



## **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 SECOND QUARTER OF THE 2024/2025 FINANCIAL YEAR**

# 1. Contents

2.	Introduction .....	3
1.	SCM Policy and Procedures .....	3
3.	Function of the SCM unit .....	3
4.	Function of the Bid Committees.....	5
5.	Deviations from the SCM Policy .....	7
6.	Reporting on Regulation 32 .....	9
7.	Reporting on the Central Supplier Database (CSD) .....	9
8.	Reporting on Regulation 33 .....	9
9.	Reporting on the Procurement Plan.....	9
10.	Variation orders within 1 to 20% .....	10
11.	Municipality Website .....	10
12.	Unsolicited bids .....	10
13.	E-Tender Portal .....	10
14.	Irregular, Fruitless and Wasteful expenditure .....	10
15.	Virements .....	12
16.	Establishment of a functional SCM unit.....	12
17.	Problem statement.....	13
18.	Cost containment.....	13
19.	Recommendation.....	14

## 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 2024/2025 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 (Nelmarie Bothma)
- Head: Assets and Supply Chain Management (Shaun Wilschut)
- Accountant: Supply Chain Management (Revedy- Levern 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 (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. Cognizance 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.***
- ***The Unit is also experiencing backlog with the processing of orders on a daily basis. This is due to more compliance with the submission of quotations that must first be checked (COMAF from previous external audit) and we receive on a daily basis more than 50 requests. Currently the Senior Clerk: Assets and Insurance – Mr. Kirwan Klaase is assisting.***
- 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, favoritism 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 2024/2025 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.

#### 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 four 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 one 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 favor 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 Councilors 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	Bergrievier Municipality	Storeman	Piketberg	R 3 200,00
Carien van Wyk	Henry Paul van Wyk	Bergrievier 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	Bergrievier Municipality	Law enforcement officer	Piketberg	R 344 266,14
Pison Hawila Construction	Randall Swarts	Bergrievier 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 **R86 114 901.38.00** formal tenders awarded, excluding the rates tenders.

13 Tenders Awarded between 01 July 2024 and 30 December 2024 were awards to the amount of **R86 114 901.38.00** with seven (12) rates-based tenders.

0 awards to Piketberg service providers and 1 to Porterville. 1 to Velddrif 0 to Eendekuil, 0 to Redelinghuis, 0 to Aurora for to service provider inside Bergrievier Municipality.

5 Formal Quotations were awarded between July 2024 and 31 September 2024 and were inclusive of 0 awards to Piketberg, 0 to Porterville. 1 to Velddrif, 0 to Goedverwacht, 0 to Eendekuil service providers and 0 rate-based Quotations to service providers inside Bergrievier Municipality. The value of the Formal Quotations was **R394 085.06 excluding 1 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, – but tenders were hold up by Community Services for evaluations to be done. The SCM unit assisted with these evaluations, and it was sent back to the user department, and they still did not

submit the reports back for a meeting to be held in good time. This was due to resource constrains and personally I would say a lack of skill.

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	94	110		
Average Calendar Days from Tender Advertisement Date to BAC	85	122		
Average Calendar Days from Tender Closing Date to BAC	53	104		
Average Calendar Days from Tender Closing Date to BEC- Tender Evaluation	36	45		
Tender with Fastest Procurement Process: BSC to BAC	72	42		
Tender with Longest Procurement Process: BSC to BAC	113	226		

## 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 2024 and 31 December 2024, **4** deviations to the total amount of **R1 124 864.86** 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 Bergrivier SCM Policy.

Deviations 2024-2025						
Number	Emergency	Short description			DEPARTMENT	
<b>Jul-24</b>						
1	R	104 550,00	Disaster - weather cut of trees falling			Community Parks
<b>Aug-24</b>						
2	R	750 000,00	The bulk water supply pipeline of Goedverwacht was damaged during the stormy rain and Bergvriervier Municipality requested assistance from Department of Local Government for flood damage repairs. The timeline did not allow for a formal tender process as this was emergency repair works.			Water Distribution
<b>Sep-24</b>						
3	R	161 920,00	A threat was made on the life of some municipal Councillors. As a result, the Municipality is obliged to take every step to ensure the safety of these Councillors. In order to render this kind of protection, armed security guards must be appointed to protect the officials and their families. Bergvriervier Municipality has a current tender for the rendering of security services, but it does not make provision for armed security guards, since it was not part of the specifications. The Municipality obtained quotes from the current service provider, but their quote was not the cheapest and therefore we will use the cheapest quote to receive value for money. Both Suppliers are on the level 1 for BBBEE. The service is urgently needed and a service provider must be appointed immediately. Therefore the normal procurement process cannot be followed, but we tried to obtain the three quotes. Threat received on 6 September 2024 and reported to SAPS on the same date. Threat discussed with SAPS in a meeting on 6 September 2024. SAPS undertook to do threat analysis. Up to date no feedback was received from SAPS.			Holiday Resorts / Sportsgrounds
<b>Oct-24</b>						
4	R	108 394,86	Damages to the roads after the heavy rainfall during August and September months. Was not the normal rainfall and roads need urgent attention.			Roads

Month	Total	Emergency	Impossible / Impractical / Exceptional Case	Sole Provider	
July	<b>R104 550</b>	<b>R104 550</b>	<b>Zero</b>	<b>Zero</b>	
August	<b>R750 000</b>	<b>R750 000</b>	<b>Zero</b>	<b>Zero</b>	
September	<b>R161 920</b>	<b>R161 920</b>	<b>Zero</b>	<b>Zero</b>	
October	<b>R108 394</b>	<b>R108 394</b>	<b>Zero</b>	<b>Zero</b>	
November	<b>Zero</b>	<b>Zero</b>	<b>Zero</b>	<b>Zero</b>	
December	<b>Zero</b>	<b>Zero</b>	<b>Zero</b>	<b>Zero</b>	
<b>TOTAL</b>	<b>R1 124 864</b>	<b>R1 124 864</b>	<b>Zero</b>	<b>Zero</b>	
<b>Department s</b>	<b>Community</b>	<b>Finance</b>	<b>Corporate</b>	<b>Technica l</b>	<b>Municipal Manager</b>
July	R104 550	N/a	N/a	N/a	N/a



August	N/a	N/a	N/a	<b>R750 000</b>	N/a
September	N/a	N/a	N/a	N/a	R161 920
October	N/a	N/a	N/a	R108 394	N/a
November	N/a	N/a	N/a	N/a	N/a
December	N/a	N/a	N/a	N/a	N/a
<b>TOTALS</b>	<b>R104 550</b>	<b>N/a</b>	<b>N/a</b>	<b>R858 394</b>	<b>R161 920</b>

## 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 2024 to December 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 2024/2025 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 of 31 December 2024, the following milestones were reached by the various departments.

Municipal Manager and Mayor's office – 51%

Strategic Services – 0%

Financial Services –45 %

Technical Services –27 %

Community Services –24 %

Corporate Services – 60%

## 10. Variation orders within 1 to 20%

There were not variation orders for the period to report on.

## 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 2024 to 31 December 2024.

## 13. E-Tender Portal

The e-tender portal is from time to time offline; all 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 authorized 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.

Bergvriër SCM Policy section 36(3) prescribes that all identified possible unauthorized, 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 2024 to December 2024 there were the following matters to report.

<b>Register for unauthorized, irregular, fruitless and wasteful expenditure (UIFWE)</b>					
<b>No</b>	<b>Amount</b>	<b>Description of Incident</b>	<b>Person Liable (Official or Political)</b>	<b>Approved or recovered</b>	<b>Status IRREXP</b>
	327 291,47	Upper limits - paid Clr du Plooy more than the upper limits	Council	-327 291,47	x
<b>2023/2024</b>					
					x
1	104 614,54	Netstar	Technical services	-104 614,54	x
2	65 000,00	Repairs to Akacia Swimming	Community Services	-65 000,00	x
3	901 009,74	New regulation on SCM published on 14/12/2023.	Whole of Bergvriër	-901 009,74	x
4	46 600,00	COMAF 2 - Irregular	Strategic Services		x
	1 117 224,28			-1 070 624,28	
<b>2024/2025</b>					
1	46 600,00	financial year COMAF	Council	-46 600,00	x
2	1 593 637,14	payment without a contract - pending	Finance Department		
<b>TOTAL</b>	<b>2 757 461,42</b>		<b>TOTAL</b>	<b>-1 117 224,28</b>	

15. Virements

Reporting of virements for the financial year 2023-2024 for the months from 1 July 2024 to 31 December 2024 below is a total of R12 396 074.

Month	Total
July 2024	0
August 2024	R12 000
September 2024	R23 000
October 2024	R12 020 608
November 2024	R340 466
December 2024	R0
<b>TOTAL</b>	<b>R12 396 074</b>

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 still needs to improve.**
- 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. This is also because ICT has not given all departments access to the server).

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 2024 to 31 December 2024 representing the first quarter of the 2024/2025 financial year.
2. That the report be made public in accordance with section 21A of the Municipal Systems Act.