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| **THLM – MB THIRD QUARTER REPORT ON THE IMPLEMENTATION OF THE SUPPLY CHAIN MANAGEMENT POLICY FOR THE MONTH ENDING MARCH 31 ,2024** | | | |
| **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. | | |
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|  | **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 1” is the list of all transactions from January 1, 2024, to March 31, 2024. The total purchase orders issued for the quarter, excluding the contracted services, amount to   |  |  | | --- | --- | | **Threshold** | **Rand value of the awards** | | R1 – R200 000.00 (January 2024) | R 238 411.95 | | R1 – R200 000.00 (February 2024) | R 744 232.95 | | R1 – R200 000.00 (March 2024) | R 264 625.53 | | **Total** | **R 1 247 270.43** |   Attached hereto as Annexure “A” is the list of all transactions from January 1 ,2024 to March 31, 2024, for contracted services (competitive bidding process) that were issued through purchase orders as and when required amount to R**812 861.26**   |  |  | | --- | --- | | **Threshold** | **Rand value of the awards** | | R1 – R200 000.00 (January 2024) | | R 612 861.26 | | R1 – R200 000.00 (February 2024) | | R 200 000.00 | | R1 – R200 000.00 (March 2024) | | R 0,00 | | **Total** | | **R 812 861.26** | | | |
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| **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 forty-two contractors, service providers, and consultants from July 1st to March 31, 2024. Out of these, twenty-nine are local service providers and contractors. The municipality enhanced its internal control measures to prevent the recurrence of the issues identified by the Auditor General during the audit of the 2022-2023 financial year in the subsequent audit of 2023-2024, as stated in "Annexure B.".**6.3 DEVIATION FROM, AND RATIFICATION OF MINOR BREACHE PROCUREMENT**  **PROCESSES (REGULATIONS 36)**  The accounting officer bypassed 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 March 31st amounts to R4 860 767.44. The municipality processed eleven deviations totaling R264,187.26 from January 1st to March 31, 2024. This amount includes two for repairs and maintenance on the white and yellow fleet, as well as nine for CIGFARO, CMAM, and CIAGOL conferences. The Deviations Register is attached herewith, labeled "Annexure C." |
|  | **6.4 UNAUTHORISED EXPENDITURE**  For the third quarter unauthorised expenditures for the 2023–2024 financial year. The municipality did not incur any fruitless or wasteful expenditures.  **6.5 FRUITLESS EXPENDITURE**  For the third quarter, fruitless and wasteful expenditures for the 2023–2024 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 Audit 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 total amount of irregular spending from July 1, 2023, to March 31, 2024, is  R3 645 293.53 (without VAT). The irregular expenditure for the quarter amounts to R920,074.29 due to contract termination on December 31, 2023. The municipality has formulated a strategy to decrease irregular expenditure by 75% by the conclusion of the 2023–2024 fiscal year, in accordance with the national treasury framework applicable to all municipalities. The irregular expenditure is enclosed in the document labeled "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 300 000.00 (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 31st March 2024 as **Annexure “F”** Below are the discussions for contract which expired as 3 2023.   1. Repairs and maintenance of municipal heavy equipment and white plant as and when required for a period of 36 months. The contract ended on January 24, 2024. The specifications has been submitted and dealt with by bid specification committee. The planned date of advert is March 20, 2024. 2. 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 March 12, 2024. The specifications are still to be concluded by the bid specification committee. 3. 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 has ended on March 12, 2024.However the procurement process has been concluded. 4. 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 a one month, and Section 116 of MFMA Act 56 of 2003 has been considered by council and notice for public comments advertised on national newspaper.   **7. ENVISAGED IMPACT TO MUNICIPALITIES** | | |
|  | Poor service delivery | | |
|  | **8. STAKEHOLDERS CONSULTED** | | |
|  | User department | | |
|  | **9. HUMAN RESOURCE IMPLICATIONS** | | |
|  | None.  **10. LEGAL IMPLICATIONS** | | |
|  | 1. Contravening of Section 217 Constitution, Local Government Municipal Finance 2. Management Regulations (Section 6.3) and the Municipal systems act (act 32 of 2000) 3. section 21A.  |  |  | | --- | --- | | **11.** | **OTHER IMPLICATIONS**  Potential community protests. | |  |  | | **12** | **RECOMMENDATIONS** | |  |  | |  | **It is therefore recommended:** | |  |  | | 12.1 | That the Supply Chain Management third quarter report for the quarter ending **31th March 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 January 1, 2024, to March 31, 2024 .to be considered by council. | | | |
|  | |  |  | | --- | --- | | 12.2 | That the procurement of goods and services through competitive bidding report (Tender register) as at 31 March 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 **R4,860,767.44**  **as at March 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  **R3 645 293.53 as at March 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 March 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 March 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 Procurement plan progress report as at March 31, 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 March 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”.