

2021/2022 FOURTH QUARTER SUPPLY CHAIN MANAGEMENT POLICY IMPLEMENTATION

REPORT OF THE MUNICIPAL MANAGER:

1 STRATEGIC GOAL

In terms of the Supply Chain Management Policy the following reports must be submitted in the process of implementing the Policy

2 PRIORITY ISSUE

Financial Viability

3 LEGISLATIVE CONTEXT

In terms of the Local Government Municipal Finance Management Regulations section 6.3 stipulated that the Accounting Officer must with 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 or board of directors of the municipal entity as the case may be.

Paragraph 6 (3) of Council's Supply Chain Management Policy requires the Accounting Officer to submit a report on the implementation of the said policy to the Executive Mayor within 10 days of the end of each quarter in line with the MFMA Act and Regulations.

Section 21 A of the Municipal Systems Act (Act 32 of 2000) is also applicable. In complying with the above provisions, the following quarterly reports on the implementation of Supply Chain Management Policy are available for public comment.

4 PURPOSE OF THE REPORT

Monthly reports for consideration by Management and be reported to Provincial treasury

Quarterly report for consideration by the Mayoral Committee, and

A report to Council at the end of each financial year.

5 BACKGROUND

Supply Chain Management Policy requires the Accounting Officer to submit a report on the implementation of the said policy to the Executive Mayor within 10 days of the end of each quarter in line with the MFMA Act and Regulations.

5.1 Monthly procured goods and services in the R2 000.00 – R 200 000.00 threshold are reported to the Chief Financial Officer by the 7th of each month. The MFMA compliance report is regulated in the MFMA Act and Regulations, Act 56 of 2003, Section 18 which gives guidance on the procedures for procuring goods and services through written or verbal quotations and formal written quotations. (VAT included)

Attached hereto as ANNEXURE “A” is a list of all transactions from 1st April to 30st June 2022.

Table 2.2.1 Summary of goods and services through written or verbal quotations and formal written price quotations from 1st April 2022 to 30th June 2022

Threshold	Quantity	Rand value of the awards
R1 – R200 000.00 (April 2022)	30	R 3 526 178.66
R1 – R200 000.00 (May 2022)	43	R 5 170 059.50
R1 – R200 000.00 (June 2022)	90	R 8 863 228.36
		R 17 559 466.52

The following suppliers were the biggest contributors to the expenditure incurred (procurement through public notices of seven days and some which were done through Competitive Bidding Process processes) .

- Zitho Travel – All Department (Accommodation and Flights)
- Data Box Technologies – Human Resource Management
- Zembeleni Transport – Fleet Management
- Batadzi & Sons Trading – Fleet Management
- Mdubane Electrical and Project – Fleet Management
- Siyafana Thina Trading – Fleet Management
- Lumunus Creation and Trading –Mayoral and Council
- ITR Sounds –Mayoral and Council
- Nokwanda Group –Administrative and Corporate Support
- Fast Moving Trading – Corporate Services
- Bepaswana Skills and Development -Corporate Services
- Eyasekhethe Building Construction –Technical Services
- Hunadi Khepheni –Technical Services
- Artsossgay –Technical Service
- BMW- Mayoral and Council

5.2 Competitive Bidding

A competitive bidding process specifies that goods and services above the transaction value of R200 000.00, VAT included and long term contracts may be procured by the municipality only through a competitive bidding process.

Only one project was appointed through competitive bidding process. Attached is the tender register as Annexure B"1"

Furthermore national treasury has issued notice on the constitutional court judgment regarding preferential procurement regulations, 2017 which suspended procurement of goods and services from 16th February 2022. That's the reason there are no new tender appointment. Attached is the notice on the constitutional court judgment. Annexure "B2

5.3 Deviation

NO	DATE	DESCRIPTION OF SERVICES	APPOINTED CONTRACTOR	QUOTED PRICE OF APPOINTED CONTRACTOR EXCLUDING VAT	BEE - RATING OF APPOINTED CONTRACTOR	ORDER NUMBER/ EFT NUMBER	RECORDED AND APPROVED REASONS FOR DEVIATION
1	22-Nov-21	60 Point check on vehicle reg. KFN 317 MP and HVV 223 MP	McCarthy Limited	4 347,94	Level 4	5500	Repair of Executive vehicle to the dealer that the reason of impracticability of normal SCM process
2	22-Nov-21	Service on Mayoral vehicle JPF 558 MP	Hatfield Holdings (Pty) Ltd	23 428,60	Level 4	5499	General services to the dealers of the executive vehicle
3	27-Oct-21	Roadworthiness tests on municipal vehicles	Eyethu Roadworthy Centre	34 500,00	Level 1	5474	Provision for road worthy test of municipal vehicle to only station around THLM
4	06-Oct-21	Renewal of membership fees	Institute of Internal Auditors	7 717,50	Level 2	5440	Registration of membership for Internal auditors to the Sole Provider
5	31-Mar-22	Procurement of repair services for the mayoral vehicle	Hatfield Holdings (Pty) Ltd	96 907,12	Level 4	5652	Repair of Executive vehicle to the dealer that the reason of impracticability of normal SCM process
6	11-Apr-22	Registration fees for Ms Sinah Moripe (CIGFARO)	CIGFARO	4 279,13	Level 7	5671	Registration to attend CIGFARO conference as Sole provider

7	29-Apr-22	Procurement of repair services on the AUDI	Hatfield Holdings (Pty) Ltd	10 540,10	Level 4	5699	Repair of Executive vehicle to the dealer that the reason of impracticability of normal SCM process
8	09-Jun-22	Registration fees for Mrs. J.G Mahlangu and Mr R. Makhubele for the attendance of Municipal Leaders Development Programme	CMAM South Africa	R 11 700. 00	Level 1	5781	Registration of municipal leaders on a development programme for assets management
				R193 420,39			

Procurement process dispensed of in terms of paragraph 42.1.1 of Policy:
 Minor breaches of Procurement Process ratified in terms of paragraph 42.1. 2 of Policy:

None

Reasons for deviations as required by paragraph 42.2 of the Policy:
Refer to point 5 above

5.4 Unauthorised, Irregular, Fruitless and Wasteful expenditure

In terms of MFMA Act 56 of 2003 section 36 the accounting officer must promptly inform the Mayor, the MEC for Local government and Auditor General in writing of any Unauthorised, Irregular, Fruitless and Wasteful expenditure incurred. Irregular expenditure attached as **Annexure 'D1" and Fruitless and Wasteful expenditure "D2"**

5.4.1 Unauthorised Expenditure

There is no unauthorised expenditure incurred by the Municipality for this quarter

5.4.2 Irregular Expenditure

Table 5.4.2.1 Fourth quarter irregular expenditure for 2021-2022

Supplier Name	Expenditure incurred	Legislation transgressed against	Reason for Transgression	Services
Bidvest Bank	R 4 779 155,84	SCM Reg 32	Appointed using Regulation 32 instead of Bidding Process	Rental of Fleet
Kgotso Mokone	R 24 714 372,70	PPR 9(1)	Nomandatory subcontracting conditions included in the bid document for tender above R30 Million	Moloto Water Infrastructure
Jasino General Services	R 5 157 896,27	CIDB Reg 17	CIDB - Unsuitable bidders awarded contracts	Construction of Mountain View (Simunye) Bus Route
Stickson	R 6 557 866,95	SCM Reg 28(1)(c)	Municipal rates in arrears for more than 3 months at the time of award	Construction of Entokozniwater infrastructure-Phase 1
TOTAL	R 41 209 291,76			

5.4.3 Fruitless Expenditure

Table 5.4.3.1 Fourth quarter fruitless and wasteful expenditure for 2021-2022

Fiscal	Trans Date	Incurred	Journal No	Remarks	Amount	Description (Explain what happened)
Jan-22	Mar-22	30-Jan-22	EF 14256	Eskom bulk interest charged	R 323,18	Bank authorization delayed due to network problem
Apr-22	Apr-22		EF 14368	Eskom bulk interest charged	41,4	Billed to the wrong address/officials
TOTAL					R 364,58	

5.5. Procurement Plan

The objective of the procurement plan is to assist municipalities and municipal entities with the planning for the procurement of goods, works or services in a pro-active manner and to move away from merely reacting to purchasing requests. Demand Management is the first element of the SCM function. The objective is to ensure that the resources required to fulfil the needs identified in the Integrated Development Plan (IDP) of the institution are delivered at the right time, price and place and that the quantity and quality will satisfy those needs of the user (ultimately the provision of services to the community). As part of this element of SCM, a total needs analysis must be undertaken. This analysis must be included as part of the strategic planning process of the institution and will, therefore, incorporate future needs. No progress on the procurement plan.

5.6 Contract Register

Contracts and contract management are of significance to ensure completeness of all contractual agreements. In terms of section 116 of the Municipal Finance Management Act, No 56 of 2003 “a contract or an agreement procured through the Supply Chain Management system of a municipality or municipality entity must be in writing and stipulate the terms and conditions of the contract or agreement, which must include *provisions providing for the termination of the contract or agreement in the case of non or underperformance. Municipalities are requested to their contract register to the provincial treasury to ensure uniformity on contract management as per circular 35 of 2019. See attached contract register as Annexure “E “

7. STAKEHOLDER CONSULTED

None

9 HUMAN RESOURCE IMPLICATION

None

10 LEGAL IMPLICATIONS

None

11 FINANCIAL IMPLICATIONS

None

12 OTHER IMPLICATIONS

None

13 IT IS THEREFORE SUGGESTED THAT:

- a) Supply Chain Management third quarter report for the quarter ending **30st June 2022** be noted as per section 6 (3) of the MFMA Act and Regulations. **(Attached as Annexure "A")**
- b) Competitive bids (Tender Register) appointed these quarter be noted. In terms of MFMA Section 19. Attached as Annexure **"B"**
- c) Supply Chain Management deviations report amounting to **R186 761, 36 as at 30th June 2022** be noted as per section 36 (2) of the MFMA Act and Regulations. **(Attached as Annexure "C")**
- d) Irregular expenditure 2019-2020 amounting to **R R41 209 291, 76 as at 30th June 2022** be noted. In terms of MFMA section 32(5) **Attached as Annexure "D1")**
- e) Fruitless expenditure amounting to R364, 58 **as at 30th June 2022** be noted. In terms of MFMA Section 32(5) **(Attached as Annexure D2)**
- f) Unauthorized **R 00** as at **30th June 2022**.
- g) The procurement plan as at 30th June 2022 there is no progress due to constitutional court ruling on PPPFA 2017. No progress.
- h) The contract register report as at **30th June 2022** be noted as per circular 35 of 2019. **(Attached as Annexure E).**