|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| |  | | --- | | **THLM – MB FIRST QUARTER REPORT ON THE IMPLEMENTATION OF THE SUPPLY CHAIN MANAGEMENT POLICY FOR THE PERIOD ENDING 30 SEPTEMBER 2023** | | | | |
| **REPORT OF THE CHIEF FINANCIAL OFFICER** | | | |
|  | **1. STRATEGIC GOAL** | | |
|  | In terms of the Supply Chain Management Policy, each municipality must in terms of Section 111 of the MFMA, have and implement a supply chain management policy that gives effect to-   1. *Section 217 of the Constitution; and* 2. *Part 1 of Chapter 11 and other applicable provisions of the Act; and comply with the Regulatory Framework prescribed in Chapter 2 of the MFMA Regulations*. | | |
|  | **2. PRIORITY ISSUE** | | |
|  | The key priority issue in the implementation of the SCM Policy is to ensure financial viability and maximize administrative and operational efficiency in the implementation of the supply chain management policy. | | |
|  | **3. LEGISLATIVE CONTEXT** | | |
|  | In terms of the Local Government Municipal Finance Management Regulations, Section 6.3 stipulates that 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 may be.  Furthermore, 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 the Supply Chain Management Policy are available for public comment. | | |
|  | **4. PURPOSE OF THE REPORT** | | |
|  | The purpose of the report is to submit monthly reports for consideration by Management and reporting to the Provincial Treasury, submission of quarterly reports for consideration by the Mayoral Committee, and report to Council at the end of each financial year. | | |
|  | **5. BACKROUND**  The 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.  Monthly procured goods and services within the R2 000.00 – R 200 000.00 threshold values are reported to the Chief Financial Officer by the 7th of each month. The MFMA compliance report is regulated by 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 inclusive).  Attached hereto as Annexure “A” is the list of all transactions from 1st July to 30th September 2023.   |  |  | | --- | --- | | **Threshold** | **Rand value of the awards** | | R1 – R200 000.00 (July 2023) | R 304 703.50 | | R1 – R200 000.00 (August 2023) | R 1 548 460.80 | | R1 – R200 000.00 (September 2023) | R 251 210.20 | | **Total** | **R 2 104 374 .50** |   The total of all transactions for contracted services which were issued through purchase orders as and when required for the period July- September are listed below :   |  |  | | --- | --- | | **Threshold** | **Rand value of the awards** | | R1 – R200 000.00 (July 2023) | | R 00.00 | | R1 – R200 000.00 (August 2023) | | R 6 484 759.58 | | R1 – R200 000.00 (September 2023) | | R 00.00 | | **Total** | | **R 6 484 759.58** |   Below is the list of purchase orders raised in the first quarter according to different threshold excluding contracted services.  **Table 5.1 The detailed list of all purchase orders raised from July to September 2022 from R2 000 –R199 999.99 (Normal quotation written and verbal quotations) excluding three years contracted services is as follows:** | | |
|  |
|  | |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | | **Seq.** | **Creditor Name** | **Order No.** | **Order Date** | **Value** | **BEE** | **Specifications** | | 1 | EM Skhosi Trading (Pty) Ltd | 6602 | 27-07-23 | 28,980.00 | 1 | Procurement of refuse bags | | 2 | 1 Pangaea Expertise and Solutions | 6597 | 27-07-23 | 81,880.00 | 4 | Valuation of closure costs for Kwaggafontein and KwaMhlanga landfill sites | | 3 | 1 Pangaea Expertise and Solutions | 6596 | 27-07-23 | 60,375.00 | 4 | Provision of Actuarial services for inclusion in the 2022/2023 annual financial statements | | 4 | M and R United Projects (Pty) Ltd | 6609 | 02-08-23 | 13,640.00 | 1 | Catering services | | 5 | Exquisite Royalty Design | 6603 | 27-07-23 | 29,970.00 | 1 | Catering services | | 6 | Masimula and Mnisi Catering | 6601 | 27-07-23 | 28,220.00 | 9 | Procurement of catering services lunch for leaners | | 7 | Mvelontle Transport and Projects | 6600 | 27-07-23 | 29,900.00 | 1 | Procurement of transport services for career expo for leaners in various wards around THLM | | 8 | Fraudcheck (Pty) Ltd | 6604 | 27-07-23 | 14,938.50 | 4 | Procurement of background screening services | | 9 | Ksasalethu Holdings | 6610 | 02-08-23 | 16,800.00 | 1 | Catering Lunch for Mandela day's Programme Pap/ Rice Chicken/ Beef | | 10 | Nomoya and Thembinkosi Trading | 6656 | 23-08-23 | 20,800.00 | 1 | Cleaning supplies | | 11 | Siphumelele Funeral Services c | 6655 | 23-08-23 | 29,400.00 | 1 | Procurement of pauper burial services as per the attached specifications | | 12 | Sinqobe Impilo Trading and Projects | 6653 | 23-08-23 | 28,900.00 | 1 | Trimmer lanes | | 13 | Sithabesoke Trading and Projects | 6649 | 21-08-23 | 200,000.00 | 1 | Procurement of ap8 jet pave emulsion (200lt) | | 14 | Koketso Business Enterprise | 6632 | 11-08-23 | 19,950.00 | 9 | Procurement of transport for Ward Committee members all various Wards around Thembisile Hani Local Municipality | | 15 | Tshipane Business Enterprise | 6631 | 11-08-23 | 29,841.00 | 9 | Live streaming services for SOMA address including live broadcasting and photography | | 16 | Precious Stone Creation (Pty) Ltd | 6630 | 11-08-23 | 22,600.00 | 0 | Catering services for SOMA | | 17 | Ayababa (Pty) Ltd | 6629 | 11-08-23 | 22,600.00 | 1 | Catering services for SOMA | | 18 | Thubalentsha Contruction and | 6628 | 11-08-23 | 22,600.00 | 3 | Catering services for SOMA | | 19 | Mnotho 45 (Pty) Ltd | 6627 | 11-08-23 | 22,600.00 | 9 | Catering services for SOMA | | 20 | Masese Trading Enterprise (Pty) Ltd | 6626 | 11-08-23 | 22,600.00 | 1 | Catering services for SOMA | | 21 | Sishavula Trading (Pty) Ltd | 6625 | 11-08-23 | 198,300.00 | 9 | Full decor for SOMA event | | 22 | ITR Sound (Pty) Ltd | 6624 | 11-08-23 | 133,000.00 | 1 | Sound and stage for SOMA | | 23 | Kwa-Mhlanga Licensing Authority | 6621 | 07-08-23 | 775,269.60 | 9 | Licensing of municipal fleet | | 24 | Mzimtimani Property and Cleaning | 6705 | 13-09-23 | 29,400.00 | 0 | Catering services | | 25 | Basadzi personnel cc | 6734 | 29-09-23 | 14,016.20 | 1 | Procurement of advertising services | | 26 | Esihle AgriEnterprise and Projects | 6714 | 19-09-23 | 29,300.00 | 1 | Replacement of alluminium doors | | 27 | Xpand Business Enterprise (Pty) Ltd | 6706 | 13-09-23 | 24,790.00 | 1 | Trimmer lane | | 28 | Mapeane | 6732 | 29-09-23 | 29,800.00 | 1 | Fire horse reel as per specifications | | 29 | T Mndawe Holdings (Pty) Ltd | 6731 | 29-09-23 | 20,004.00 | 1 | Refill and recharge service fire extinguishers (9kg) | | 30 | RRM GROUP (Pty) Ltd | 6727 | 20-09-23 | 25,750.00 | 1 | Procurement of advertising services | | 31 | Mmina Tlou Holdings | 6725 | 19-09-23 | 26,650.00 | 1 | Procurement of Arch lever files | | 32 | Gomalisa Trading and Projects | 6733 | 29-09-23 | 13,500.00 | 1 | Procurement of sound for meeting held at old legislature | | 33 | Thubalentsha Construction and Projects | 6726 | 19-09-23 | 22,000.00 | 3 | procurement of still water for the mayoral outreach Imbizos | | | |
|  |  | | |
| **Table 5.2 Below is the detailed list of all purchase orders raised from July to September 2022 from R200 000.00 and above through contracted services is as follows:**   |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | | **Seq.** | **Creditor Name** | **Order No.** | **Order**  **Date** | **Value** | **BEE** | **Specifications** | | 1 | Thula Sizwe Trading cc | 6667 | 28-08-23 | 230,000.00 | 3 | Procurement of Jet Pave Emulsion 200LT | | 2 | The SNP Group (Pty) Ltd | 6666 | 28-08-23 | 200,000.00 | 1 | Procurement of Continuously Graded medium asphalt (Hot Mix) Base Rate | | 3 | Matupunuka ICT (Pty) Ltd | 6659 | 25-08-23 | 4,576,968.21 | 1 | Network upgrade implementation as per the specification. | | 4 | Sithabesoke Trading and Projects | 6649 | 21-08-23 | 200,000.00 | 1 | Procurement of AP8 Jet Pave Emulsion  ( 200lt) | | 5 | Thula Sizwe Trading cc | 6643 | 21-08-23 | 214,503.75 | 3 | Procurement of Roads and Storm water material 21.1 SBD1- 110 x 6m Corrugated Slot Pipe & Coup ( m ) | | 6 | Matupunuka ICT (Pty) Ltd | 6636 | 21-08-23 | 288,018.02 | 1 | Nertwork Monitoring - Netwix | | 7 | Kwa-Mhlanga licensing authority | 6621 | 07-08-23 | 775,269.60 | 9 | Licensing of municipal fleet |  **6. COMPETITIVE BIDDING**  Goods and services above the transaction value of R200 000.00 (VAT incl.) and long term contracts may be procured by the municipality only through a competitive bidding process. During the first quarter, the municipality awarded one contract, however more contracts are still at advertisement stage, whilst others are at evaluation stage. Attached hereto is the tender register as “Annexure C”. **7. DEVIATION FROM, AND RATIFICATION OF MINOR BREACHES OF, PROCUREMENT PROCESSES (REGULATION 36)** The accounting officer dispensed with the official procurement processes established by the policy and procured required goods and services through Regulation 36 of the MFMA. The biggest contributor to the high deviation amount was as a result of the procurement of fuel for municipal vehicles due to the termination of Siyafana Thina (Pty) Ltd’s contract due to poor performance. The contract has been advertised and is currently at evaluation stage as a priority project. The total deviations expenditure incurred amounted to a total of R 3 289 297.98. Attached hereto is the Deviations Register as “Annexure C”. |
|  | **8.UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE REPORT**  **8.1.Fruitless Expenditure**  The municipality did not incur any fruitless or wasteful expenditure during the first quarter.  **8.2 Irregular Expenditure**  The irregular expenditure incurred by the municipality through Bidvest Bank Limited for leasing municipal fleet, emanated from findings that were raised in the previous financial years as a result of procuring goods and services through Regulation 32 instead of following the normal SCM processes. The project has been advertised and has been prioritised. Attached hereto is the Irregular Expenditure as “Annexure D”.  **9. PROCUREMENT PLAN PROGRESS**  In terms of the Municipal Finance Management Act, Circular No. 62, municipalities are required to submit Procurement Plans in respect of goods, works and services in excess of R200 000.00 (inclusive of applicable taxes). The accounting officer must approve the plan. Attached hereto is the Procurement Plan Progress Report as “Annexure E”.  **10. CONTRACTS 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 required to report their contract register to the Provincial Treasury to ensure uniformity on contracts management as per Circular No. 35 of 2019. Attached hereto is the contract register as “Annexure F”. | | |
|  |  | | |
|  | **11. STAKEHOLDERS CONSULTED** | | |
|  | Whilst the report is intended to be noted by Executive Major and Council, top management, User Departments are consulted to populate the reports. | | |
|  | **12. HUMAN RESOURCE IMPLICATIONS** | | |
|  | None. | | |
|  | **13. LEGAL IMPLICATIONS** | | |
|  | The implementation of the supply chain management policy must ensure the following-   1. Give effect to- 2. *Section 217 of the Constitution; and* 3. *Part 1 of Chapter 11 and other applicable provisions of the Act*; 4. Be fair, equitable, transparent, competitive and cost effective 5. Comply with- 6. *the regulatory framework prescribed in Chapter 2 of the Regulations; and* 7. *any minimum norms and standards that may be prescribed in terms of section 168 of the Act.* 8. Be consistent with other applicable legislation; 9. Not undermine the objective for uniformity in supply chain management systems between organ so state in all spheres; and 10. Be consistent with national economic policy concerning the promotion of investments and doing business with the public sector. 11. The policy must also be compliant with the Local Government Municipal Finance Management Regulations (Section 6.3) and the Municipal systems act (act 32 of 2000) section 21A. | | |
|  | **14. FINANCIAL IMPLICATIONS** | | |
|  | None. | | |
|  | **15. OTHER IMPLICATIONS** | | |
|  | None. | | |
|  | **16. IT IS THEREFORE PROPOSED THAT:** | | |

1. The Supply Chain Management First Quarter Report for the period ending **30th September 2023,** be considered as per section 6 (3) of the Local Government: Municipal Finance Management Regulations published in terms of Act No. 56 of 2003. **(Annexure A)**
2. The procurement of goods and services through competitive bidding report (Tender register) be considered as at 30th September 2023 in terms of Section 19 of the MFMA. **(Annexure B)**
3. That the Supply Chain Management Deviations Report amounting to **R 3 289 297.98 as at 30th September 2023** be considered as per section 36 (2) of the Local Government: Municipal Finance Management Regulations published in terms of Act No. 56 of 2003. (**Annexure C)**
4. That the Irregular Expenditure amounting to **R 1 085 713.32 as at 30th September2023** be considered in terms of MFMA section 32(5). **(Annexure D)**
5. The Fruitless expenditure amounting to **R00.00** **as at 30th September 2023** be considered in terms of the MFMA Section 32(5).
6. That the Unauthorized Expenditure amounting to **R 00.00** as at **30th September 2023** be considered.
7. The Procurement Plan Progress Report as at **30th September 2023** be considered in terms of the Municipal Finance Management Act Circular No. 62 be noted. **(Annexure E)**
8. That the Contracts Register as at **30th September 2023** be considered as per Circular No.35 of 2019. **(Annexure F)**