

## OFFICE OF THE CHIEF FINANCIAL OFFICER

10 October 2024

For submission to the Section 80 Committee

### QUARTER 1 (REPORT ON THE IMPLEMENTATION OF THE SCM POLICY)

#### 1. Introduction

In terms of clause 6(1)(3) of the Municipal Supply Chain Regulation, 2005. The council of a municipality must maintain oversight over the implementation of its supply chain management policy. 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.

In terms of clause 6(1)(3) of the Municipal Supply Chain Regulation, 2005. The reports of a municipality on the implementation of the Supply Chain Management Policy must be made public in accordance with section 21A of the Municipal Systems Act.

Section 21A of the Local Government Municipal Systems Act, No. 32 of 2000, stipulates that all documents with a public interest must be conveyed to the community by displaying the documents on the municipality's website

#### 2. Purpose

The purpose of this report is to report to the Honourable Mayor and the Executive Council of the Municipality (EXCO) on the implementation of the Supply Chain Management Policy in order to maintain an oversight role for the 2024/2025 financial year.

#### 3. Supply Chain Management Policy and Procedures

##### 3.1 Adoption of SCM Policy

The SCM Policy was adopted on the 30<sup>th</sup> May 2024 by Council for 2024/2025 financial year.

##### 3.2 SCM Procedures

Supply Chain Management Unit adhere to the prescribed SCM regulations applicable to the Supply Chain Management Unit.

##### 3.3 Delegation

In terms of part 1 of Chapter 11 of the MFMA. Section 112 (1) (q) The supply chain management policy of a municipality must be fair, equitable, transparent, competitive and cost-effective and comply with a prescribed regulatory framework for municipal supply chain management, which must cover at least the following: the delegation of municipal supply chain management powers and duties, including to officials

In terms of part 1 of Chapter 11 of the MFMA. Section 115(1)(a)(b)(2). The accounting officer of a municipality must— (a) implement the supply chain management policy of the municipality; and (b) take all reasonable steps to ensure that proper mechanisms and separation of duties in the supply chain management system are in place to minimise the likelihood of fraud, corruption, favouritism and unfair and irregular practices. (2) No person may impede the accounting officer in fulfilling this responsibility.

### 3.4 Delegated Officials

<b>CHIEF FINANCIAL OFFICER (CFO)</b>	an official appointed in writing by the Accounting Officer
<b>SENIOR MANAGERS (HODs)</b>	an official appointed in writing by the Accounting Officer
<b>SENIOR FINANCE MANAGER</b>	an official appointed in writing by the Accounting Officer
<b>SENIOR SUPPLY CHAIN ACCOUNTANT</b>	an official appointed in writing by the Accounting Officer
<b>SUPPLY CHAIN ACCOUNTANT</b>	an official appointed in writing by the Accounting Officer
<b>DEMAND AND ACQUISITION OFFICER</b>	an official appointed in writing by the Accounting Officer
<b>BID SPECIFICATION COMMITTEE</b>	an official appointed in writing by the Accounting Officer
<b>BID EVALUATION COMMITTEE</b>	an official appointed in writing by the Accounting Officer
<b>BID ADJUDICATION COMMITTEE</b>	an official appointed in writing by the Accounting Officer

## 4. Functioning of the SCM Unit

### 4.1 SCM Structure

Supply chain Management Unit has an approved structured in placed.

Number of Funded Posts	Number of Filled Posts	Number of Vacant Post	Date to fill the vacant post
4	3	1 (Demand and Acquisition Officer)	2024/2025 Financial Year

### 4.2 Declaration of Interest

Honourable Mayor, Councillors and SCM Official have not signed the declaration of financial interest for 2024/2025 financial year. Only Senior Manager and Accounting Officer have declared their financial interest for 2024/2025 financial year.

### 4.3 Code of Conduct for SCM Practitioners

All the Supply Chain Management Practitioners have reviewed and signed the Code of Conduct for Supply Chain Management Practitioners.

#### **4.4 Training of SCM Personnel**

Only two (2) out of three (3) SCM Official have received training in Municipal Financial Management Programme (MFMP) and the National Certificate: Supply Chain Management.

The Municipality must ensure that there is enough capacity in the SCM Unit by ensuring that all the training needs of SCM Officials are prioritised.

#### **5. Functioning of Bid Committees**

All the Bid Committees are constituted in line with the Regulations 27, 28 and 29.

Number of Bid Committee meetings held during the reporting period

Bid Specification Committee	-	14
Bid Evaluation Committee	-	5
Bid Adjudication Committee	-	5

A schedule for Bid Committee sittings is drafted to ensure effective functioning of Bid Committees.

#### **6. Reporting Items (SCM matters)**

##### **6.1 Requisitions/Request register (Annexure A)**

The SCM Unit has implemented a requisition register to follow up on all requisitions the unit has received from the end user department.

Please refer to attached detailed register on “Annexure A”

##### **6.2 Request for Quotations (RFQs) Register (Annexure B)**

**In terms of paragraph/regulation 18 of the Mohokare Supply Chain Management Policy: Procedures for procuring goods or services through formal written price quotations**

The procedure for the procurement of goods or services through written price quotations, is as follows:

- (a) when using Central Suppliers Database (CSD), the accounting officer must promote ongoing competition amongst providers by inviting providers to submit quotations on a rotation basis;
- (b) all requirements in excess of R30 000 (VAT included) that are to be procured by means of formal written price quotations must, in addition to the requirements of paragraph 17, be advertised for at least seven days on the website and an official notice board of municipality;
- (c) offers received must be evaluated on a comparative basis taking into account unconditional discounts;
- (d) the accounting officer or chief financial officer must on a monthly basis be notified in writing of all written or verbal quotations and formal written price quotations accepted by an official acting in terms of a sub delegation;

- (e) Offers from R2000 up to R50 million (VAT included) except petty cash must be awarded based on compliance with 80/20 preference points scoring system
- (f) acceptable offers, which are subject to the preference points system (revised PPR and associated regulations), must be awarded to the bidder who scored the highest points;
- (g) council requirements for proper record keeping.

The total amount of RFQs awarded for Quarter one (1) (July, August and September 2024) is Equal to **R 410 250.00 rands** (VAT Inclusive).

**Please refer to attached detailed register on “Annexure B”**

### **6.3 Tender Register (Annexure C)**

Goods and / or Services with a rand value (above R 300 000) VAT Inclusive awarded through a competitive bidding process referred to in regulation 12 (1) (d).

The total amount of Bids awarded for Quarter one (1) (July, August and September 2024) is Equal to **R 6 988 732.13 rands** (VAT Inclusive).

**Please refer to attached detailed register on “Annexure C”**

### **6.4 Deviations Register (Annexure D)**

**In terms of paragraph/regulation 36 of the Mohokare Supply Chain Management Policy: Deviation from, and ratification of minor breaches of, procurement processes**

**36.** (1) A supply chain management policy may allow the accounting officer- (a) 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 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; or
- v. in any other exceptional case where it is impractical or impossible to follow the official procurement processes; and

(b) to 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 sub regulation (1)(a) and (b) and report them to the next meeting of the council and include as a note to the annual financial statements.

(3) Subregulation (2) does not apply to the procurement of goods and services contemplated in regulation 11 (2)

2024/2025 Financial Year		
Number of Deviations Approved (April, May and June 2023/2024) Fourth Quarter	Number of Deviations Approved (July, August and September 2024/2025)	Increased/(Decreased)
Number of deviations approved	4	6
		Increased Compared to the Fourth Quarter of 2023/2024 Financial Year

Total Value of Deviations Approved (Comparison)		
Total Value of Deviations Approved (April, May and June 2023/2024)	Total Value of Deviations Approved (July, August and September 2024/2025)	Increased/(Decreased)
R5 354 435.20 VAT Inclusive (Quarter 4)	R 1 747 307.68 VAT Inclusive (Quarter 1)	Decreased Compared to the Fourth Quarter of 2023/2024 Financial Year

The deviation is as a result of repair and maintenance (strip and quote) of municipal fleet and equipment and electricity maintenance, for deviations to be reduced municipality must advertise this services and appoint service provider/panel of service providers on a contract.

**Please refer to attached detailed register on “Annexure D”**

### **6.5 Contract Register (Annexure E)**

In terms of Municipal Supply Chain Regulations of 2005. A Contract is a written agreement with a duration period exceeding one year.

**Please refer to attached detailed register on “Annexure E”**

### **6.6 Procurement Plan (Annexure F)**

The objective of this is to assist municipalities 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.

The report on the implementation of the Procurement Plan is submitted together with the Procurement Plan. The SCM unit is proposing a revision of the Procurement Plant to align with the IDP, Budget and SDBIP.

**Please refer to attached detailed register on “Annexure F”**

## **6.7 Procurement on Regulation 32**

**In terms of paragraph/regulation 32 of the Mohokare Supply Chain Management Policy: Procurement of goods and services under contracts secured by other organs of state**

**32. (1)** 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.

**(2)** Subregulation (1)(c) and (d) do not apply if – a municipality procures goods or services through a contract secured by a municipal entity of which it is the parent municipality

**The Municipality did not award/acquire any goods, works and / or services through Regulation 32 for July 2024**

## **6.8 Variation Order Register**

**The Accounting Officer did not approve any variation orders within the 15% or 20% threshold for Quarter 1 (one) July, August and September 2024**

## **6.9 Irregular Expenditure Register (Annexure G)**

In terms of the Municipal Financial Management Act No. 56 of 2003. “irregular expenditure”, in relation to a municipality means –

- (a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170
- (b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act
- (c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or
- (d) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality’s by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of “unauthorised expenditure”;

2024/2025 Financial Year				
Number of Irregular Transactions Incurred (April, May and June 2023/2024) Quarter		Number of Irregular Transactions Incurred (July, August and September 2024/2025)		Increased/(Decreased)
Number of deviations approved	4	5		Increase compared to the fourth quarter of 2023/2024 financial year

Total Value of Irregular Expenditure (Comparison)				
Total Value of Irregular Expenditure (June 2023/2024)		Total Value of Irregular Expenditure (July 2024/2025)		Increased/(Decreased)
	R475 392.16 VAT Inclusive	R 356 522.64	VAT Inclusive	Decrease compared to the fourth quarter of 2023/2024 financial year

The irregular expenditure is as a result of vacancy advert for position of (Technical Director and Chief Financial Officer), Professional fees for an investigator, hiring of fleet/vehicle and testing of water analysis. This can be avoided if the management adheres to the procurement timelines and the implementation of the procurement plan.

**Please refer to attached detailed register on "Annexure G"**

**All the Annexures are attached at the end of the report**

### **7. E-Tender Portal**

Only one SCM Official has access to eTender portal. Other SCM Officials will be registered on the portal.

### **8. Central Suppliers Database**

All SCM Official has access to Central Supplier Database. The accounting system of the Municipality (MunSoft) is able to synchronize with CSD.

### **9. CIDB (Construction Industry Development Board) Portal**

All SCM Official has access to CIDB Portal. **For advertisement of all construction tender with a rand value above R 300 000 VAT Inclusive.**

## **10.Risk Management**

### **10.1 Municipal Bid Appealed**

No bids awarded appealed during the reporting period

### **10.2 Fraud Prevention Plan**

The Municipality has a Fraud Prevention Strategy in place and also a functioning MPAC, Risk and Audit Committee in place.

## **11.Legal Implication(s)**

Compliance with the Local Government: Municipal Financial Management Act No. 56 of 2003 The Municipal Supply Chain Management Regulation of 2005 and other applicable laws and regulations.

## **12.Financial Implications**

Non-compliance with regulations and any other applicable legislations may impact negatively on the transfer of equitable share.

## **13.Parties Consulted**

SCM Officials

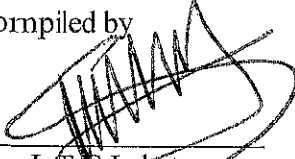
## **14.Conclusion**

The Supply Chain Management Unit is continuously improving its processes and procedures in order to ensure that Council receives value for money in terms of demand and acquisition management. This process is done with the aim of giving reasonable assurance to the Council and communities of the Mohokare Local Municipality.

## **15. Recommendation**

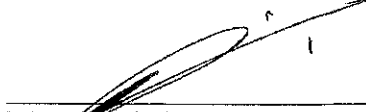
Honourable Mayor to take note of the SCM report for Quarter 1 2024.

Compiled by



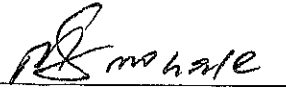
Mr. L.T.G Lebete  
Senior Supply Chain Accountant

Recommended by



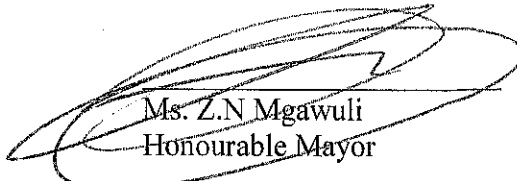
Mr. P.V Litabe  
Acting – Chief Financial Officer

Approved by



Mr. M.S Mohale  
Acting – Municipal Manager

Acknowledged by



Ms. Z.N Mgawuli  
Honourable Mayor