

# **THLM – MB SECOND QUARTER REPORT ON THE IMPLEMENTATION OF THE SUPPLY CHAIN MANAGEMENT POLICY FOR THE MONTH ENDING DECEMBER 31 ,2023**

## **REPORT OF THE MUNICIPAL MANAGER**

### **1. STRATEGIC GOAL**

Sound financial Management

### **2. PRIORITY ISSUE**

Financial Viability

### **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 report 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. BACKGROUND**

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.

## 6. DISCUSSIONS

### 6.1. PROCUREMENT OF GOODS AND SERVICES THRESHOLD

By the seventh day of each month, the Chief Financial Officer receives a report on all monthly purchased goods and services that fall within the R2 000.00–R200 000.00 threshold values. The MFMA Act and Regulations, Act 56 of 2003, Section 18, which provides guidance on the procedures for procuring goods and services through written or verbal quotations and formal written quotations (VAT inclusive), regulates the MFMA compliance report.

Attached hereto as Annexure “A 1” is the list of all transactions from October 1, 2023, to December 31, 2023. The total purchase orders issued for the quarter, excluding the contracted services, amount to **R2,853,121.93**.

Threshold	Rand value of the awards
R1 – R200 000.00 (October 2023)	R 1,109,825.94
R1 – R200 000.00 (November 2023)	R 262,620.78
R1 – R200 000.00 (December 2023)	R 1,480,675.21
<b>Total</b>	<b>R 2,853,121.93</b>

Attached hereto as Annexure “A 2” is the list of all transactions from October 1, 2023, to December 31, 2023, for contracted services (competitive bidding process) that were issued through purchase orders as and when required amount to **R4,585,463.59**

Threshold	Rand value of the awards
R1 – R200 000.00 (October 2023)	R 2,284,881.20
R1 – R200 000.00 (November 2023)	R 2, 300,582.39
R1 – R200 000.00 (December 2023)	R 0,00
<b>Total</b>	<b>R 4,585,463.59</b>

## **6.2 COMPETITIVE BIDDING**

The municipality may only procure goods and services through a competitive bidding process for transactions valued at more than R200 000.00, VAT included, and for long-term contracts. The municipality appointed twenty-one service providers and contractors, of whom ten (10) are local service providers (contractors). The municipality strengthened its internal control by ensuring the findings raised during the audit process of the 2022–2023 financial year by the Auditor General are illuminated for the municipality to achieve the target of clean governance. See the attached tender register of service providers (contractors) appointed from July 1st, 2023, to December 31, 2023, as “Annexure B.

## **6.3 DEVIATION FROM, AND RATIFICATION OF MINOR BREACHES OF, PROCUREMENT PROCESSES (REGULATIONS 36)**

The accounting officer dispensed with the official procurement processes established by the policy and procured the required goods and services through Regulation 36 of the MFMA. The biggest contributor to the high deviation amount was the procurement of fuel for municipal vehicles due to the termination of Siyafana Thina (Pty) Ltd's contract due to poor performance. The municipality approached a filling station that is located near the municipality to assist with the supply, as the delay in filling up the municipal fleet will have a negative impact on service delivery. Therefore, an emergency arrangement for procurement was implemented, and it is also impractical to get three quotations. The same directors own the majority of garages in and around Thembisile Hani Local Municipality. The municipality concluded the procurement process on December 18, 2023, to reduce the deviation expenditure in the third quarter. The total deviations for the quarter amount to R4,596,580.18. Attached hereto is the Deviations Register as “Annexure C.”.

## **6.4 UNAUTHORISED EXPENDITURE**

For the second quarter unauthorised expenditures for the 2022–2023 financial year. The municipality did not incur any fruitless or wasteful expenditures.

## **6.5 FRUITLESS EXPENDITURE**

For the second quarter, fruitless and wasteful expenditures for the 2022–2023 financial year. The municipality did not incur any fruitless or wasteful expenditures.

## **6.6 IRREGULAR EXPENDITURE**

The irregular expenditure incurred by the municipality emanated from findings that were raised in the previous financial year as a result of applying SCM Regulation 32 instead of the competitive bidding process for leasing the municipal fleet. The Auditor General identified

irregular expenditures due to non-compliance with PPR (4) 2 of 2017 for projects appointed from July 1, 2022, to January 16, 2023, wherein the contractors submitted a COIDA certificate that belongs to the other company. Also, disclosure of transactions that do not meet the deviation criteria.

The cumulative irregular expenditure from July 1, 2023, to December 31, 2023, amount to **R 3 149 707.42** (VAT exclusive). Attached hereto is the irregular expenditure as “**Annexure D.**”

## **6.8 PROCUREMENT PLAN PROGRESS**

In the 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 R 200 000.00 (inclusive of applicable taxes). The accounting officer must approve the plan. Attached hereto is the Procurement Plan Progress Report as “**Annexure E**”

## **6.9 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 municipal 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". The Accounting Officer of a municipality or municipal entity must take all reasonable steps to ensure that a contract or agreement procured through the supply chain management policy of the municipality or municipal entity is properly enforced. See the attached Contract Register as at 31<sup>st</sup> December 2024 as **Annexure “F”** Below are the discussions for contract which ended as at 31<sup>st</sup> December 2023.

- a) TJMGreenTech (Pty) Ltd.'s panel of consulting engineering firms for the implementation of electricity for a period of 36 months (Mogodondo and Mafishane) has ended on September 31, 2023
- b) Kago Consulting for a panel of consulting engineering firms for the implementation of roads and storm water projects for a period of 36 months (Mountain view Mandela Drive). The contract ended on December 31, 2023.
- a) Mangadi Vinique --Construction of Pedestrian Bridges in various wards at THLM. The contract ended on December 31, 2023
- b) Maxprof (Pty) Ltd.'s appointment for the provision of value-added tax (VAT) review services for a period of 36 months expired on August 18, 2023. The municipality is still waiting for the COGTA response in relation to workshop municipalities to do accurate VAT reviews to avoid the fruitless expenditure of paying SARS instead of refunding the municipality.

- c) Panel of service providers to provide temporary water supply through water tankers within Thembisile Hani Local Municipality as and when required for a period of 36 months from columns 26–52; the contracts have expired, and currently the 15% variation has been applied while the procurement process is still unfolding. The adjudication committee completed the process of evaluation in December 2023.
- d) Provision for fleet management services expired on June 30, 2023, and the 15% variation is approved to ensure the service continued for six months while the procurement process was unfolding. The new appointment was issued on November 18, 2023.
- e) The appointment of a service provider to conduct training on job evaluation and perform organizational re-engineering for a period of 36 months has expired, and the RFQ was advertised on October 23, 2023, and closed on October 30, 2023. There were no submissions.
- f) The appointment of a panel of contractors for rehabilitation, refurbishment, and maintenance of water infrastructure for a period of 36 months expired on September 14, 2023, and a 15% variation was approved. A panel of 11 contractors was appointed to replace the expired contract on October 23, 2023.
- g) The panel for the appointment of two service providers for the provision of security services for a period of 36 months expired on October 31, 2023, and a 15% approval was granted while the procurement process was unfolding. Two security companies have been appointed as of December 18, 2023.
- h) The contract for insurance broker services for short-term insurance for Thembisile Hani Local Municipality ended on December 28, 2023, and a 15% variation will apply in order for the competitive process to unfold. The tender closed in December 2023.
- i) Repairs and maintenance of municipal heavy equipment and white plant as and when required for a period of 36 months. The contracts will expire on January 24, 2024. The specifications were not submitted because of delays in getting information about the plant previously maintained by Bell South Africa. They have ended their working relationship with the following manufacturers, namely John Deere, Lieber, and Bomag. The majority of plants owned by the municipality are those that are no longer contracted to Bell South Africa.
- j) The contract for maintenance and updating of the GRAP-compliant and MSCOA-aligned asset register and provision of an electronic management system for a period of 36 months is expiring in four months, which is March 12, 2024. The specifications are still to be concluded by the bid specification committee.
- k) Panel of service providers for the provision of town and regional planning services for a period of 36 months as and when required. The contract expires in four months, which is March 23, 2024. The tender closed on November 2, 2023. The project will be prioritized by bid evaluation to ensure the panel is appointed before March 2, 2024.
- l) Appointment of a professional service provider for the provision of fully automated electronic performance management, audit and risk systems, and E-PMS support for a period of 36

months. The contract is expiring in six months, and Section 116 of MFMA Act 56 of 2003 will be implemented due to the training implemented for lower-level performance.

- m) The project for the construction of Mountain View (Mandela Drive) bus route Phase 2 has expired on November 22, 2023.
- n) The project for the construction of the Zakheni bus route (Ward 04) has expired on December 21, 2023. Attached hereto is the contract register as "Annexure F".

## **7. ENVISAGED IMPACT TO MUNICIPALITIES**

Poor service delivery

## **8. STAKEHOLDERS CONSULTED**

User department

## **9. HUMAN RESOURCE IMPLICATIONS**

None.

## **10. LEGAL IMPLICATIONS**

Contravening of Section 217 Constitution, Local Government Municipal Finance Management Regulations (Section 6.3) and the Municipal systems act (act 32 of 2000) section 21A.

## **11. OTHER IMPLICATIONS**

Potential community protests.

## **12. RECOMMENDATIONS**

**It is therefore recommended:**

- 12.1 That the Supply Chain Management second quarter Report for the quarter ending **31<sup>th</sup> December 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. Attached hereto as Annexure “A” is the list of all transactions from October 1, 2023, to December 31, 2023.to be considered by council.
- 12.2 That the procurement of goods and services through competitive bidding report (Tender register) from October 1, 2023, to December 31, be considered by council in terms of Section 19 o of the Local Government: Municipal Finance Management Regulations published in terms of Act No. 56 of 2003. Attached hereto as “Annexure **B**”
- 12.3 That the Supply Chain Management Deviations report amounting to **R4 569 580.16 as at December 31, 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. Attached hereto as “**Annexure C**”
- 12.4 That the Supply Chain Management irregular expenditure report amounting to **R3 149 707.42 as at December 31, 2023** be considered as per section 32 (5) of the Local Government: Municipal Finance Management Act published in terms of Act No. 56 of 2003. Attached hereto as “**Annexure D**”
- 12.5 That the Supply Chain Management Fruitless and wasteful expenditure report amounting to **R0.00 as at December 31, 2023** be considered as per section 32 (5) of the Local Government: Municipal Finance Management Act published in terms of Act No. 56 of 2003.
- 12.6 That the Supply Chain Management Unauthorised expenditure report amounting to **R0.00 as at December 31, 2023** be considered as per section 32 (5) of the Local Government: Municipal Finance Management Act published in terms of Act No. 56 of 2003.
- 12.7 That the Supply Chain Management Procurement plan progress report as at December 31, 2023 be considered as per circular no. 62 of the Local Government: Municipal Finance Management Act published in terms of Act No. 56 of 2003. Attached hereto as “**Annexure E**”.

- 12.8. That the Supply Chain Management consolidated contract register report as at December 31, 2023 be considered as per circular no. 35 of the Local Government: Municipal Finance Management Act published in terms of Act No. 56 of 2003. Attached hereto as “Annexure F”.