

Ubuntu Municipality



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2020/2021  
FINANCIAL YEAR

# SCM QUARTER 2 REPORT

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# SUPPLY CHAIN MANAGEMENT IMPLEMENTATION REPORT

FINANCIAL SERVICES DEPARTMENT  
(SUPPLY CHAIN MANAGEMENT UNIT)  
SUPPLY CHAIN MANAGEMENT PERFORMANCE REPORT FOR THE 2<sup>nd</sup> QUARTER OF  
2020/2021 FINANCIAL YEAR.

## 1 PURPOSE

The purpose of this report is to inform the Mayor, as per SCM Regulation 6 issued in terms of the MFMA, on the performance of the Supply Chain Management Division for the 2<sup>nd</sup> Quarter of 2020/2021 financial year.

## 2 STRATEGIC OBJECTIVE

To ensure good governance, financial viability and optimal institutional transformation with capacity to execute the city mandate on service delivery.

“To Accelerate Higher, Shared Economic Growth and Development”

## 3 BACKGROUND

The Supply Chain Regulations, 2005 (published in terms of section 168 of the Local Government: Municipal Finance Management Act 56 of 2003, by Government Gazette Notice 868 of 2005) states the following:

Oversight role council of municipality

*Section 6 (1) of the Municipal Supply Chain Regulation states:*

*“The council of a municipality must maintain oversight over the implementation of its supply chain management.”*

*Section 6 (2) of the Municipal Supply Chain Regulation states:*

*For the purpose of such oversight the accounting officer must-*

*a) (i) “Within 30 days of the end of each financial year, submit a report on the implementation of the supply chain management policy of the municipality and of any municipal entity under its sole or shared control, to the council of the municipality”*

## 4 DISCUSSION

### 4.1. AWARD STRUCTURES

#### 4.1.1 Procurement threshold

The following thresholds are currently being adhered to in order to support the strategic and operational commitment of the UBUNTU MUNICIPALITY.



**(a) Petty cash purchases**

Petty cash purchases are limited up to a transaction value of R2 000.00 (VAT Included).

**(b) Written Price Quotations**

Goods and services are procured by way of written price quotations for a transaction value over R2 000.00 up to R30 000.00 (VAT Included).

**(c) Formal written price quotations**

Goods and services are procured by way of competitive quotations for procurements of transaction values over R30 000.00 up to R200 000.00 (VAT included).

**(d) A competitive bidding processes**

Goods and services are procured by way of a competitive bidding process for:

- Procurement above a transaction value of R200 000.00.
- Procurement of long-term contracts.
- Procurement of panels and framework contracts.
- Appointment of consultants.

Prospective bidders may download tender document from the National Treasury e-tender portal. Documents are still sold at the municipality for bidders who prefer manual processes.

**(e) Deviation from, and ratification of minor breaches of, procurement process**

SCM Regulation 36 of the MFMA Act 56 of 2003 allows the Accounting officer to deviate from normal procurement processes and procure goods and services through any convenient process in line with specified guidelines.

**(f) Procurement of good and services under contracts secured by other organs of state**

SCM Regulation 32 of the MFMA Act 56 of 2003 allows the Accounting Officer to procure goods or services from other organs of state in line with specified guidelines.

**(g) Unauthorised, irregular or fruitless and wasteful expenditure**

Section 32 of the MFMA gives guidelines with regards to unauthorised, irregular or fruitless and wasteful expenditure.

**(h) Appointment of consultants**





SCM Regulation 35 of the MFMA Act 56 of 2003 set out guidelines for appointment of consultants through a competitive bidding system for any services above R200 000.00.

**(i) Appointment of panels**

SCM guide for Accounting Officer of Municipalities and municipal entities issued by National Treasury in 2005 –Section 5.10 give guidelines to the use of panel by the municipality. Panels are appointed through a competitive bidding process.

**4.1.2 Committee system for competitive bids**

The Bid Committees are appointed by accounting officer in line with the SCM regulation 26 of MFMA, Act 56 of 2003

The bid committee's system for competitive bids comprises of the following:

- Bid specification committee (BSC)- Regulation 27 of the MFMA
- Bid evaluation committee (BEC)- Regulation 28 of the MFMA
- Bid adjudication committee and (BAC) - Regulation 29 of the MFMA.

Of the committees stated above BSC is appointed on *ad hoc* basis whereas BEC and BAC are standing committees.

The BAC makes final recommendations to the Accounting Officer for appointment for the purpose of this report, performance from the BAC will be reported on.

**BID ADJUDICATION COMMITTEE THRESHOLD**

- From R200 000.00 and above

The bid committee system for competitive bidding is consistent with MFMA Act 56 of 2003 (SCM Regulations 27, 28 and 29) PPPFA as well as the B-BBEE Act and its strategy.

**4.1.3 Performance of the SCM Committees**

**Bid Specification Committee**

The composition thereof is usually made up of officials from the user department, Legal Services and SCM Division. Their meetings are held as and when the Municipal Manager has issued appointment letters for different tender specifications.

For the 2<sup>nd</sup> Quarter of 2020/2021 financial year, the table below depicts the number of items considered, approved or referred back, etc.

<b>BSC scheduled meetings:</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>	<b>Total</b>
Approved Specifications	1	1		2
Specifications Cancelled	N/A	N/A	N/A	N/A
Specifications Referred Back	N/A	N/A	N/A	N/A

No quorum Meetings	N/A	N/A	N/A	N/A
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**Bid Evaluation Committee**

The BEC operates the same as the BSC above. The table below shows the number of meetings held, items considered, approved or referred back, etc.

The recommended items are then submitted to the BAC for consideration and approval.

**BEC scheduled meeting:**

	Oct	Nov	Dec	Total
Recommended for Adjudication	1	0	1	2
Meetings continuing (BEC)	0	1	1	2
No quorum Meetings	0	0	0	0

**Bid Adjudication Committee**

The BAC meets every Thursday to consider the recommendations of the BEC.

**BAC Scheduled meetings:**

	Oct	Nov	Dec	Total
Meetings that were convened	1	0	0	1
Items Considered	1	0	0	1
Items referred back	0	0	0	1
Approved	1	0	0	1

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5. Quotations for the 2nd Quarter of 2020/2021 Financial Year

I. Quotations of R2000.00 up to R30 000.00

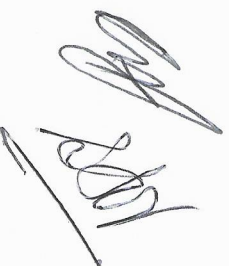
Accumulative Statistics for the 2nd Quarter of 2020/2021 financial year: Below R30 000.00

Month	T otal
October 2020	R112 289.40
November 2020	R70 187.74
December 2020	R63 006.96
<b>Total</b>	<b>R245 484.10</b>

II. Quotations Above R30 000.00 and up to R200 000.00

Accumulative Statistics for the 2020/2021 financial year: (Above R30 000.00 and Below R200 000.00).

Month	T otal
October 2020	R220 310.97
November 2020	R99 840.00
December 2020	R141 518.22
<b>Total</b>	<b>R461 669.19</b>



6. Tenders awarded 2<sup>nd</sup> Quarter 2020/2021

Bids awarded by Bid Adjudication Committee (BAC) adjudicates and awards Bid of R200 000.00 to R10 000 000.00

Tender Number	Description	Date Approved	Contractor	% Equity Holding	Budget	Award Value	Period
UB/LXN/01/2021	Upgrading of Bulk water supply and replacement of old pipelines in Loxton	19 October 2020	ZAMAVUKA CONSTRUCTION	100%	R7 795 201.30	R6 359 566.20	16 weeks
<b>Total</b>						<b>R6 359 566.20</b>	

Accumulative statistics for the 2<sup>nd</sup> Quarter of the 2020/2021 financial year

Month	Total
October 2020	R6 359 566.20
November 2020	R
December 2020	R
<b>Total</b>	<b>R6 359 566.20</b>



7. **Deviations from supply chain management process in terms SCM Regulation 36 of MFMA for the 2<sup>nd</sup> Quarter of the 2020/2021 Financial Year**

**Regulation 36 of the MFMA Act no 56 of 2003: Deviation from, and ratification of minor breaches of, procurement processes**

A supply chain management policy may allow 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, which may include direct negotiations, but only-

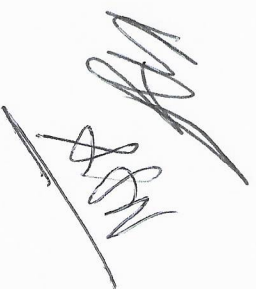
- (i) in an emergency
- (ii) if such goods and services are produced or available from single provider only
- (iii) for the acquisition of special works of art or historical objects where specifications are difficult to compile
- (iv) acquisition of animals for zoos
- (v) In any other exceptional case where it is impractical or impossible to follow the official procurement processes.



Deviation Ref No	Contractor Name	Description	Value of Goods/services	Award period	Reason for deviation
18/11/2020	Sols Enterprises	Replacing Alarm Panel	R 5 222,8	Q2	The alarm panel required to be stripped and replace before the service provider could quote accurately and it would have been a costly exercise to seek quotes from other service providers.
08/12/2020	Broom Engineering	Replacing of sewerage truck parts	R5 592,8	Q2	Such service acquired by the municipality of special works of art or historical work. Parts needed to be replaced and repaired on the sewerage truck vacuum system.
10/12/2020	Heroldts Group	Electric material	R71 185,92	Q2	Exceptional case and it is impractical or impossible to follow the official procurement processes. Electric material was needed to fix power lines and electrical faults in the municipality.
<b>Total</b>			<b>R82 001.52</b>		

**8. Regulation 16 and 17 of MFMA Act no 56 of 2003, (R2000- R200 000) regulation 16(a)(c) and regulation (1)(i)(a)(c)**

- Strip, quote and repair refers to machinery and equipment that is given to one supplier to repair. It is impractical to follow the normal procurement process in such instances as it involves dismantling, assessing, quoting and re-assembling. It will be too costly to get more than one company to do the same task as there is high risk (double handle, losing parts, further damaging the equipment etc.)
- It is impractical to follow the normal procurement process in such cases as goods and services were produced or available from a sole provider and quotation was advertised for seven days on the website and official notice board, and quotation less than three was received from the service providers.





Contractor Name	Description	Payment Order Number	Award Date	Award Value	Reason for one quote	Name of Department	CC owner
Sols Enterprises	Replacing Alarm Panel	15134729	18/11/2020	R 5 222,8	The alarm panel required to be stripped and replace before the service provider could quote accurately and it would have been a costly exercise to seek quotes from other service providers.	Technical: Buildings	Accounting Officer
Broom Engineering	Replacing of sewerage truck parts		08/12/2020	R5 592.80	Such service acquired by the municipality of special works of art or historical work. Parts needed to be replaced and repaired on the sewerage truck vacuum system.	Technical: Sewerage	Accounting Officer
Heroldts Group	Electric material		10/12/2020	R71 185,92	Exceptional case and it is impractical or impossible to follow the official procurement processes. Electric material was needed in order to fix power lines and electrical faults in the municipality.	Technical: Electric	Accounting Officer
<b>Total</b>				<b>R82 001.52</b>			



**9. Unauthorised, irregular or fruitless and wasteful expenditure for the 2<sup>nd</sup> Quarter of the 2020/2021 Financial Year**

MFMA Act no 56 of 2003 (Municipal budget regulation 32(4) (a) (b) (c) (i) (ii)

Unauthorised, irregular or fruitless and wasteful expenditure.

1. Without limiting liability in terms of the common law or other legislation
  - a. A political office-bearer of a municipality is liable for unauthorised expenditure if that office-bearer knowingly or after having been advised by the accounting officer of the municipality that the expenditure is likely to result in the unauthorised expenditure, instructed an official of the municipality to incur the expenditure:
  - b. The accounting officer is liable for unauthorised expenditure deliberately or negligently incurred by the accounting officer, subject to subsection (3)
  - c. Any political office-bearer or official of a municipality who deliberately or negligently committed, made or authorised an irregular expenditure is liable for that expenditure: or
  - d. Any political office-bearer or official of a municipality who deliberately or negligently made or authorised a fruitless and wasteful expenditure is liable for that expenditure.

No	Department	Description	Reason	Status	Amount Paid
1	Technical	TCB Electrification tender: GouTrou electrification.	The correct SCM processes to procure the services of the contractor were not followed.	Irregular expenditure	R524 004.60
<b>Total</b>					<b>R524 004.60</b>





**10. Procurement of goods and services under contracts secured by other Organs of State for the 2<sup>nd</sup> Quarter of the 2020/2021 Financial Year. Regulation 32 SCM of the MFMA Act no 56 of 2003.**

A supply chain management policy may allow the accounting officer to procure goods or services for the municipality or municipal entity under a contract secured by another organ of state, but only if-

- a. the contract has been secured by that other organ of state by means of a competitive bidding process applicable to that organ of state:
- b. the municipality or entity has no reason to believe that such contract was not validly procured:
- c. there are demonstrable discounts or benefits for the municipality or entity to do so: and
- d. that other organ of state and the provider have consented to such procurement in writing.

Description	Procure From	Contractor Name	Awards Value	Award Date
<b>Total</b>			R	

**Note:** Payments are made according to work completed and payment certificate.

**11 Procurement of goods and services under section 110 of the MFMA Act no 56 of 2003.**

Section 110 (2) of the Municipal Finance Management Act 56 of 2003 provides that, this Part, except where specifically provided otherwise, does not apply if a municipality or municipal entity contracts with another organ of state for –

- a) The provision of goods or services to the municipality or municipal entity.
- b) The provision of a municipal service or assistance in the provision of a municipal service, or
- c) the procurement of goods and services under a contract secured by that organ of state, provided that the relevant supplier has agreed to such procurement.

Department	Description	Contractor	Amount Paid	Approved CM
<b>Total</b>			R	

**Note:** Payments are made according to work completed and payment certificate.

**11. Cancelled Tenders for the 2nd Quarter of the Financial year 2020/2021**

An organ of state may, before the award of a tender, cancel a tender invitation if-

- Due to changed circumstances, there is no longer a need for the goods and services specified in the invitation
- Funds are no longer available to cover the total envisaged expenditure

- No acceptable tender is received
- There is a material irregularity in the tender process.

No	Tender Number	Department	Description	Reason
1			CANCELLATION:	
2			CANCELLATION:	
3			CANCELLATION:	
4			CANCELLATION:	
5			CANCELLATION:	

**12. Cession Agreements approved by EAC for the 2nd Quarter of the 2020/2021 Financial Year**

No tender was cancelled by the Municipality in this quarter.





### 13. DISPOSAL MANAGEMENT

SCM Regulation 40 of the MFMA ACT 56 of 2003 state that:

A supply chain management policy must provide for an effective system of disposal management for the disposal or letting of assets, including unserviceable, redundant or obsolete assets, subject to section 14 of 90 of the Act.

Assets/ items are delivered to the Disposal store on a continuous basis and need to be disposed off on a quarterly basis to avoid overstocking on the Yard. The disposal of the asset is subjected to approval in terms of the above mentioned legislation. The applicable items were written-off by the relevant departments and thus not needed to provide the minimum level of basic services.

Disposals for the 2<sup>nd</sup> Quarter of the 2020/2021 Financial year.

MEANS USED TO DISPOSE	ITEM/COMMODITY	INCOME RECEIVED (EXCL VAT)
		R
		R
		R
<b>Total income received</b>		<b>R</b>

No Disposal were done in this quarter by the Municipality.



## 14. DEMAND MANAGEMENT

SCM Regulation 10 of the MFMA ACT 56 of 2003 state that:

A supply chain management policy must provide for an effective system of demand management in order to ensure that the resources required to support the strategic and operational commitments of the municipality or municipal entity are delivered at the correct time, at the right price and at the right location, and that the quantity and quality satisfy the needs of the municipality or municipal entity.

The system of Demand Management must allow for proper analysis of needs, establishment of supplier database, implementation of IDP projects and assist in drafting of proper specifications. The proper use of this important administrative tool can make project management more effective and assist with the completion of allocated capital and operation expenditure within financial year.

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TENDERS ADVERTISED FOR THE 2<sup>nd</sup> QUARTER OF THE 2020/2021 FINANCIAL YEAR

No	Reference	Description	Advert Date	Briefing Session	Closing Date	Tender Bulletin	Procurement Plan
1	UB/VW/03/20	Supply and delivery of PPE and Sanitization material to Ubuntu Municipality	28/10/2020	None	16/11/2020	N/A	N/A
2	UB/VW/04/2021	Supply and delivery of Two 30K-series muffin monsters	28/10/2020	None	16/11/2020	N/A	N/A

14.1 Exceptions

Tenders that were advertised but not on Procurement Plan

No	Reference	Description	Advert Date	Briefing Session	Closing Date	Tender Bulletin	Procurement Plan
1							
2							
3							

Not applicable since we do not have a procurement plan in place.



## 16. Accredited Prospective Service Providers

Ubuntu Municipality has established an e-database system that list providers for goods and services per commodity type, capacity and location for procurement of goods, works and services

Documents have been developed and circulated in respect of SCM processes for compliance in terms of SCM policy for the procurement of goods and services. The Bid Committees are established in terms of SCM Regulation 27 of the MFMA.

CIDB tenders advertised and awarded have been advertised on CIDB website.

Advertisement of Bids and the publication of notices in respect of awarded Bids, cancelled bids, variations and extensions of existing contracts are currently done on the e-tender publication portal on as per circular 83. A supplier database was advertised in February in line with the annual database review as per MFMA Regulation 14.

## 17 CONTRACTS MANAGEMENT

**17.1** In order for the Contract management section to comply with section 116 (1) of the MFMA, the section must perform regular reviews on the Contract Management's role within the Supply Chain Management (SCM) Division and the CoT in general. Presently, the section cannot properly discharge these functions because it does not exist as it is not even recognised on the current SCM organogram approved by Council. It is presently constituted of inadequately skilled staff seemingly released from elsewhere as unwanted surplus to requirements.

### 17.2 Transversal Contracts

Tender Number	Description	Date Approved	Contractor	% Equity Holding	Budget	Award Value	Period
RT57-03-03-04	UD Truck 6000l Vacuum Tanker	25 November 2020	Merafe Holdings (Pty)LTD	100%		R1 992 582.00	Once-off
<b>Total</b>						<b>R1 992 582.00</b>	

Ubuntu Municipality went out on transversal tender to buy two Sewerage trucks.

## 18 PERFORMANCE MANAGEMENT

SCM Regulation 42 of the MFMA ACT 56 of 2003 state that:

A supply chain management policy must provide for an effective internal monitoring system in order to determine, on the basis of a retrospective analysis, whether the authorised supply chain management processes are being followed and whether the desired objectives are being achieved.



The performance management play an oversight role on the monitoring and performance of SCM on monthly basis and submit reports to NT and Council on quarterly basis.

Performance Management undertook a comprehensive Contractor Development and Training exercise this financial year which is done on quarterly basis. The training was aimed at addressing the tendering processes, completion of tender documents, the open bidding system, National Treasury e-Tender portal, National Treasury instruction notes, local content, participation in the panels, e-procurement, CIDB regulation, new BBBEE codes, code of conduct and sustainable/green procurement. The team is accompanied by Gauteng Provincial Economic Development and Department of Trade and Industry.

The training is still unfolding and is directed at all contractors'/service providers, Business forums, Members in the community and Tshwane staff members. So far 26 presentations have been done covering a total number of almost 1302 attendees.

The aim of the training was also to ensure that service providers are fully compliant and align them with the organisational culture and strategy and enhance business readiness. Performance management attended the Department of Trade and Industry and National Treasury training on the reviewed PPPFA regulations which were effective from 1<sup>st</sup> of April 2017.

Supply Chain Management Performance reviewed the SCM policy and the draft has been presented to EXCO.

## **19 POLICY IMPLICATIONS**

Ubuntu Municipality SCM Policy is in line with Supply Chain Management Policy and is consistent with all relevant legislation including Local Government: Municipal Finance Management Act No 56 of 2003; Municipal Supply Chain Management Regulations; Preferential Procurement Policy Framework Act, 2000; Broad Based Black Economic Empowerment Act, 2003; The Construction Industry Development Board Act, 2000.

## **20 FINANCIAL IMPLICATIONS**

The total amount of tenders and quotations approved for the 2<sup>nd</sup> Quarter of the financial year 2020/2021 are as follows:



Quotations	R707 153.29
Tenders	R6 359 566.20
Deviations	R87 224.32
Transversal Contract	R1 992 582.00
Regulation 32 Organ of state	n/a
Section 110	n/a
Cession	n/a
Sponsorships	n/a
Panels	n/a
<b>Total Approved</b>	<b>R9 146 525.81</b>

## 21 RECOMMENDATIONS

1. That cognisance be taken of continuous monitoring of the progress of bids and implementation of policy within SCM.
2. That in terms of Regulation 36 of the Supply Chain Management Regulations, promulgated in terms of the Local Government Municipal Finance Management Act, Act 56 of 2003 and the approved Supply Chain Management Policy section 35 cognisance be taken of the reasons for the deviations from the official procurement process of tenders.
3. That the Chief Financial Officer include the information regarding the deviations as a note to the financial statement.
4. That the Bid Adjudication Committee adheres to principles contained in the MFMA and the SCM policy when considering deviations.



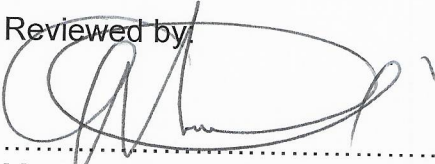
**22 Sign-Off**

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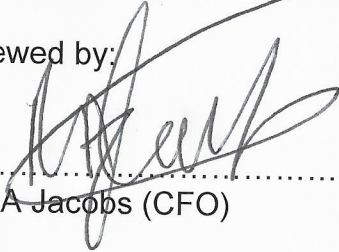
.....  
Mr. AR Botha (SCM Accountant)

Reviewed by:



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Mr. M Mulaudzi (Finance Manager)

Reviewed by:



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Mr. RA Jacobs (CFO)

Approved by:



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Mr. SS Ngwevu (MM)