KAROO HOOGLAND MUNICIPALITY NC066

SUPPLY CHAIN MANAGEMENT IMPLEMENTATION REPORT

SUPPLY CHAIN MANAGEMENT PERFORMANCE QUARTERLY REPORTING

2nd QUARTER

PERIOD : 1 OCTOBER 2024 – 31 DECEMBER 2024

Compiled by :	**G VERMEULEN** **ACCOUNTANT: EXPENDITURE & SCM**
Signed Off by :	**SJ MYBURGH** **CFO**
Date:	**31 DECEMBER 2024**

1. PURPOSE

The purpose of this report is to inform the Finance Committee/Mayor, as per **SCM Regulation 6 issued in terms of the MFMA**, on the performance of the Supply Chain Management Division for the 2nd Quarter of 2024/2025 financial year.

2. STRATEGIC OBJECTIVE

Ensure responsive and accountable governance (Per IDP)

This goal relates directly to the ***National Outcome 9*** *which is: A responsive, accountable, effective and efficient local government system. Under this outcome, outputs 1 and 6: Administrative and financial capability as well as Implement a differentiated approach to municipal financing, planning and support relate directly to the goal under discussion.*

KPA 3 FINANCIAL VIABILITY

Programme 24: SCM

Programme/Function	Supply Chain Management
Programme Objective Outcome	Improve financial sustainability.
Short Term Strategies (1-2 Years)	Implementation of documented departmental procurement Compliance with supply chain management acts and regulations Implementation of proper documents management system Compliance with asset management policy
Medium Term Strategies (3-4 Years)	Introduction of the system where prospective supplier database is rotated Implementation of documented departmental procurement Compliance with supply chain management acts and regulations Implementation of proper documents management system Compliance with asset management policy
Long Term Strategies (5 Years)	Implementation of documented departmental procurement

3. BACKGROUND & LEGISLATION & COMPLIANCE

The Supply Chain Regulations, 2005 (published in terms of section 168 of the Local Government: Municipal Finance Management Act 56 of 2003, by Government Gazette Notice 868 of 2005) states the following:

OVERSIGHT ROLE COUNCIL OF MUNICIPALITY

Section 6 (1) of the Municipal Supply Chain Regulation states:
"The council of a municipality must maintain oversight over the implementation of its supply chain management."

Section 6 (2) of the Municipal Supply Chain Regulation states:
For the purpose of such oversight the accounting officer must-

a) *(i) "Within **30 days of the end of each financial year**, submit a report on the implementation of the supply chain management policy of the municipality and of any municipal entity under its sole or shared control, to the council of the municipality" and*

(ii) when-ever there are serious and material problems in the implementation of this policy, immediately submit a report to the council.

(iii) 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.

(iv) The reports must be made public in accordance with section 21A of the Municipal Systems Act.

Local Government: Municipal Finance Management Act, Nr. 56 of 2003

In terms of section 62(1)(f)(iv) of the MFMA the Accounting Officer is responsible for managing the financial administration of the municipality and must for this purpose take all reasonable steps to ensure that a supply chain management policy in accordance with chapter 11 of the Act is drafted and implemented.

✓ **The Karoo Hoogland Municipality has a Supply Chain Management Policy in place. (approved by Council: 2nd approval July 2024 and 2nd approval September 2024)**

Section 65 of the MFMA requires the Accounting Officer to take reasonable steps to ensure that the municipality's supply chain management policy is implemented in a way that is fair, equitable, transparent, competitive and cost-effective.

*The Accounting Officer is required in terms of section 73 of the MFMA to report to Provincial Treasury in writing of **any failure by Council** to adopt or implement a supply chain management policy and any non-compliance therewith.*

The CFO is required in terms of section 81 to perform supply chain management as delegated to him/her by the Accounting Officer.
The following Sub-delegations have been made from the CFO to the following personnel to perform supply chain management duties:

- *G Vermeulen*
- *C Erasmus*
- *HG Louw*
- *W Malgas*
- *A Haas*

The process for competitive bidding are described according to National Standards in the SCM policy and have been dealt with accordingly. Procedures are in place to upload the opening of the bids register onto the website within 5 days of the opening to ensure a transparent process. All bid documentation are advertised on the E-Tender portal as well as on the CIDB (i-Tender) website where applicable. *(Technical problems with the E-tender portal occurred during the 2nd Quarter of 2024/2025)* Procedures and mechanisms are in place for the evaluation of bids to ensure best value for money and the negotiating of the final terms of a contract. All submitted bidding documents went through the bid evaluation and the bid adjudication committee and to the Accounting Officer for final award. Screening processes and security clearances for prospective contractors on tenders or other bids above a prescribed value as stipulated in the Regulations and addressed accordingly.

- Compulsory disclosure of any conflicts of interested prospective contractors may have in specific tenders and the exclusion of such prospective contractors from those tenders or bids.
- Participation in the supply chain management system of persons who are not officials of the municipality is subject to section 117 of the MFMA.
- The barring of persons from participating in tendering or other bidding processes, including persons:
    - who were convicted for fraud or corruption during the past five years;
    - who wilfully neglected, reneged on or failed to comply with a government contract during the past five years; or
    - whose tax matters are not cleared by South African Revenue Service (SARS).

- Measures for:
    - combating fraud, corruption, favouritism and unfair and irregular practices in municipal supply chain management; and
    - Promoting ethics of officials and other role players involved in municipal supply chain management.
- The invalidation of recommendations or Junchisio's that were unlawfully or improperly made, taken or influenced, including recommendations or Junchisio's that were made, taken or in any way influenced by—
    - councillors in contravention of item 5 or 6 of the Code of Conduct for Councillors set out in Schedule 1 to the Municipal Systems Act; or
    - Municipal officials in contravention of item 4 or 5 of the Code of Conduct for Municipal Staff Members set out in Schedule 2 to the Municipal Systems Act.
- The procurement of goods and services by the municipality through contracts procured by other organs of state.
- Contract management and dispute settling procedures was in place.
- The delegation of municipal supply chain management powers and duties, including to officials.

In terms of section 113 a municipality is not obliged to consider **an unsolicited bid** received outside its normal bidding process. If a municipality Junchides to consider an unsolicited bid received outside a normal bidding process, it may do so only in accordance with a prescribed framework which must strictly regulate and limit the power of the municipality to approve unsolicited bids received outside their normal tendering or other bidding processes.

No unsolicited bids were received in the quarter under review.

Section 114 requires the Accounting Officer to report to the Auditor-General, Provincial Treasury and National Treasury in writing the **reasons for deviating** from the recommendation in the event that a tender other than the one recommended in the normal course of implementing the supply chain management policy is approved.

No such deviations with regards to tenders took place in the quarter under review.

Section 115 requires that the accounting officer implements the supply chain management policy and take all reasonable steps to ensure that proper mechanisms and separation of duties in the supply chain management system are in place to minimize the likelihood of fraud, corruption, favouritism and unfair and irregular practices. No person may impede the accounting officer in fulfilling this responsibility.
Section 116(1) stipulates that a contract or agreement procured through the supply chain management system must:

- be in writing;
- 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;
    - dispute resolution mechanisms to settle disputes between the parties;
    - a periodic review of the contract or agreement once every three years in the case of a contract or agreement for longer than three years; and
    - any other matters that may be prescribed.

In terms of section 116(2) the accounting officer must:

- take all reasonable steps to ensure that a contract or agreement procured through the supply chain management policy is properly enforced;
- monitor on a monthly basis the performance of the contractor under the contract or agreement;
- establish capacity in the administration of the municipality:
    - to assist the accounting officer in carrying out the aforementioned duties; and
    - to oversee the day-to-day management of the contract or agreement; and
- Regularly report to Council on the management of the contract or agreement and the performance of the contractor.

In terms of section 116(3) a contract or agreement procured through the supply chain management policy of the municipality **may be amended** by the parties, but only after the reasons for the proposed amendment **have been tabled in Council** and the **local community has been given reasonable notice of the intention** to amend the contract or agreement and has been invited to submit representations to the municipality.

Section 117 bars all Councillors from serving on municipal tender committees as member and from attending any adjudication meeting as observer, be it for the evaluation and approval of tenders, quotations, contracts or other bids.

No Councillors serve on a municipal tender committee as a member during the quarter under review.

Section 118 prohibits any person from interfering with the supply chain management of a municipality or amend or tamper with any tenders, quotations, contracts or bids after their submission.

No interference or tampering took place.

Section 119 requires that the accounting officer and all other officials involved in the implementation of the supply chain management policy must meet the prescribed competency levels, and for this purpose the municipality must provide the resources or opportunities for the training of those officials. Training assistance may be provided by NT and PT.

4. DISCUSSION

4.1. AWARD STRUCTURES

4.1.1 PROCUREMENT THRESHOLDS AS PER POLICY

The following thresholds are currently being adhered to in order to support the strategic and operational commitment of Karoo Hoogland Municipality

(a) PETTY CASH PURCHASES

Petty Cash will no longer be used from 1 July 2024.

(b) WRITTEN PRICE QUOTATIONS

Goods and services are procured by way of written price quotations for a transaction value over R0.00 up to R30 000.00 (VAT Included).

(c) FORMAL WRITTEN PRICE QUOTATIONS

Goods and services are procured by way of competitive quotations for procurements of transaction values over R30 000.00 up to R300 000.00 (VAT included).

(d) A COMPETITIVE BIDDING PROCESS

Goods and services are procured by way of a competitive bidding process for:

- Procurement above a transaction value of R300 000.00.
- Procurement of long-term contracts.
- Procurement of panels and framework contracts.
- Appointment of consultants.

Prospective bidders may download tender document from the National Treasury e-tender portal and CIDB portal for contracting services. Documents are still sold at the municipality for bidders who prefer manual processes.

(e) DEVIATION FROM, AND RATIFICATION OF MINOR BREACHES OF, PROCUREMENT PROCESS

SCM Regulation 36 of the MFMA Act 56 of 2003 allows the Accounting officer to deviate from normal procurement processes and procure goods and services through any convenient process in line with specified guidelines.

(f) PROCUREMENT OF GOOD AND SERVICES UNDER CONTRACTS SECURED BY OTHER ORGANS OF STATE

SCM Regulation 32 of the MFMA Act 56 of 2003 allows the Accounting Officer to procure goods or services from other organs of state in line with specified guidelines.

(g) UNAUTHORISED, IRREGULAR OR FRUITLESS AND WASTEFUL EXPENDITURE

Section 32 of the MFMA gives guidelines with regards to unauthorised, irregular or fruitless and wasteful expenditure.

(h) APPOINTMENT OF CONSULTANTS

SCM Regulation 35 of the MFMA Act 56 of 2003 set out guidelines for appointment of consultants through a competitive bidding system for any services above R300 000.00.

(i) APPOINTMENT OF PANELS

SCM guide for Accounting Officer of Municipalities and municipal entities issued by National Treasury in 2005 –Section 5.10 give guidelines to the use of panel by the municipality. Panels are appointed through a competitive bidding process.

4.1.2 COMMITTEE SYSTEM FOR COMPETITIVE BIDS

The Bid Committees are appointed by accounting officer in line with the SCM regulation 26 of MFMA, Act 56 of 2003

The bid committee's system for competitive bids comprises of the following:

- Bid specification committee (BSC)- Regulation 27 of the MFMA
- Bid evaluation committee (BEC)- Regulation 28 of the MFMA
- Bid adjudication committee and (BAC) - Regulation 29 of the MFMA.

In the 2nd quarter of the 2024/2025 Financial year the following the SCM committees were appointed:

Bid specifications committee / Section 27

MV Baxter	Officer: Performance Management & Risk (Chairperson)
G Vermeulen	Accountant: Expenditure and SCM
HG Louw	Clerk: Expenditure and SCM (Secretary)
SJ Myburgh	CFO
FJ Lotter	Director: Infrastructure

A bid specification committee must be composed of one or more officials of the Karoo Hoogland municipality, preferably the manager responsible for the function involved, and may, when appropriate, include external specialist advisors

Bid Evaluation committee / Section 28

AC Haas:	Acting BTO (Chairperson)
C Erasmus Clerk:	Expenditure & SCM
LA Januarie	Creditor: Control Officer (Secretary)
C Viljoen	Manager: Admin

A bid evaluation committee must –

(1) (a) evaluate bids in accordance with –

(i) the specifications for a specific procurement; and

(ii) the points system set out in terms of paragraph 27(2)(f).

(b) evaluate each bidder's ability to execute the contract;

(c) check in respect of the recommended bidder whether municipal rates and taxes and municipal service charges are not in arrears, and;

(d) submit to the adjudication committee a report and recommendations regarding the award of the bid or any other related matter.

(2) A bid evaluation committee must as far as possible be composed of-

(a) officials from departments requiring the goods or services; and

(b) at least one Supply Chain Management practitioner of the Karoo Hoogland municipality.

Bid adjudication committee / Section 29

G Vermeulen	Accountant: Expenditure & SCM
SJ Myburgh	CFO (Chairperson)
FJ Lotter	Director: Infrastructure (Senior Manager)
MV Baxter	Officer: Performance Management & Risk (Chairperson)
EMS Skippers	Officer : Administration (Secretary)
A Gibbons	Manager: Community Services

(1) A bid adjudication committee must –

(a) consider the report and recommendations of the bid evaluation committee; and

(b) either –

(i) depending on its delegations, make a final award or a

*recommendation to the **Accounting Officer to make the final award**; or*

(ii) make another recommendation to the Accounting Officer on how to proceed with the relevant procurement.

(2) A bid adjudication committee must consist of at least three/four senior managers of the Karoo Hoogland municipality which must include –

(a) the Chief Financial Officer or, if the Chief Financial Officer is not available, another manager in the budget and treasury office reporting directly to the Chief Financial Officer and designated by the Chief Financial Officer; and
(b) at least one senior Supply Chain Management practitioner who is an official of the Karoo Hoogland municipality; and
(c) a technical expert in the relevant field who is an official, if such an expert exists. Outside technical experts can also be co-opted, they must leave the meeting after advice has been given. Only standing committee members can be involved in final deliberation and recommendations or final approval.

For the purpose of section 29 in terms of the SCM Policy and the SCM Regulations "senior managers" means the next most senior manager's, excluding the mangers serving in on the Bid Evaluation Committee.

(Karoo Hoogland Municipality only has a acting Municipal Manager and a CFO and a Director: Infrastructure. We do not have enough senior managers to attend to this Committee and therefore have to use other senior personnel)

The BAC makes final recommendations to the Accounting Officer for appointment for the purpose of this report, performance from the BAC will be reported on.

BID ADJUDICATION COMMITTEE THRESHOLD

- From R300 000.00 and above

The bid committee system for competitive bidding is consistent with MFMA Act 56 of 2003 (SCM Regulations 27, 28 and 29) PPPFA.

4.1.3 PERFORMANCE OF THE SCM COMMITTEES

BID SPECIFICATION COMMITTEE

The composition thereof is usually made up of officials from the user department, Legal Services and SCM Division. Their meetings are held as and when the Municipal Manager has issued appointment letters for different tender specifications.

For the 2nd Quarter of 2024/2025 financial year, the table below depicts the number of items considered, approved or referred back, etc.

BSC scheduled meetings:

	Oct	Nov	Dec	Total
Approved Specifications	2	0	0	2
Specifications Cancelled	0	0	0	0
Specifications Referred Back	0	0	0	0
No quorum Meetings	0	0	0	0

BID EVALUATION COMMITTEE

The BEC operates the same as the BSC above. The table below shows the number of meetings held, items considered, approved or referred back, etc.
The recommended items are then submitted to the BAC for consideration and approval.

BEC scheduled meeting:

	Oct	**Nov**	**Dec**	**Total**
Recommended for Adjudication	2	1	0	3
Meetings continuing (BEC)	0	1	0	1
No quorum Meetings	0	0	0	0

BID ADJUDICATION COMMITTEE

The BAC meets 3 – 7 days after the BEC to consider the recommendations of the BEC.

BAC Scheduled meetings:

	Oct	**Nov**	**Dec**	**Total**
Meetings that were convened	1	2	1	4
Items Considered	0	0	0	0
Items referred back	0	1	0	1
Approved	1	1	2	4

5. AWARDS FOR THE 2nd Quarter OF 2024/2025 FINANCIAL YEAR

I. Awards from R 0.00 up to R14 999.00

Accumulative Statistics for the 2nd Quarter of 2024/2025 financial year:

Month	How many Awards made	Total R Value of Awards made
October	37	187 453.44
November	16	102 645.56
December	21	122 870.88
Total		**R 412 969.88**

II. Awards from R15 000.00 up to R29 999.00

Accumulative Statistics for the 2nd Quarter of 2024/2025 financial year:

Month	How many Awards made	Total R Value of Awards made
October	9	188 760.13
November	4	83 070.47
December	8	169 256.53
Total		**R 441 087.13**

III. Awards from R30 000.00 and up to R300 000.00

Accumulative Statistics for the 2024/2025 financial year: (R30 000.00 to R300 000.00).

Month	How many Awards made	Total R Value of Awards made
October	7	475 221.56
November	8	1 002 222.42
December	6	735 332.69
Total		**R 2 212 776.67**

6. TENDERS AWARDED 2nd Quarter 2024/2025

Bids awarded by Bid Adjudication Committee (BAC) adjudicates and awards Bid above R300 000.00

ADJUDICATION COMMITTEE DATE	CONTRACT NO	CONTRACT NAME	AMOUNT	PERIOD	CONTRACTOR	AWARDED DATE	APPOINTED DATE	DAYS FROM ADVERTISE TO AWARD
28/10/2024	KHM T003/05/2024	PROCUREMENT OF PROFESSIONAL SERVICE PROVIDERS (PSP) TO SERVE ON PANEL OF PROFESSIONAL CONSULTING ENGINEERS FOR A PERIOD OF THREE (3) YEARS	CONSULTING ENGINEERS	3 YEARS	IX Engineers / AES Consulting / Kazia Engineering / 2MC Consulting Engineers / Neil Lyners & Associates / Letsopa Consulting Engineers / BVI Consulting Engineers / TQM Projects Engineers / AGC Consulting Engineers	29/10/2024	29/10/2024	140 DAYS
14/11/2024	KHM T001/09/2024	SUTHERLAND EMERGENCY BULK WATER SUPPLY – PHASE 2 (BOREHOLE DRILLING)	R2 794 397.65	1 YEAR	STEYNS DRILLING CC	18/11/2024	18/11/2024	54 DAYS
25/11/2024	KHM T001/10/2024 F	REFURBISHMENT OF THE MV & LV – PHASE 5 IIN FRASERBURG	R2 995 554.89	1 YEAR	JT MARITZ ELECTRICAL CC	13/12/2024	13/12/2024	74 DAYS
02/12/2024	KHM T002/10/2024	UPGRADING OF WILLISTON WASTE WATER TREATMENT WORKS	R22 942 958.39	1 YEAR	TM CONSORTIUM	13/12/2024	13/12/2024	49 DAYS

7. DEVIATIONS FROM SUPPLY CHAIN MANAGEMENT PROCESS IN TERMS SCM REGULATION 36 OF MFMA FOR THE 2nd Quarter OF THE 2024/2025 FINANCIAL YEAR

Regulation 36 of the MFMA Act no 56 of 2003: Deviation from, and ratification of minor breaches of, procurement processes

A supply chain management policy allows the accounting officer-

To dispense with the official procurement processes established by the policy and to procure any required goods or services through any convenient process, which may include direct negotiations, but only-

(i) in an emergency
(ii) if such goods and services are produced or available from single provider only
(iii) for the acquisition of special works of art or historical objects where specifications are difficult to compile
(iv) acquisition of animals for zoos
(v) In any other exceptional case where it is impractical or impossible to follow the official procurement processes.

Deviations for the 2nd Quarter of the 2024/2025 financial year

Month	How many Awards made	Total R Value of Awards made
October	8	197 275.90
November	3	48 002.06
December	2	31 761.60
Total		**R 277 039.56**

The list of approved deviations is attached as Annexure A.1, A.2 and A.3

8. REGULATION 17(1) (a) AND (c) OF MFMA ACT NO 56 OF 2003, (R2000- R300 000)

- Strip, quote and repair refers to machinery and equipment and fuel that is given to one supplier. It is impractical to follow the normal procurement process in such instances as it involves dismantling, assessing, quoting and re-assembling. It will be too costly to get more than one company to do the same task as there is high risk (double handle, losing parts, further damaging the equipment etc.)

- It is **impractical to follow the normal procurement process** in such cases as goods and services were produced or available from a sole provider and quotation was advertised for seven days on the website and official notice board, and quotation less than three was received from the service providers.

REG.17 (1) (a)

Contractor Name	Description	Purchase Order Number	Award Date	Award Value	Reason for one quote	Name of Department	CC owner
Williston Vleiskoöperasie BPK	Fuel		31/10/2024	R 37 670.05	Sole Provider This is the only supplier in Williston for fuel	Infrastracture: Water and Sanitation	JN Louw, SP Wilson JM Avenant, JWA Steenkamp, JG Wilson, PC Schoeman
			30/11/2024	R 18 157.03			
			31/12/2024	R 12 872.43			
Fraserburg Landboukoöperasie BKP	Fuel		31/10/2024	R 15 724.72	Sole Provider This is the only supplier in Fraserburg for fuel	Infrastracture: Water and Sanitation	TJ Sept.ais, JP Sieberhagen, CJ Fourie, CG Visagie, JA de Klerk, PJ Le Roux, JB Sept.ais, PJ le Roux, DJ van Wyk, JT Crouse
			30/11/2024	R 14 093.57			
			31/12/2024	R 18 889.17			
Sutherland Landboukoöperasie BKP	Fuel		31/10/2024	R 45 758.41	Sole Provider This is the only supplier in Sutherland for fuel	Infrastracture: Water and Sanitation	JP Visagie, A Vlok, JE van Zyl, JA van der Merwe, EN Basson. A Vlok, ACV van Wyk, CJ Symington, JJ v/d Merwe
			30/11/2024	R 15 751.46			
			31/12/2024	R			
Total				**R 178 916.84**			

REG.17 (1) (c)

Supplier Name	Description	Order Number	Award Date	Award Value	Reason for Reg. 17 (1) C	Name of Department
KAMBRO KIND	ACCOMMODATION	47400	07/10/2024	5 200.00	We did source three quotation, but other guesthouses are fully booked.	FINANCE
LEKA SLAAP-DESERT PALACE	ACCOMMODATION	47505	08/10/2024	4 370.00	We did source three quotation, but other guesthouses are fully booked.	COUNCIL
AFRICA RIVER LODGE	ACCOMMODATION	47504	08/10/2024	2 400.00	We did source three quotation, but other guesthouses are fully booked.	COUNCIL
DR JN LOUW	MEDICAL CHECK-UPS	47253	30/10/2024	9 800.00	Dr. JN Louw is the only Dr. in KHM and the other 2 suppliers did not want to visit the towns	INFRASTRUCTURE
FKB-MUN36	MAINTENANCE VEHICLES	47395	31/10/2024	4 956.86	This is the only supplier in Fraserburg who can repair the vehicle and it would not cost effictive to take the vehicle to a other town for a service.	INFRASTRUCTURE
SOEK 'N SLAPIE	ACCOMMODATION	47578	22/11/2024	2 010.00	3 quotes were requested. 1 supplier was already fully booked and the cheapest of the other 2 was used	INFRASTRUCTURE
BEAUFORT ALARMS CC	MAINTENANCE ALARMS	47555	26/11/2024	9 108.00	We are been in a fix 3years contract with Beaufort Alarms and since the CCTV equipment is their property, we are calling the to repair it.	INFRASTRUCTURE
BEAUFORT ALARMS CC	MAINTENANCE ALARMS	47579	02/12/2024	13 413.65	We are been in a fix 3years contract with Beaufort Alarms and since the CCTV equipment is their property, we are calling the to repair it.	INFRASTRUCTURE
AMANDELBOOM CDC	VENUE	47600	12/12/2024	1 000.00	CDC has all facilities that we need, NG Kerk saal is not on CSD	COUNCIL
WVK-CKHM001	MAINTENANCE VEHICLES	47582	30/11/2024	10 967.08	The tractor must be repaired for service delivery, but must first be checked by a supplier to see what is wrong and therefore it will not be cost-effective to take the tractor to other towns for repair	INFRASTRUCTURE
WVK-CKHM001	MAINTENANCE VEHICLES	47574	30/11/2024	605.32	This is the only supplier in Williston who can repair the truck. The truck must be repaired for service delivery and it will not be cost-effective to take the truck to other towns for repair	INFRASTRUCTURE
DIE NOORDWESTER	ADVERTISEMENT	47599	13/12/2024	2 646.00	Die Noordwester Uitgewers is the only newspaper in KHM area to place advertisments in	FINANCE

THINUS LOUW ELEKTRIES	MAINTENANCE PUMP	47401	12/12/2024	8 804.40	Call out. This is the only person who was available to looked at the fault on the pump and repair.	INFRASTRUCTURE
SLK-2900		47577	30/11/2024	10 781.70	Did source for more quotations, but WVK can't give everthing that we need	INFRASTRUCTURE
FKB-MUN36	MAINTENANCE VEHICLES	47531	30/11/2024	502.78	Ths is the only supplier on CSD in Fraserburg who can repair tires.	INFRASTRUCTURE
FKB-MUN36	MAINTENANCE VEHICLES	47539	30/11/2024	146.51	Ths is the only supplier on CSD in Fraserburg who can repair tires.	INFRASTRUCTURE
LOXTON-BREAK EVEN 1103	MAINTENANCE VEHICLES	47580	06/12/2024	28 478.50	Did source for 3 quotations, only received 2 quotes use the cheapest one	INFRASTRUCTURE
JVZ PLANT	HIRE EXCAVATOR	47524	31/10/2024	24 840.00	Exstra work neede to be done to complete the work.	INFRASTRUCTURE
LOXTON-BREAK EVEN 1103	MAINTENANCE VEHICLES	47592	10/12/2024	15 800.89	Vehicle need to be repaired for sevice delivery, only vehicle can help fix electricity faults	INFRASTRUCTURE
JVZ PLANT	HIRE EXCAVATOR	47389	10/12/2024	21 735.00	Quotes have been requested, but suppliers don't even want to send quotes because the cost of just of just getting their excavators on-site is going te be a lot more than the word itself. JVZ was on site busy with other work.	INFRASTRUCTURE
PATHCARE	WATER ANALYSIS	47375	23/10/2024	48 790.60	We did source three quotation, but Pathare is the only supplier who pick up the water sampels daily in Williston at no cost.	INFRASTRUCTURE
ROBUST ROAD REPAIRS (PTY)LTD	MAINTENANCE STREETS	47529	04/11/2024	151 202.00	Advertisement was placed for 7 days, but only 2 quotations was received	INFRASTRUCTURE
PATHCARE	WATER ANALYSIS	47330	26/11/2024	45 242.80	We did source three quotation, but Pathare is the only supplier who pick up the water sampels daily in Williston at no cost.	INFRASTRUCTURE
JVZ PLANT	HIRE EXCAVATOR	47510	31/10/2024	129 835.00	It was a 7day advertisement, but only one Quotation was received	INFRASTRUCTURE
U VEND		47550	10/12/2024	56 414.40	It was a 7day advertisement, but only one Quotation was received	INFRASTRUCTURE
THINUS LOUW ELEKRIES	MAINTENANCE PUMP	47597	18/12/2024	92 624.75	Need to repair pump, otherwise Sutherland will be without water	INFRASTRUCTURE
Total				**701 676.24**		

9. UNAUTHORISED, IRREGULAR OR FRUITLESS AND WASTEFUL EXPENDITURE FOR THE 2nd Quarter OF THE 2024/2025 FINANCIAL YEAR

MFMA Act no 56 of 2003 (Municipal budget regulation 32(4) (a) (b) (c) (i) (ii)

Unauthorised, irregular or fruitless and wasteful expenditure

1. Without limiting liability in terms of the common law or other legislation

a. A political office-bearer of a municipality is liable for unauthorised expenditure if that office-bearer knowingly or after having been advised by the accounting officer of the municipality that the expenditure is likely to result in the unauthorised expenditure, instructed an official of the municipality to incur the expenditure:
b. The accounting officer is liable for unauthorised expenditure deliberately or negligently incurred by the accounting officer, subject to subsection (3)
c. 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: or
d. Any political office-bearer or official of a municipality who deliberately or negligently made or authorised a fruitless and wasteful expenditure is liable for that expenditure.

Unauthorised Expenditure for the 2nd Quarter of the 2024/2025 financial year.

No	Department	Description	Reason	Status	Amount Paid

Irregular Expenditure for the 2nd Quarter of the 2024/2025 financial year.

No	Department	Description	Reason	Status	Amount Paid
Total					

Fruitless and Wasteful Expenditure for the 2nd Quarter of the 2024/2025 financial year.

No	Department	Description	Reason	Status	Amount Paid
1	Finance	SLK – 2910 Interest – late payments to supplier	Invoices was received late for payment.	Under Investigation	R 752.90
2	Finance	ESKOM Interest – late payments to supplier	Invoices was received late for payment.	Under Investigation	R 97.44
9	Finance	WVK-CKHM002: Interest – late payments to supplier	Invoices was received late for payment.	Under Investigation	R 33.12
Total					**R 883.46**

10. PROCUREMENT OF GOODS AND SERVICES UNDER CONTRACTS SECURED BY OTHER ORGANS OF STATE FOR THE 2nd Quarter OF THE 2024/2025 FINANCIAL YEAR. REGULATION 32 SCM OF THE MFMA ACT NO 56 OF 2003.

A supply chain management policy may allow the accounting officer to procure goods or services for the municipality or municipal entity under a contract secured by another organ of state, but only if-

a. the contract has been secured by that other organ of state by means of a competitive bidding process applicable to that organ of state:
b. the municipality or entity has no reason to believe that such contract was not validly procured:
c. there are demonstrable discounts or benefits for the municipality or entity to do so: and
d. that other organ of state and the provider have consented to such procurement in writing.

Description	Procure From	Contractor Name	Awards Value	Award Date
Total				

11. PROCUREMENT OF GOODS AND SERVICES UNDER SECTION 110 OF THE MFMA ACT NO 56 OF 2003.

Section 110 (2) of the Municipal Finance Management Act 56 of 2003 provides that, this Part, except where specifically provided otherwise, does not apply if a municipality or municipal entity contracts with another organ of state for –

a) *The provision of goods or services to the municipality or municipal entity.*

b) *The provision of a municipal service or assistance in the provision of a municipal service, or*

c) *the procurement of goods and services under a contract secured by that organ of state, provided that the relevant supplier has agreed to such procurement.*

Department	Description	Contractor	Amount Paid	Approved CM
Total				

12. CANCELLED TENDERS FOR THE 2nd Quarter OF THE FINANCIAL YEAR 2024/2025

An organ of state may, before the award of a tender, cancel a tender invitation if-

- Due to changed circumstances, there is no longer a need for the goods and services specified in the invitation
- Funds are no longer available to cover the total envisaged expenditure
- No acceptable tender is received
- There is a material irregularity in the tender process.

Possible Reasons

Tender Validity period expired

No acceptable bids received

Specification to be revisited and re-advertise for 14 days

Cancelled Tenders for the 2nd Quarter of the 2024/2025 financial year.

No	Tender Number	Department	Description	Reason
1	KHM T001/05/2024	INFRASTRUCTURE	SUPPLY AND DELIVER OF FENCING MATERIALS FOR WILLISTON LANDFILL SITE	APPOINTED SUPPLIER IS UNABLE TO SUPPLY MATERIALS IN THE TIME SLOT
2				
3				

13. CESSION AGREEMENTS APPROVED BY EAC FOR THE 2nd Quarter OF THE 2024/2025 FINANCIAL YEAR

NONE

14. PROHIBITION ON AWARDS TO PERSONS IN THE SERVICE OF THE STATE

Awards to persons in the service of the state in paragraph 46 as in Karoo Hoogland Municipality SCM Policy

Irrespective of the procurement process followed, state that Karoo Hoogland Municipality may not make any awards to a person-

(a) Who is in the service of the state;

(b) If that person is not a natural person, of which any director, manager, principal shareholder or stakeholder is a person in the service of the state; or

(c) Who is an advisor or consultant contracted with the municipality or municipal entity?"

This section therefore means that the Karoo Hoogland Municipality <u>must</u> not award any business, be it through quotations or tenders to any employee of council or persons employed by the Other Organs of State as defined in Section 44 of the MFMA 56 of 2003.

Awards to persons in the service of the state for the 2nd Quarter of the 2024/2025 Financial Year

No	Tender Number/ Quotation	Name of Official	Description	Reason for Award
1				

There were no awards to persons in the service of the state for this period.

15. AWARDS MADE TO CLOSE FAMILY MEMBERS OF PERSONS IN THE SERVICE OF THE STATE

Awards made to close family members of persons in the service of the state as in paragraph 47 as in Karoo Hoogland Municipality SCM Policy

The accounting officer must ensure that the notes to the annual financial statements disclose particulars of any award of more than R2000 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve months, including -

a) the name of that person;

b) the capacity in which that person is in the service of the state; and

c) the amount of the award.

Awards made to close family members for the 2nd Quarter of the 2024/2025 Financial Year

No	Tender Number/ Quotation	Name of Official	Name of Relative	Description of Award	Amount of Award
1					
2					

16. DISPOSAL MANAGEMENT

SCM Regulation 40 of the MFMA ACT 56 of 2003 state that:

A supply chain management policy must provide for an effective system of disposal management for the disposal or letting of assets, including unserviceable, redundant or obsolete assets, subject to section 14 and 90 of the Act.

Assets/ items are delivered to the Disposal store on a continous basis and need to be disposed off on a quarterly basis to avoid overstocking on the Yard. The disposal of the asset is subjected to approval in terms of the above mentioned legislation. The applicable items were written-off by the relevant departments and thus not needed to provide the minimum level of basic services.

DISPOSALS FOR THE 2nd Quarter OF THE 2024/2025 FINANCIAL YEAR

In terms of section 90 any transfer of ownership of a capital asset must be consistent with the supply chain management policy.

Section 110(3) requires that the disposal of goods by a municipality in terms of chapter 11 be read with sections 14 and 90.

No goods or capital assets were disposed of or transferred in the period under review.

Example for reporting purposes

MEANS USED TO DISPOSE	**ITEM/COMMODITY**	**INCOME RECEIVED (EXCL VAT)**
AUCTION	*MOVABLE ASSETS AS ON CORPORATE ASSET REGISTER*	
AUCTION	*OBSOLETE MATERIAL & STOCK*	
QUOTATION	*USED MOTOR-OIL*	
Total income received		***R***

17. DEMAND MANAGEMENT

SCM Regulation 10 of the MFMA ACT 56 of 2003 state that:

A supply chain management policy must provide for an effective system of demand management in order to ensure that the resources required to support the strategic and operational commitments of the municipality or municipal entity are delivered at the correct time, at the right price and at the right location, and that the quantity and quality satisfy the needs of the municipality or municipal entity.

The system of Demand Management must allow for proper analysis of needs, establishment of supplier database, implementation of IDP projects and assist in drafting of proper specifications. The proper use of this important administrative tool can make project management more effective and assist with the completion of allocated capital and operation expenditure within financial year.

The Procurement Plan are drafted quarterly in Sept.ch and tabled to Council and submitted to Northern Cape PT. Whenever there are changes the updated plan is submitted again to be reported on.

- ✓ The Procurement Plan for 2024/2025 was submitted to the MM, NC and PT on 31 March 2023.

TENDERS ADVERTISED FOR THE 2nd Quarter OF THE 2024/2025 FINANCIAL YEAR

PROCUREMENT PLAN	Reference / Bid Nr	Description / Bid Name	Date of Bid Specifications Committee	Date Advertised	Advertised / E Tender Portal	Date of Briefing Session/ Compulsory Tender Meeting	Closing date
INEP	KHM T001/010/2024 F	REFURBISHMENT OF MV AND LV ELECTRICAL NETWORK (PHASE 5) – FRASERBURG	26/09/2024	01/10/2024	E-Tender, Mun. Website	09/10/2024	17/10/2024
MIG	KHM T002/10/2024	UPGRADING OF WILLISTON WASTE WATER TREATMENT WORKS (WWTW)	23/10/2024	25/10/2024	E-Tender, Mun. Website	07/11/2024	25/11/2024
WSIG	KHM T001/01/2024	SUTHERLAND EMERGENCY BULK WATER SUPPLY PHASE 2 (CIVIL ENGINEERING)	23/10/2024	25/10/2024	E-Tender, Mun. Website	07/11/2024	25/11/2024

15.1 Exceptions

Tenders that were advertised but not on Procurement Plan

No	Reference	Description	Advert Date	Briefing Session	Closing Date	Tender Bulletin	Procurement Plan

18. ACCREDITED PROSPECTIVE SERVICE PROVIDERS

Annually, KHM advertise for Service providers to register on the National Central Supplier Database (NCSD) in an effort to source accredited service providers of goods and services. This advert was placed on the website due to Cost Containment.
No business are done with suppliers that are not registered on the CSD.

The supplier database of Karoo Hoogland Municipality was kept updated in 2015/2016, however since 1 July 2016 a list of prospective suppliers are kept of all suppliers registered on the CSD as this requirement replaced the supplier database kept previously by the municipality. All payments to suppliers who are not registered on the CSD are reported to Provincial Treasury as Irregular.

Challenges
Due to the locality of the municipality, we do not always receive applications for a wide range of services like the supply of fuel and the registration of super Junkets or post offices on our supplier database.

Proposed Solution
Continuous workshops presented by Provincial Treasury and other stakeholders to assist suppliers in rural areas to apply for registration of companies to be able to supply to the municipality and then through this intervention stimulate the economy and support local companies and service providers.

- ✓ Documents have been developed and circulated in respect of SCM processes for compliance in terms of SCM policy for the procurement of goods and services. The Bid Committees are established in terms of SCM Regulation 27 of the MFMA.
- ✓ All SCM Reporting together with Deviations and all awards and quarterly reporting were uploading onto the website for the public to view after it was table to Council.
- ✓ CIDB tenders advertised and awarded have been advertised on CIDB website.

- ✓ Advertisement of Bids and the publication of notices in respect of awarded Bids, cancelled bids, variations and extensions of existing contracts are currently done on the e-tender publication portal on as per circular 83.

19. CONTRACTS MANAGEMENT

In order for the Contract management section to comply with section 116 (1) of the MFMA, the section must perform regular reviews on the Contract Management’s role within the Supply Chain Management (SCM) Division and the contracts in general. Presently, the section cannot properly discharge these functions because it does not exist as it is not even recognised on the current SCM organogram approved by Council. Project managers for certain contracts have been appointed who report on the performance.

All awards made during this quarter were loaded on the system and the contract register was updated accordingly.

20. PERFORMANCE MANAGEMENT

(Policy, Procurement Plan, Training, Oversight)

SCM Regulation 42 of the MFMA ACT 56 of 2003 state that:

A supply chain management policy must provide for an effective internal monitoring system in order to determine, on the basis of a retrospective analysis, whether the authorised supply chain management processes are being followed and whether the desired objectives are being achieved.

- ✓ The performance management play an oversight role on the monitoring and performance of SCM on monthly basis and submit reports to NT and Council on quarterly basis.

Continuous **virtual training** was aimed at addressing the Contract Management Issues, tendering processes, completion of tender documents, the open bidding system, National Treasury e-Tender portal, National Treasury instruction notes, local content, participation in the panels, e-procurement, CIDB regulation, new BBBEE codes, code of conduct and sustainable/green procurement as well as FIDPM.

The **training** is still unfolding and is directed at all contractors'/service providers, Business forums, Members in the community and Karoo Hoogland staff members.

The aim of the training was also to ensure that service providers are fully compliant and align them with the organisational culture and strategy and enhance business readiness.

Supply Chain Management Performance reviewed the SCM policy and the draft has been tabled to Council with the new amendments in terms of Contract management for the 2024/2025 Financial Year.

21. POLICY IMPLICATIONS

Karoo Hoogland's SCM Policy is in line with Supply Chain Management Policy and is consistent with all relevant legislation including Local Government: Municipal Finance Management Act No 56 of 2003; Municipal Supply Chain Management Regulations; Preferential Procurement Policy Framework Act, 2000; Preferential Procurement Regulations, 2022; Broad Based Black Economic Empowerment Act, 2003; The Construction Industry Development Board Act, 2000.

The adjudications, approvals and disposals were all implemented in accordance with the approved Karoo Hoogland SCM Policy. Supply Chain Management is reviewing the construction project policy in line with new MFMA circulars issued by National Treasury in October 2019 (FIDPM).

Policy review process and workshops has started in Sept.ch 2020 just after Covid started. SCM did develop the policy for standard of infrastructure, procurement and delivery management which was effective from 1 July 2017 as per the MFMA circular 77 of 2010 issued by National Treasury. FIDPM will however replace the SIPDM.

22. FINANCIAL IMPLICATIONS

The total amount of tenders and awards approved for the 2nd Quarter of the 2024/2025 financial year are as follows:

	R Value
Awards below R300 000	R 3 066 834
Tenders above R300 000	R 28 732 910
Deviations	R 277 040
Strip and quotes	R 178 917
Reg. 17 (1) c	R701 676
Unauthorised Expenditure	R 0
Regulation 32 Organ of state	R 0
Section 110	R 0
Cession	R 0
Sponsorships	R 0
Panels	R 0
Total Approved	**R32 957 377**

23. RECOMMENDATIONS

1. That cognisance be taken of continuous monitoring of the progress of bids and implementation of policy within SCM.

2. That in terms of Regulation 36 of the Supply Chain Management Regulations, promulgated in terms of the Local Government Municipal Finance Management Act, Act 56 of 2003 and the approved Supply Chain Management Policy section 35 cognisance be taken of the reasons for the deviations from the official procurement process of tenders.

3. That the Chief Financial Officer include the information regarding the deviations as a note to the financial statement.

4. That the Bid Adjudication Committee adheres to principles contained in the MFMA and the SCM policy when considering deviations.

ANNEXURES TO BE ATTACHED:

ANNEXURE A 1 – DEVIATIONS FOR OCTOBER 2024
ANNEXURE A 2 – DEVIATIONS FOR NOVEMBER 2024
ANNEXURE A 3 – DEVIATIONS FOR DECEMBER 2024