



REPORT TO THE MUNICIPAL COUNCIL

**SUBJECT: OVERSIGHT ROLE OF COUNCIL: IMPLEMENTATION OF SUPPLY CHAIN
MANAGEMENT POLICY IN TERMS OF SECTION 6(1)(3) OF THE MUNICIPAL REGULATIONS FOR
THE FOURTH QUARTER OF THE 2023/2024 FINANCIAL YEAR**

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2. Introduction

In terms of clause 6(1) (3) of the Municipal Supply Chain Regulations, 2005, which deals with the Oversight role of council of a municipality or board of directors of a municipal entity:

- 1) The Council of a Municipality and board of directors of a Municipal Entity must maintain oversight over the implementation of its supply chain management policy.
- 2) 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 the board of directors of the municipal entity.

1. SCM Policy and Procedures

- 1) Review and adoption of Supply Chain Management Policy by Council In terms of Regulation 3(1)(b) of the Supply Chain Management Policy the policy must be reviewed annually, submitted to Council, and adopted. The Supply Chain Management Policy was reviewed and adopted by Council on 31 May 2024.
- 2) All SCM delegations are being followed. Further Regulation 106: Implementation of Local Government Framework for Infrastructure Delivery and Procurement Management (LGFIPDM) does bring another burden on the SCM unit – all capital projects must comply with this regulation from 1 July 2021. This reform is over the whole Municipality but with little assistance the SCM unit is the implementer and the responsible person to implement the project is the Project Manager. This is to ensure that proper planning is done for projects over R50 million, but for best practice the Municipality can use this tool on all projects not depending on the amount.

3. Function of the SCM unit

- a) All staff in the Unit declared their interest for the 2023/2024 financial year.
- b) All SCM staff signed the Code of Conduct.
- c) Capacity **of SCM unit**

The SCM unit comprises of:

- Manager: Supply Chain Management & Expenditure (N. Bothma)
- Head: Assets and Supply Chain Management (Shaun Wilschut)
- Accountant: Supply Chain Management (Revedy- Lavern Hendricks)
- Assistant Accountant : Assets and Insurance (Johannes Coetzee)
- Supervisor : Stores (Leighton Donkerman)
- Buyer: SCM- Stores (Casey- Lee Smit)

- Chief Clerk: Assets and Insurance (Urlston Van Wyk)
- Senior Clerk: Assets and Insurance (Kirwan Klaase)
- Administrator: Supply Chain Management (Vacant)
- Principal Clerk: SCM (Coellin Julius)
- Senior Worker: Stores PB (H. P. Van Wyk)
- Senior Worker: Stores PV (Geraldine Sofat)
- Senior Worker: Stores VD (Alfonso de Klerk)
- General Assistant: Stores PB (Orelia Turner)
- Administrator: Contract Management (Vacant)- **critical position.**
- Interns - We currently have a shortfall of three financial interns.
- The approved organogram makes provision for unfunded posts. It is critical that Council should make funds available to fund the Administrator: Contract Management position since this is a focus area of the AG. Cognisance should be taken that all though two additional posts were funded, the organogram must be reviewed on an annual basis to build the SCM unit to full capacity to ensure:
- ***Further it is urgently needed to consider the filling of buyer's positions, Council can consider moving current buyers in the different departments to the Supply Chain Unit to centralize all purchases.***
- Furthermore, it must be noted that the organogram must be approved, it is sent to the Directors meeting for recommendation.
 - i. A clean audit in terms of compliance in terms of the Regulations.
 - ii. To comply with Section 115(1) (b) Local Government: Municipal Finance Management Act (Act no 56 of 2003) with regards to segregation of duties in the SCM system to minimize the likelihood of fraud, corruption, favouritism and unfair and irregular practices; and
 - iii. To put the necessary levels of control in place (auditing of documents and authorization of orders, etc.)

Centralization of functions must still take place, and this puts an additional burden on existing structure to comply with the following SCM regulations. The following aspects must be addressed with the appointment of officials during 2024/2025.

- (i) Regulation 10 (Demand Management) – this will be addressed with the filling of the vacancies, but not to a point where centralization can take place.
- (ii) Regulation 41 (Risk Management) – this will be addressed with the filling of the Vacancies; and
- (iii) Regulation 42 (Performance Management) - this will be addressed with the filling of the vacancies.

Provision was made for additional capacity during the annual review of the approval of the Organogram for the 2023/2024 to appoint officials to perform the following functions:

- (i) Regulation 39 (Logistics Management)
- (ii) Regulation 40 (Disposal Management)
- (iii) Critical additional officials must be appointed to perform functions regarding best new governance practices implemented such as “local content and production”, irregular-

Fruitless- and wasteful expenditure as well as unauthorized expenditure, and we are currently rolling out the electronic requisition system to all Department. This process is being phased out department by department.

4. Function of the Bid Committees

Formal Tenders Awarded: Competitive Bidding for all Contracts valued more than R30 000

The competitive bidding process and bid committee structures are functioning effectively. The Bid Committees are composed of the following members:

#	Committee	Composition & Function
1.	Bid Specification Committee- BSC	The project manager and a Senior SCM Practitioner- Considers tender specifications and approve and recommend for approval to the HOD
2.	Bid Evaluation Committee- BEC	The project manager, a Senior SCM Practitioner and any other Manager- Considers tender evaluation reports and makes recommendations to the BAC
3.	Bid Adjudication Committee- BAC	At least 4 directors and a Senior SCM Practitioner, with the CFO as Chairperson. (Not the same SCM Practitioner as BEC)- Considers recommendations from the BEC and make awards or recommend to the MM to award the tender. The Municipality follows the principle of a quorum 50% plus 1 to consider tenders.

Members of the bid committees are required to declare to undertake the following:

That all information, documentation, and decisions regarding any matter before the committee is confidential and undertakes not to make known anything in this regard.

To treat all service providers and potential service providers equitably and will not purposefully favour or prejudice anybody; and

To make known details of any private or business interest he or she or any close family member, partner or associate may have in any proposed procurement or disposal of, or in any award or contract that they will immediately withdraw from participating in any matter whatsoever.

The Auditor General has identified businesses that have directors, etc., who are currently in service of the state. Monthly the Payroll is submitted to National Treasury regarding update the employees in service of the state. All

Councillors and Staff must declare all their businesses and relationships with businesses if it should change during the financial year.

Name	Name	Government Department	Occupation	Town	Payments Made YTD 2023/2024
Shekinal at ur service	Henry Paul van Wyk	Bergrivier Municipality	Storeman	Piketberg	R 3 200,00
Carien van Wyk	Henry Paul van Wyk	Bergrivier Municipality	Storeman	Piketberg	R 14 200,00
Dinah Traders	Nicholas Hendricks	WCED	Cleaner	Eendekuil	R 72 311,39
WRP Consulting Eng	Katlego Mamphitha	SABC	System admin	Cape Town	R 4 140,00
Pison Hawila Construction	Garth Scheepers	Bergrivier Municipality	Law enforcement officer	Piketberg	R 344 266,14
Pison Hawila Construction	Randall Swarts	Bergrivier Municipality	Speaker	Piketberg	R 344 266,14
Mubesko	Litzie Saaiman	WCED	Curriculum Advisor	NC	R 1 994 932,35
Mubesko	Janine Niehaus	Northern Cape Health Dept	Dietician	WC	R 1 994 932,35
TTR	N.Matube	WCLA	Finance clerk	WC	R 445 190,17
Van der Spuy en Vennote	Mariaan van Zyl	WCED	Head Mistress	Paarl	R 44 406,08
JJJ Enterprise	Shantelle Kotze	Cederberg Municipality	Natis Clerc	Clanwilliam	R 22 919,71
JC Refrigeration Cape	Hayline Esterhuizen	Stikland	Captain at SAPS	Stikland	R 131 305,85

The members of the Bid Committees have duly undertaken to uphold confidentiality, to be fair in all dealings and to declare their personal interests, if any. None of the members had conflicts of interest to declare.

The awards made by bid committees or the delegated officials are valued to the amount of **R22 586 446.47** formal tenders awarded, excluding the rates tenders.

24 Tenders Awarded between 01 July 2023 and 30 June 2024 were awards to the amount of **R22 586 446.47** with fourteen (14) rates-based tenders.

4 awards to Piketberg service providers and 0 to Porterville. 0 to Velddrif 0 to Eendekuil, 0 to Redelinghuis, 0 to Aurora for to service provider inside Bergrivier Municipality.

39 Formal Quotations were awarded between July 2023 and 31 June 2024 and were inclusive of 4 awards to Piketberg, 0 to Porterville. 0 to Velddrif, 2 to Goedverwacht, 0 to Eendekuil service providers and 5 rate-based Quotations to service providers inside Bergrivier Municipality. The value of the Formal Quotations was **R1 084 300.08 excluding 24 rates-based quotations.**

All tenders are opened to the public, and the results of the opening are recorded in a Bid Opening Register and placed on the Municipal Website.

Council also requires statistical information regarding the time taken to process a tender in terms of the SCM Policy in in line with the following criteria:

The SCM unit changed the evaluation process, and the results can be seen in the table below – the turnover days are much shorter than before.

Description of Measurement Criteria per Tender	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Average Calendar Days from Bid Specification Committee (BSC) to Bid Adjudication Committee (BAC)- Full Procurement Cycle	103.5	100	97	57
Average Calendar Days from Tender Advertisement Date to BAC	96.8	92	88	48
Average Calendar Days from Tender Closing Date to BAC	70	68	62	27
Average Calendar Days from Tender Closing Date to BEC- Tender Evaluation	53.3	40	36	18
Tender with Fastest Procurement Process: BSC to BAC	65	71	49	57
Tender with Longest Procurement Process: BSC to BAC	184	119	91	57

5. Deviations from the SCM Policy

Section 36(1) of Council's Supply Chain Management Policy allows the Accounting Officer to dispense with the official procurement processes under certain circumstances. During the 1 July 2023 and 31 June 2024, **6** deviations to the total amount of **R2 042 603.31** was considered as per **delegation provided by the SCM Policy**. Deviations are considered and approved in line with Section 36(1) (a) (i), (ii) & (v) of the Bergivier SCM Policy.

Month	Total	Emergency	Impossible / Impractical / Exceptional Case	Sole Provider	
July	Zero	Zero	Zero	Zero	
August	Zero	Zero	Zero	Zero	
September	R72 823	R72 823	Zero	Zero	
October	Zero	Zero	Zero	Zero	
November	R466 606	Zero	R466 606	Zero	
December	R305 985	Zero	R305 985	Zero	
January 2024	Zero	Zero	Zero	Zero	
February	Zero	Zero	Zero	Zero	
March	R193 724	Zero	R193 724	Zero	
April 2024	R1 003 464	Zero	Zero	R1 003 464	
May 2024	Zero	Zero	Zero	Zero	
June 2024	Zero	Zero	Zero	Zero	
TOTAL	R2 042 603	R72 823	R966 316	R1 003 464	
Departments	Community	Finance	Corporate	Technical	Municipal Manager
July	N/a	N/a	N/a	N/a	N/a
August	N/a	N/a	N/a	N/a	N/a
September	N/a	N/a	N/a	R72 823.01	N/a
October	N/a	N/a	N/a	N/a	N/a
November	N/a	N/a	N/a	R466 606.75	N/a
December	R305 985.20	N/a	n/a	N/a	N/a

January 2024	N/a	N/a	N/a	N/a	N/a
February	N/a	N/a	N/a	N/a	N/a
March	R73 835.75	N/a	N/a	R119 888.60	N/a
April	N/a	N/a	R1 003 464.00	N/a	N/a
May	N/a	N/a	N/a	N/a	N/a
June	N/a	N/a	N/a	N/a	N/a
TOTALS	R379 820.95	N/a	R1 003 464.00	R659 318.36	N/a

6. Reporting on Regulation 32

There were no section 32 appointments

7. Reporting on the Central Supplier Database (CSD)

The CSD is sometimes offline and will hamper the SCM Unit to do an order, or Suppliers do not update their information regularly. The SCM unit did place an advertisement to request Suppliers to regularly update their information on CSD.

The unit also provide assistance to Suppliers that struggle to register.

8. Reporting on Regulation 33

The bid documentation, evaluation and adjudication criteria and general conditions of a contract must be in accordance with applicable legislation. There were no section 33 applications for the year from July 2023 to June 2024.

9. Reporting on the Procurement Plan

The Procurement Plan is a challenge due to the fact that Procurement Plans are not submitted with the Budget Process. Departments do not follow the due dates submitted, but for the 2023/2024 fiscal year the Procurement Plan will be submitted monthly to the Chairpersons of the different Standing Committees of Council.

Another suggestion is that all capital projects should be linked to the SDBIP.

The relevant departments gave the dates to SCM on the Procurement Plan when processes will start but did not adhere to the dates.

As at 30 June 2024 the following milestones were reached by the various departments, but the unbundling must still be finalised and can have an impact on the percentage spending.

Municipal Manager and Mayor's office – 100%

Strategic Services – 65%

Financial Services – 100%

Technical Services – 95%

Community Services – 87%

Corporate Services – 97%

10. Variation orders within 1 to 20%

The following variation orders for the period was approved:

No	Tender/ FQ Number	Tender Awarded	Amount Requested	% Exceed	Service Provider Name	Approved	Period
1	8/3/31- 2023	27/03/2024	R 637 100.00	20%	Turboseal Services	Yes	2023/2024
2	8/3/32- 2023	11/01/2024	R 468 493.13	2.80%	Hiload Inyanga Construction	Yes	2023/2024
3	8/3/2- 2023	16/05/2023	R 400 442.30	8.50%	Boulo Electrical	Yes	2023/2024
			R 34 500.00		Neil Lyners	Yes	2023/2024

11. Municipality Website

All Bids, formal written quotations awarded and purchases above R100 000 are published monthly on the Bergrivier website.

The Service Level Agreement Register is published monthly on the Bergrivier website.

The Contract Register is published monthly on the Bergrivier website.

The monthly Supply Chain Management report is published on the Bergrivier website.

12. Unsolicited bids

There were no unsolicited bids for the period 1 July 2023 to 31 June 2024.

13. E-Tender Portal

The e-tender portal is from time to time offline, but due to resource constraints no tenders are published on the e-portal.

14. Irregular, Fruitless and Wasteful expenditure

Section 32(1) (c) of the Municipal Finance Management Act (MFMA) determines that any political office-bearer or official of a municipality who deliberately or negligently committed, made, or authorised an irregular expenditure, is liable for that expenditure.

Section 32(2)(b) of the MFMA further determines that a municipality must recover irregular expenditure from the person liable for that irregular expenditure unless the irregular expenditure, after investigation by a committee of council, is certified by the council as irrecoverable and to be written-off.

Bergrivier SCM Policy section 36(3) prescribes that all identified possible unauthorised, irregular, fruitless and wasteful expenditure (UIFWE) must be referred to Municipal Public Accounts Committee (MPAC) for investigation and MPAC must make recommendations with exceptions of minor breaches ratified by the Accounting Officer. Thus, by legislation irregular expenditure must be disclosed in Annual Financial Statements (AFS). If not certified by Council to be written off the closing balance will lead to an audit exception, that if material in nature. Further it could lead

To a qualified audit outcome.

For the period July 2023 to June 2024 there was the following matters reported:

Payment Number	Amount	Description of Incident			IRREXP	Approved by Council
1	R 104 614,54	Netstar	Technical services	- 104 614,54	x	x
2	R 65 000,00	Repairs to Akacia Swimming Pool	Community Services	-65 000,00	x	x
3	R 901 009,74	New regulation on SCM published on 14/12/2023. Transactions in breach	Whole of Bergrivier	-901 009,74	x	x
4	R 131 306,00	COMAF 2 - Irregular expenditure	Strategic Services	-131 306,00	x	x
	1 201 930,28			-1 201 930,28		

15. Virements

Reporting of virements for the financial year 2023-2024 for the months from 1 July 2023 to 30 June 2024 below is a total of R32 115 040.00.

Month	Total
July 2023	0
August 2023	R193 000.00
September 2023	R 19 268 079.00
October 2023	R 1 031 267.00
November 2023	R 443 245.00
December 2023	R1 788 393.00
January 2024	0
February 2024	R1 153 091.00
March 2024	R1 528 242.00
April 2024	R 5 454 630.00
May 2024	R 886 303.00
June 2024	R 368 790.00
TOTAAL	R 32 115 040.00

An estimate was made according to different services per town and is now under the housing project per town – and will be allocated after the project is completed according to the bill of quantities.

The store (Logistic) function was transferred to the SCM Unit from 1 July 2024 and we have achieved a lot with the allocated budget.



The following photos indicate the before photos to illustrate the changes.



The following photos indicate the after photos.



16. Establishment of a functional SCM unit

The establishment of a functional SCM unit (centralized or decentralized) will most certainly assist with compliance to legislative requirements, however, the following needs to be considered to ensure effective service delivery to operational departments:

14.1. Establishment or assigning procurement responsibilities to appropriate persons. Operational departments will then only submit their resource requirements as per an approved requisition.

14.2. Refining of supplier database to include primary and secondary business portfolios.

14.3. Utilization of the current Central Supplier database of National Treasury – all requisitions submitted is being verified.

14.4. Use current item prices as standard prices and refine to align with market related prices.

14.5. Vendor performance criteria should be part of standard SCM documentation highlighting the sanctions for non-compliance. This is done by the User Departments if a Service Level Agreement is in place. The invoice submitted is accompanied with an evaluation sheet that is completed with the confirmation of goods/services received and submitted to the SCM Unit to monitor the performance of Suppliers. **This is still a challenge to receive the evaluations from the user departments but has improved.**

16.6. Assist with reporting templates to ensure synergy in dealing with same matters by different directorates and/or departments.

16.7. Developing standardized specifications for day-to-day material and/or service provider usage.

16.8 A folder was opened on a separate drive that Community and technical services can have access to all tender information, they also must place the site meeting minutes, penalties issued, BOQ, final close-out report etc on this drive.

17. Problem statement

In terms of this report, it can be assumed that there are challenges in the Supply Chain Management processes which are in many instances like the previous financial year. Many of the previous year's recommendations have not been implemented i.e., Contract Management and measuring of the Suppliers/Contractors performance.

Currently the supply chain functions are fragmented through the various departments and not all officials are conversant with the latest legislation and directives of the National Treasury.

It was and is highly recommended that the responsibility and accountability of the supply chain function of purchasing be under the Supply Chain Management Unit to ensure uniform compliance as well as effective delivery, but currently we encounter problems of change management, and some items are budgeted under the various departments, and we cannot procure the items, the procurement is done at various departments.

The biggest concern is that SCM is the control of contract management register, and the Managers are responsible for contract management on projects, but we require normally at year end information and then it is time consuming to collect all information to ensure unbundling is done in time to prepare for financial statements. (This is why we opened a share drive that is not used by all departments to save their information relating to projects).

Procurement processes were done very late in the financial year – and we have no control over the market, and we do not know if we will always get responsive bidders. Therefore, it is recommended that the procurement processes should start in the previous financial year.

18. Cost containment

In terms of Regulation 15(2) of the Municipal Cost Containment the Municipality does report in the Section 52 quarterly report on the savings due to cost containment measures.

19. Recommendation

1. That Council consider and take note of the Supply Chain Management implementation report for the period 1 July 2023 to 30 June 2024 representing the fourth quarter of the 2023/2024 financial year. (The report is accumulative from 1 July 2023).
2. That the report be made public in accordance with section 21A of the Municipal Systems Act.