|  |  |  |  |
| --- | --- | --- | --- |
| **THLM – MB SECOND QUARTER REPORT ON THE IMPLEMENTATION OF THE SUPPLY CHAIN MANAGEMENT POLICY FOR THE MONTH ENDING DECEMBER 31ST, 2024** | | | |
| **REPORT OF THE MUNICIPAL MANAGER** | | | |
|  | **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 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.  **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–R300 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” is the list of all transactions from October 1st, 2024, to December 31st, 2024. The total purchase orders issued for the quarter, excluding the contracted services, amount to **R1 858 047.32**   |  |  | | --- | --- | | **Threshold** | **Rand value of the awards** | | R1 – R300 000.00 (October 2024) | R 786,678.86 | | R1 – R300 000.00 (November 2024) | R 835,449.76 | | R1 – R300 000.00 (December 2024) | R 235,918.70 | | Total | **R1,858,047.32**  8290564.9 |   Attached hereto as Annexure “B” is the list of all transactions from October 1 ,2024 to December 31st, 2024, for contracted services (competitive bidding process) that were issued through purchase orders as and when required amount to **R 8,137,059.65**   |  |  | | --- | --- | | **Threshold** | **Rand value of the awards** | | R1 – R300 000.00 (October 2024) | R 3,879,223.31 | | R1 – R300 000.00 (November 2024) | R 3,613,707.24 | | R1 – R300 000.00 (December 2024) | R 644,129.10 | | **Total** | **R8,137,059.65** | | | |
| **6.2 COMPETITIVE BIDDING** The municipality is only allowed to acquire goods and services through a competitive bidding procedure for transactions that exceed a value of R300,000.00, including VAT, and for long-term contracts. The municipality appointed a total of ten contractors and nineteen service providers. Where in eleven are local contractors and service providers.Attached is detailed list of contractors, consultants and suppliers of material (Tender Register) as of December 31st, 2024.**6.3 DEVIATION FROM, AND RATIFICATION OF MINOR BREACH PROCUREMENT PROCESSES (REGULATIONS 36)**  The accounting officer by passed the regular procurement methods outlined in the policy and instead obtained the necessary goods and services using Regulation 36 of the MFMA Act 53, 2003. The cumulative figure as of December 31st amounts to R 259 985.51. The municipality processed thirty-three deviations totaling R259 985.51 from July 1st to December 31, 2024. This amount includes two radio slot Ikutani and Flare FM for the purpose of providing leads for Mayoral Imbizo, as well as eight for CIGFARO, IIA and CIAGOL conferences. The Deviations Register is attached herewith, labeled "Annexure C." | |
|  | **6.4 UNAUTHORISED EXPENDITURE**  For the first quarter unauthorised expenditures for the 2024–2025 financial year. The municipality did not incur any unauthorised expenditures.  **6.5 FRUITLESS EXPENDITURE**  For the first quarter, fruitless and wasteful expenditures for the 2024–2025 financial year. The municipality did not incur any fruitless or wasteful expenditures. However, the opening balance of fruitless and wasteful expenditure amount to R4 421,892.00.  **6.6 IRREGULAR EXPENDITURE**  The municipality's irregular expenditure resulted from findings made in the previous budget year as a result of implementing SCM Regulation 32 instead of the competitive bidding process for leasing the municipal fleet. The last trench of the fleet from Bidvest was collected on June 30, 2024, thus the municipality will incur mileage expenses. Additionally, after the assessment of damages, the company will send an invoice for those damages, which will be reported in the second quarter. The total amount of irregular spending from July 1, 2024, to October 31st, 2024, is R 67,349.60 (Exclusive VAT) which is because of applying SCM Regulation 32 instead of the competitive bidding process for leasing the municipal fleet. The assessment of the car after the contract expired is what led to the R67 349.60 expense.  The opening balance of irregular expenditure amount to R17 080,351 as of 1st July 2024 plus the second quarter expenditure as of December 31st, 2024, amount R67 349.60 and the closing balance amount to R17 147 700.60. Enclosed herewith is Annexure "C" detailing the irregular expenditure.  **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 300 000.00 (inclusive of applicable taxes). The accounting officer must approve the plan. Attached hereto is the Procurement Plan Progress Report as December 31st, 2024 “**Annexure E”**  The infrastructure projects listed below must be implemented in terms of the procurement plan before the end of the financial year 2024/2025 depending on available saving on other projects.   |  |  |  | | --- | --- | --- | | **Item** | **Project Description** | **Responsible department** | |  | Construction of Verena A- D Bus Route | Technical Services | |  | Construction of bus and taxi road Msholozi Ward 4 | Technical Services | |  | Construction of Water Infrastructure Mahlabathini Ward 32 (Multiyear project) | Technical Services | |  | Construction of bus and taxi roads at Boekenhouthoek (Muhlamunyane Road) Ward 24 | Technical Services |   **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 of 31st December 2024 as **Annexure “F”.**  The register is separated into three sheets: the first sheet contains all active contracts, the second sheet contains contracts that will expire in six months, and the final page contains expired contracts.   1. The contract register contains two hundred and four (205) active contracts for operational and infrastructure projects, allowing the municipality to achieve its mission of improving the lives of our residents via equitable, sustainable service delivery and economic development. 2. Upgrading of Sheldon Water Infrastructure- Ward 14 project the project is completed. 3. Appointment for a panel of service providers to provide financial advisory and debt collection services for a period of 36 months the contract expired on 29th December 2024. 4. Appointment for a professional service provider to provide data management solutions and verifications system for a period of 36 months is expiring in three months. Evaluation process concluded and the project is recommended for re-advert. Project to be re-advertised after the 15th of January 2025. 5. Provision of leasing and maintenance of photocopier machines and supply and delivery of related products for a period of 36 months the project is expiring on the 2 January 2025. However, the tender process has been concluded and appointment has been issued.   **7. ENVISAGED IMPACT TO MUNICIPALITIES**  Poor Services 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 first quarter report for the quarter ending **31st December 2024,** 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 2024 to December 31st, 2024, to be considered by council. | |  |  | | | |
|  | |  |  | | --- | --- | | 12.2 | That the procurement of goods and services through competitive bidding report (Tender register) as of 31st December 2024, 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 **R259 985.51**  **as at December 31, 2024,** 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  12.5  12.6  12.7 | That the Supply Chain Management irregular expenditure report amounting to  **R67,349.60** as **at December 31, 2024,** 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**”  That the Supply Chain Management Fruitless and wasteful expenditure report amounting to **R0.00 as at December 31, 2024** be considered as per section 32 (5) of the Local Government: Municipal Finance Management Act published in terms of Act No. 56 of 2003.  That the Supply Chain Management Unauthorised expenditure report amounting to **R0.00 as at December, 2024** be considered as per section 32 (5) of the Local Government: Municipal Finance Management Act published in terms of Act No. 56 of 2003.  That the Supply Chain Management Procurement plan progress report as at September 30, 2024 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”** | | | |

* 1. That the Supply Chain Management consolidated contract register report as at December 31, 2024 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”**.