was in the service of the state for the past twelve months	Amount (R)
<u>Jan</u>	None	None	None	None	0.00
<u>Feb</u>	None	None	None	None	0.00
<u>Mar</u>	None	None	None	None	0.00

Amount of awards: R0.00

8.3 Register of Declarations in terms of Regulation 48(2)(2) and 48(3)(a)(b)

Register of Declarations of Private or Business Interest or of close Family members of the officials involved in procurement awards and contracts Regulation 48(2)(2) and 48(3)(a)(b).

Supplier (Jan, Feb, Mar 2016)	Official	Close Family	Description of Goods and Services	Bid Number	Amount	Details
None	None	None	None	None	R0.00	None

No declarations have been received from officials involved in the procurement processes.

9 Resolution of Disputes, Objections, Complaints and Queries

- No disputes received during the quarter.

10 Unsolicited bids (SCM Regulation 37)

- None were reported for this quarter (Q3) 2015/2016 financial year.

11 Transversal contracts (SCM Regulation 32)

- One (1) contract was entered into this quarter. Refer to Annexure "A" (Jan, Feb, Mar 2016)

12 Gifts, Inducements, favours and Sponsorships (SCM Regulation 47 & 48)

- None were reported for this quarter (Q3) 2015/2016 financial year. "Annexure C"

13 Verbal Written Quotations

- R42 610.00 reported for this quarter (Q3) 2015/2016 financial year. "Annexure D"

14 Donations

- None were reported for this quarter (Q3) 2015/2016 financial year.

14. Implementation of Preferential Procurement Regulations 2011, the revised Preferential Procurement Regulations, 2011 was promulgated by the Minister of Finance on 8 June 2011 in Government Gazette No 34350. These Regulations shall come into effect on 7 December 2011.

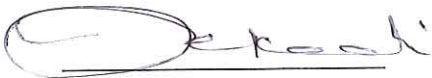
These Regulations are implemented on a continuous basis by Ngwathe Local Municipality.

15. SCM information on Website

Reports on SCM and bid invitations is also available on the municipality's official website at www.ngwathe.fs.gov.za

16. Recommendation

It is recommended that cognizance be taken of the report.



Mr. P. Tsekedi

Acting Municipal Manager

Name of Municipality: Ngwenya Local Municipality

Prepared by: Molegaal Roberts
 Reviewed by: Mr. S.T. Matlaba



Deviation Expenditure

ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

Non-Compliance with Chapter 11 of the Municipal Finance Management Act in terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved and/or considered by the Municipal Manager and noted by Council. The incidents as listed hereunder have been conducted.

2015/2016 Financial Year: Deviation Register

SCM Deviation No and Date	Name of Supplier	RESTRICTED SUPPLIER (Y/N)	Expenditure Type/Description	Actual Expenditure (Rands)	Number of Quots(s)	Reason for recurring Expenditure	Name of Persons Responsible for approving the Expenditure	Designation of Persons Responsible for approving the Expenditure	Was Council informed prior to expenditure being incurred? (Yes or No)	Was council committee appointed to investigate	Has it been established if the person responsible for authorising the expenditure acted:		Recommendation based on findings:				Other Comments
											Good Faith	Dulibhezi	Write off Expenditure	Recover Amounts from individuals concerned	Institute Criminal action	Institute disciplinary action	
Jan 16 Cheque Or Order No. 43297	Auto Motor	No	Supplier: Auto Motor Auto Motor is the sole supplier of the required street Roberts Lights, as the Roberts were bought and installed by them.	R 21 124,20	1,00		Mr. P. Tsekedi	Acting Municipal Manager									

Total Deviation for the month of January, 2016 R 21 124,20

R Impractical or Inexpedient
R Substantial
R Emergency
R Irregular Expenditure

Name of Municipality: Ngwatho Local Municipality
 Prepared by: Masego Sebetsi
 Reviewed by: Mr. S.T. Mofokeng
Deviation Expenditure



2015/2016 Financial Year Deviation Register

ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

Non-Compliance with Chapter 11 of the Municipal Finance Management Act in terms of section 36 of the Municipal Supply Chain Management Regulations may deviate from the Supply Chain Management Policy needs to be approved and or condoned by the Municipal Manager and noted by Council. The incidents as listed hereunder have been condoned.

SCM Deviation No and Date	Name of Supplier	RESTRICTED SUPPLIER (Y/N)	Expenditure Type/Description	Actual Expenditure (Rands)	Number of Quota(s)	Reason for incurring Expenditure	Name of Persons Responsible for approving the Expenditure	Designation of Persons responsible for approving the Expenditure	Was Council informed prior to expenditure being incurred? (Yes or No)	Was council committee appointed to investigate	Has it been established if the person responsible for authorising the expenditure acted in:				Recommendation based on findings				Other Comments		
											Deliberately	Good Faith	Negligently or Grossly Negligent	Write off Expenditure	Recover Amounts from individuals concerned	Institute Criminal action against individuals concerned	Institute disciplinary action against individuals concerned	Is the Deviation Irregular Expenditure Yes/No			
43514	New Van Motors	No	Service of Mayors Vehicle	R 19 998,00	1,00	The Mercedes Benz of the Mayor was due for service. Instead, it was sent to Mercedes Benz mechanics and approved by the provider, for servicing of Mercedes Benz vehicles.	Mr. P. Tsedeki	Acting Municipal Manager													
1018337	Midway Buses	No	Transport	R 19 998,00	3,00	The Free State Provincial Department were hosting Operational Hlasela, transport were requested to transport community members to Bloemfontein, the SCM was unable to advertise for 7 days due to late submission of the request to SCM.	Mr. P. Tsedeki	Acting Municipal Manager													
43530	Davon Africa	No	Tax workshop	R 19 998,00	1,00	workshop for value added tax for finance employee in order to reduce the use of consultants, and further expatriate them.															
43535	Venna Lined	No	Replacement of faulty LAN port	R 19 998,00	1,00	the municipal had a problem with its internet and e-mail connectivity due to faulty surge protector and LAN port which were needed to be replaced as a matter of urgency in order for the municipality to perform its daily functions, the service provider is the only nearest to assist the municipality currently.															

Total Deviation for the month of February 2016

Practical or impossible	R 19 998,00
Subsidiary	R 4 346,76
Emergency	R -
Irregular Expenditure	R 115 160,00
Total	R 139 504,76

Code	Vendor	No	Major Services of Municipal Gender	U	QTY	Unit Price	Description of Work	Mr. P. Tsekodi	Acting Municipal Manager
0000	Komtsu	No	Major Services of Municipal Gender	U	2	417,250	1,00	Komtsu Company is the manufacturer, sold supplier and service and repairing of Komtsu make heavy duty vehicles.	Acting Municipal Manager
0004	Verwest	No	Detector of underground faulty cables	R	6	634,56	1,00	VEROTEST is a specialist detector of underground faulty cables. This was a faulty underground cable in Paço; the specialist was required in order to detect the faulty cable in order to restore electricity in all affected areas.	Acting Municipal Manager
0004	Transformer Management Services	No	Repair of electrical transformer	R	57	947,71	1,00	Transformer Management Services is a specialist repairer of burned transformers. This was a transformer burned in Paço; the specialist was required in order to repair two burned transformers in order to restore electricity in all affected areas.	Acting Municipal Manager
0004	Thabe Suppliers	No	Hiring of Compact Refuse Truck	R	91	207,90	1,00	The municipal refuse truck broke down and required a major service; the municipality was unable to advise for seven days due to the fact that collection of refuse is a daily task of the municipality.	Acting Municipal Manager
0007	Travella Manufactures	No	Repair of Traffic Chilling Machine	R	10	803,54	1,00	Travella is the manufacturer of traffic mode equipments for the municipality; the traffic mode machine is used to chill the water in the collection of refuse; it is a daily task of the municipality.	Acting Municipal Manager
0007	Thabe Suppliers	No	Hiring of Compact Refuse Truck	R	31	207,00	1,00	The municipal refuse truck broke down and required a major service; the municipality was unable to advise for seven days due to the fact that collection of refuse is a daily task of the municipality.	Acting Municipal Manager
0007	Thabe Suppliers	No	Hiring of Compact Refuse Truck	R	91	207,00	1,00	The municipal refuse truck broke down and required a major service; the municipality was unable to advise for seven days due to the fact that collection of refuse is a daily task of the municipality.	Acting Municipal Manager

708 419,94

Total Deviation for the month of March 2016

Impractical or impossible	R	352 657,67
Sub-optimal	R	168 602,33
Unsuccessful	R	323 099,94
Unsuccessful - Unavailable	R	705 419,94

Ngwathe Local Municipality: 2015-16 Financial Year
REPORTS ON VERBAL QUOTATIONS
 Third Quarter



CHEQUE NO.	AMOUNT	SUPPLIER NAME	DATE
Q3 45117	R 4 500,00	Hapileng trading	12-Jan-16
Q3 43840	R 10 450,00		05-Feb-16
Q3 44088	R 3 740	Retsheidsitswe	16-Feb-16
Q3 44306	R 5 250,00		02-Mar-16
Q3 44813	R 10 450,00		02-Mar-16
Q3 44459	R 8 220	Maphike E	17-Mar-16
	R 42 610,00		

Approved by: Mr. P. Tsekedi
 Acting Municipal Manager