

WITZENBERG

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MUNICIPALITY

- MEMORANDUM -

AAN / TO: Chief Financial Officer

VAN / FROM: Manager: Supply Chain

DATUM / DATE: 03 January 2025

VERW. / REF.: 09/1/2/2

SUPPLY CHAIN MANAGEMENT: PARAGRAPH 7 (4) QUARTERLY REPORT ENDING 31 DECEMBER 2024:
IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT POLICY

1. PURPOSE

(a) To report on the implementation of Council's Supply Chain Management Policy with regards to the following sub sections:

- (i) Demand management
- (ii) Acquisition management
- (iii) Logistics management
- (iv) Disposal management
- (v) Performance management
- (vi) Other matters

2. POLICY REQUIREMENTS

Paragraph 7 (3) of Council's Supply Chain Management Policy as approved on 16 May 2024, states the following:

The Supply Chain Manager must, within 4 days of the end of each quarter, submit a report on the implementation of the supply chain management policy to the Chief Financial Officer, of which he must submit it within 3 days to the Accounting Officer. The Accounting Officer must within 3 days after receiving the report submit it to the Mayor.

3. DISCUSSION: SUPPLY CHAIN MANAGEMENT COMPONENTS

(a) Demand management

Demand management requires timely planning and management process to ensure that all goods and services which are required are quantified, budgeted for and delivered in a timely and effective manner at the right locations and at the critical delivery dates. These goods and services must be of appropriate quality and quantity at a fair cost.

Furthermore the required specifications must ensure that needs are met.

In order to enhance the demand planning process, an annual procurement plan was implemented for the 2024-2025 financial year for capital spending. The revised capital budget for 2024-2025 is R 92 041 456. The capital spending for the second quarter amounted to R 21 737 377 which equals **23.61%** spent. This is below the target of **40%** for the second quarter. Measures have been put in place to ensure that targets are met.

Specifications have been drafted unbiased and advertised as such in order to promote the five pillars of procurement as set out in section 217 of the Constitution of South Africa (Act 108 of 1996). It ultimately ensured that the needs are addressed effectively.

(b) Acquisition management

The system of acquisition management must ensure the following:

- (i) That goods and services are procured in accordance with authorized processes only;
- (ii) That expenditure on goods and services is incurred in terms of an approved budget in terms of section 15 of the Municipal Finance Management Act (Act 56 of 2003);
- (iii) That the threshold values for different procurement processes are complied with;
- (iv) That bid documentation, evaluation and adjudication criteria and general conditions of a contract are in accordance with any applicable legislation; and
- (v) That any Treasury guidelines on acquisition management are properly taken into account.

The bid documentation that is utilized is in accordance with the general conditions of contract and applicable legislation such as the Construction Industry Development Board Act (Act 38 of 2000). We have also taken into account guidelines issued by National and Provincial Treasury in order to further enhance our processes.

I. Bid committees

The following table details the number of bid committee meetings held for the quarter under review:

Month	Bid Specification Committee	Bid Evaluation Committee	Bid Adjudication Committee
Oct 2024	4	4	2
Nov 2024	1	2	0
Dec 2024	3	1	2

In addition, the Internal Audit section, Legal Services and the Local Economic development department have been invited to attend our bid committee meetings on an ad-hoc basis. This is an effort to promote transparency with regards to the processes that they will be concentrating on.

Competitive bids (in excess of R 300 000) to the value of **R 138 548 688.00 (incl. VAT)** was awarded during the quarter under review.

The following table details the number of competitive bids awarded by the bid adjudication committee including the combined values of those bids:

Month	Number of awards	Combined value of awards
Oct 2024	1	R 122 400
Nov 2024	0	R 0
Dec 2024	1	R 1 300 000
Total	2	R 1 422 400

The following competitive bid(s) was awarded by the Accounting Officer during the quarter under review:

Month	Number of awards	Combined value of awards
Oct 2024	2	R 119 000 000
Nov 2024	0	R 0
Dec 2024	1	R 18 126 288
Total	3	R 137 126 288

The municipality made use of Supply Chain Management Regulation 32 which refers to contracts secured by other organs of state for the quarter under review for the following bids:

Bid ref number	Date	State department / Municipality	Name of supplier	Brief description of services	Value (incl. VAT)
NONE					

The following table details the five highest bids awarded during the quarter under review according to its contract value:

Department	Bid number	Bid description	Estimated Contract value
Corporate Services	08/2/21/75	Provision of Security Services, Tactical and Crowd Control Management at Municipal Buildings and Sites in the Witzenberg Municipal Area (Re-Advertisement)	R 80 000 000.00
Technical Services	08/2/21/24	Appointment Of Contractors For Maintenance, Repair And Replacement Of General Electrical Infrastructure And Wiring Of Premises For Witzenberg Municipality – MV Works	R 20 000 000.00
Technical Services	08/2/21/27	Supply, upgrade and replacement of Water networks in the Witzenberg area	R 18 126 288.00
Technical Services	08/2/21/24	Appointment Of Contractors For Maintenance, Repair And Replacement Of General Electrical Infrastructure And Wiring Of Premises For Witzenberg Municipality – LV Works	R 10 000 000.00
Technical Services	08/2/21/24	Appointment Of Contractors For Maintenance, Repair And Replacement Of General Electrical Infrastructure And Wiring Of Premises For Witzenberg Municipality – Street Lighting Installation & Maintenance	R 6 000 000.00

II. Formal written price quotations

Formal written price quotations (between R 30 000 and R 300 000) to the value of **R 3 014 865** (incl. VAT) were awarded during the quarter under review. The following table details the number of formal written price quotations that were awarded including the combined values of those quotations:

Month	Number of awards	Combined value of awards
Oct 2024	11	R 1 438 587
Nov 2024	6	R 797 542
Dec 2024	3	R 778 736
Total	20	R 3 014 865

III. Awards made to companies according to their with Broad-Based Black Economic Empowerment (B-BBEE) level of contribution

As from 16 January 2023, the 2022 Preferential Procurement Regulations became effective.

B-BBEE status level of contribution	Combined contract values for competitive bids	Combined contract values for formal written price quotations	Grand total	% of grand total
Level 1	138 548 688	1 674 039	140 222 727	99.06
Level 2	-	682 728	682 728	0.48
Level 3	-	-	-	0.00
Level 4	-	458 097	458 097	0.32
Level 5	-	-	-	0,00
Level 6	-	-	-	0,00
Level 7	-	-	-	0,00
Level 8	-	-	-	0,00
Non-compliant contributors	-	200 000	200 000	0,14
Total	138 548 688	3 014 865	141 563 553	100,00

The new regulations provide for points to be allocated for specific goals” as contemplated in section 2(1)(d) of the Act which may include contracting with persons. or categories of persons. historically disadvantaged by unfair discrimination on the basis of race. gender and disability including the implementation of programmes of the Reconstruction and Development Programme as published in Government Gazette No. 16085 dated 23 November 1994. Council approved amendments to the Preferential Procurement Policy on 24 January 2024 in compliance with the latest Preferential Procurement Regulations.

IV. Appeals by aggrieved bidders

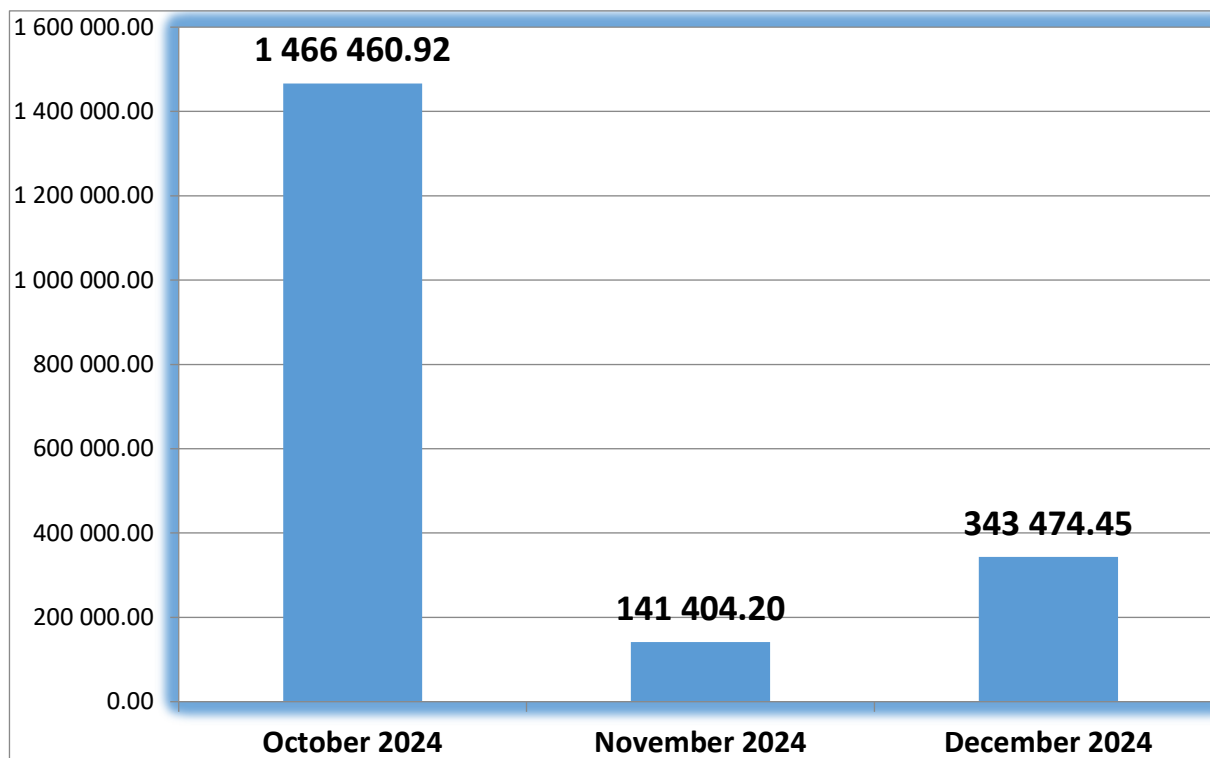
The following appeals were received from aggrieved bidders on awards or were dealt with in terms of section 62 of the Municipal Systems Act (Act 32 of 2000) for the quarter under review:

Bid ref number	Date	Name of supplier that bid was awarded to	Brief description of services	Amount (Incl. VAT)	Appellant	Reason for Appeal	Status
08/2/20/93	09 May 2024	Aquatico Cape Laboratories (PTY) Ltd	Monitoring Of Drinking Water Quality In The Witzenberg Area	R 2 500 000.00	AL Abbott and Associates	Various	Appeal was dismissed by the Accounting Officer

V. Deviations from normal procurement processes

Deviations from the normal procurement processes have been monitored on an ongoing basis. Monthly reporting in terms of paragraph 44 of the SCM policy has been complied with. SCM has identified instances where the normal procurement processes can be followed to avoid having to follow the deviation process. For the quarter under review, the total deviations approved by the Accounting Officer amounted to R 1 951 339 compared to the previous quarter's figure of R 1 226 125. This represents an increase compared to the previous quarter. It is noted that deviation values fluctuate during each period and will not necessarily reflect the same patterns.

The following graph shows the breakdown of deviations for the quarter under review:



(c) Logistics management

The system of logistics management must ensure the following:

- (i) the monitoring of spending patterns on types or classes of goods and services incorporating, where practical, the coding of items to ensure that each item has a unique number;
- (ii) the setting of inventory levels that includes minimum and maximum levels and lead times wherever goods are placed in stock;
- (iii) the placing of manual or electronic orders for all acquisitions other than those from petty cash;
- (iv) before payment is approved, certification by the responsible officer that the goods and services are received or rendered on time and is in accordance with the order, the general conditions of contract and specifications where applicable and that the price charged is as quoted in terms of a contract;
- (v) appropriate standards of internal control and warehouse management to ensure that goods placed in stores are secure and only used for the purpose for which they were purchased;
- (vi) regular checking to ensure that all assets including official vehicles are properly managed, appropriately maintained and only used for official purposes; and
- (vii) Monitoring and review of the supply vendor performance to ensure compliance with specifications and contract conditions for particular goods or services.

Each stock item at the municipal stores, Dromedaris Street are coded and are listed on the financial system. Monthly monitoring of patterns of issues and receipts are performed by the Storekeeper.

Inventory levels were revised at the start of each financial year to ensure sufficient stock for normal operations. Regular checking of the condition of stock is performed.

As at 28 November 2024 the value of stock at hand was R20 531 202. The stock turnover rate was 0.99 times, which is below the norm of 1.50 times. The quarterly stock count of 28 November 2024 revealed no redundant stock.

Shortages, surpluses, slow moving and damaged stock were reported on. The quarterly report pertaining to the stock count will be submitted to the relevant portfolio committee, MAYCO and Council in due course.

(d) Disposal management

The system of disposal management must ensure the following:

- (i) immovable property is sold only at market related prices except when the public interest or the plight of the poor demands otherwise;
- (ii) movable assets are sold either by way of written price quotations, a competitive bidding process, auction or at market related prices, whichever is the most advantageous;
- (iii) Firearms are not sold or donated to any person or institution within or outside the Republic unless approved by the National Conventional Arms Control Committee;
- (iv) Immovable property is let at market related rates except when the public interest or the plight of the poor demands otherwise;
- (v) All fees, charges, rates, tariffs, scales of fees or other charges relating to the letting of immovable property are annually reviewed;
- (vi) Where assets are traded in for other assets, the highest possible trade-in price is negotiated; and
- (vii) In the case of the free disposal of computer equipment, the provincial department of education is first approached to indicate within 30 days whether any of the local schools are interested in the equipment.

We are complying with section 14 of the MFMA which deals with the disposal of capital assets. A Consolidated report of all assets identified for disposal were approved by Council and will be auctioned. An auctioneer was appointed in January 2023 and an auction is being scheduled for March 2025.

(e) Performance management

The SCM policy requires that an internal monitoring system be established and implemented in order to determine, on the basis of retrospective analysis, whether the SCM processes were followed and whether the objectives of the SCM policy were achieved.

The Accounting Officer has appointed the Internal Auditor as an independent observer. His task is only to observe the bidding process at a bid committee level and to report back to the Accounting Officer on the following issues:

- Compliance with chapter 11 of the Municipal Finance Management Act (Act 56 of 2003);

- Adherence to bid committee structures as stipulated in the Supply Chain Management regulations of 2005 and the Witzenberg Municipality's Supply Chain Management Policy;
- The applicable sections relating to points scoring and the evaluation of bids in terms of the Preferential Procurement Policy Framework Act (Act 5 of 2005);
- Compliance with the code of conduct for Supply Chain Practitioners and Bid Committee Members; and
- To propose improvements to the bid committee system and process.

No meetings were attended by the Internal Audit section during this quarter therefore no report is available.

(f) Other matters

The SCM staff is equipped to comply with the provisions of the said regulations.

The following training/ workshops were attended by SCM staff during the quarter under review:

Presenter	Topic	Name of attendee(s) and position(s)	Date from	Date to
Kgolo Institute	Facilitation Of Training For Municipal Minimum Competency Levels MMCL Programme	F Salmon J Pieterse	June 2024	January 2025
Provincial Treasury	Ezolimo Training (PTY) Ltd	J Esau	09 Oct 2024	09 Oct 2024

Furthermore:

- (i) No awards were made to persons whose tax matters were not in order.
- (ii) No awards were made to persons who are in the service of the state.

5. RECOMMENDATION

- (a) That the Chief Financial Officer submits the report to the Accounting Officer by 07 January 2025;
- (b) That the Accounting Officer submits the report to the Executive Mayor by 10 January 2025;
- (c) That the report serves before the relevant portfolio committee. the Executive Mayoral Committee and Council for information; and
- (d) That the report be made available to the public in terms of section 21 A of the Municipal Systems Act (Act no 32 of 2000) after it has served before Council.

Yours sincerely



M FRIESLAAR
MANAGER: SUPPLY CHAIN

WITZENBERG

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- MEMORANDUM -

RECEIPT OF REPORT:

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HJ KRITZINGER
CHIEF FINANCIAL OFFICER

DATE:

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D NASSON
ACCOUNTING OFFICER

DATE:



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With reference to the attached quarterly report. I, T Abrahams. in my capacity as Executive Mayor of Witzenberg Municipality hereby acknowledge the report as submitted to the Chief Financial Officer.

Signature
T Abrahams
EXECUTIVE MAYOR OF WITZENBERG MUNICIPALITY

Date