

ITEM – SUPPLY CHAIN MANAGEMENT REPORT FOR THE FIRST QUARTER OF THE FINANCIAL YEAR 2023/24 (01 JULY 2023 TO 30 SEPTEMBER 2023)

1. PURPOSE

To submit to Council, the Supply Chain Management (SCM) Report for the first quarter ended 30 September 2023 noting.

2. BACKGROUND

- In terms of regulation (6)(3) of the Municipal Finance Management Act (MFMA), SCM Regulations, 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 or board of Directors of the municipal entity as the case maybe
- The report is also prepared in terms of the municipality’s Supply Chain Management Policy.
- In terms of regulation (6)(4) of the SCM regulations, the report must be made public in accordance with Section 21A of the Municipal Systems Act

3. DISCUSSION

The municipality has in terms of the above regulation, reviewed the implementation of the SCM policy. The review will enable the municipality to strengthen the internal controls. The following are issues reviewed and reported on:

3.1 Supply Chain Institutional Arrangements

Supply Chain Management functions have been centralised under the Budget and Treasury Office of the municipality under the leadership of the Chief Financial Officer. Currently there is one vacant position for the Senior Procurement Officer of supply chain practitioners on the organogram as follows:

| Supply Chain Management Division Structure | | |
|---|---------------|--|
| Position | Status | |
| SCM Manager | Filled | |
| Senior Procurement Officer | Vacant | |
| Procurement Officer | Filled | |
| Bid Officer | Filled | |
| SCM Clerk | Filled | |
| Store Keeper X2 | Filled | |
| Store Assistant | Filled | |

It should be noted from above that due to the size of the municipality it is impossible to completely have segregation of duties between distinctive functions within SCM. The officials interchangeably perform duties between acquisition, demand, and

logistics. The inherent internal control deficiency is mitigated through constant review by the CFO.

The municipality will in the first quarter of the 2023/24 financial year, finalise the appointment of the Accountant SCM. (Senior Procurement Officer)

3.2 Policy and procedure for Supply Chain Management

- The SCM policy has been reviewed consistently annually as part of the Budget related policies and the review was recently done in May 2023.
- The review has incorporated all circulars issued by National Treasury and new regulations issued including the amended Preferential Procurement Regulations.

3.3 Establishment of the SCM Unit

The municipality has established a Supply Chain Management Unit as required by SCM Regulation 7. The SCM unit is established and all SCM functions are centralised (Acquisition activities are performed by the SCM unit). All quotations are sourced from one central point to ensure that all the SCM legislative requirements are addressed.

The following elements of supply chain as per regulations are applicable”.

- Demand Management – The subunit is fully functional.
- Acquisition Management— The subunit is fully functional.
- Logistics Management - The sub unit is fully functional even though due to cash flow constraint the municipal stores do not have all minimum quantities of stock items required for operations especially repairs materials and stationery.
- Assets and Disposal Management - The municipality has a separate division dealing with asset management
- SCM Performance and Risk Management - The unit is fully functional but with limited human resources. We have requested that a post for Officer responsible for contract performance be included on the structure during the current review.

For proper management of consumables, the municipality will during the second quarter of the 2023/24 financial year, ensure that stock items that are frequently used by service departments are identified, minimum stock quantities determined, and procurement of such items is processed. This will ensure that the municipality keeps minimum required items of consumables including repairs and maintenance items for efficient and effective service delivery.

3.4 Bid Committees

The municipality has in place a bid committee system in compliance to Regulation 26 of the MFMA SCM Regulations. The following are committees in place:

- Bid specifications Committee – Constituted properly in line with regulation 27(3) and its functional.
- Bid Evaluation Committee - Constituted properly in line with regulation 28(2) and its functional.

- Bid Adjudication Committee – The committee is comprised of four senior managers as required by regulation 29(2)i) and (ii),

An evaluation and adjudication checklist will be developed and utilised for evaluation of bids to ensure compliance to regulations and issued circulars.

A declaration form in terms of S7 (2) of the Municipal Systems Act of 2000 has been circulated to all the Bid Committee Members for them to declare their interest and to be signed under Oath. The forms have been completed and returned to the SCM Officer

3.5 Supplier database

The municipality complied with Regulation 14 of the MFMA SCM Regulations in that a central database of suppliers as maintained by National Treasury is used for all procurement of goods and services. The database is updated regularly as required.

3.6 Report on quotations issued (Above R30 000 and Below R200 000)

The municipality has procurement goods and services (Five transactions) to the value of **R 486 949.70** during the first quarter of the 2023/24 financial year. The details of the transactions are included as **Annexure A** to the report.

3.7 Report on bids awarded (Procurement above R200 000)

The municipality has concluded awards for eight competitive bids in the first quarter and were awarded to 21 bidders to a value of R 44 210 671.13 (A Panel of five bidders was awarded for supply of PPE, panel of 10 bidders for supply of transformers). The bids followed a normal competitive bids process and were awarded after recommendations by bid committees. The details of the bids are included as **Annexure B** to the report.

3.8 Supply Chain Management Deviations

In terms of Municipal Finance Management Act, No 56 of 2003, SCM regulation 36 (1), the Accounting Officer may dispense with the official procurement processes established by the policy and procure goods or services through other means under the allowed circumstances.

The deviation from normal supply chain processes has the following conditions as per the regulation 36(1)(a):

- In an emergency
- If such goods or services are produced or available from a single provider only
- For the acquisition of special works of art or historical objects where specifications are difficult to compile
- Acquisition of animals for zoos
- In any other exceptional case where it is impractical or impossible to follow the official procurement processes

The Accounting Officer must in terms of Section 36 (2) record the reasons for any deviations in terms of the above and report them in the next Council meeting and include as a note in the annual financial statements.

The municipality has incurred three incidences of SCM deviations during the first quarter of the 2023/24 financial year to the value R342 747.65. The report showing details of the deviations and recorded reasons is attached as **Annexure C** to this report.

3.9 Approval of tenders not recommended.

The municipality has not awarded any bids in terms of Section 114 of the MFMA. All bids awarded were done after recommendations were received from the bid committees.

3.10 Extensions of Contracts

The following contract extensions were approved by the Municipal Manager during the fourth quarter and are presented in terms of Section 116 of the MFMA:

| Service provider | Service description | Contract period extension | Amount |
|-------------------------|----------------------------------|----------------------------------|---------------------------------------|
| TMT Services | Road Traffic Management Services | Two months | Commission per ticket issued and paid |

4. LEGAL AND FINANCIAL IMPLICATIONS

The item is prepared in terms of Regulation 6 of the MFMA SCM regulations and should be publicised as required by Section 21A of the Municipal Systems Act

There are no financial implications due to submission of the report however the municipality will have financial implications on the deviations and awards as included in the report.

5. RECOMMENDATION

5.1 That Council notes the Supply Chain Management Report for the first quarter ended 30 September 2023.

5.2 That council notes that the report will be made public in terms of Section 21A of the Municipal System Act