

**FS/2022 REPORT ON IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT POLICY
DURING 2021/22 FINANCIAL YEAR**

REPORT BY GENERAL MANAGER: FINANCIAL SERVICES

STRATEGIC THRUST

Financial viability and management

OBJECTIVE

The objective of the report is to inform Council about the implementation of the Supply Chain Management Policy and report to Council about unauthorized, irregular and fruitless and wasteful expenditure incurred for the financial year ending 30 June 2022.

BACKGROUND

The Municipal Supply Chain Management Regulations, 2005 stipulates on Regulation 6 the oversight role of Council over the implementation of its supply chain management policy. The Regulations states that for the purposes of such oversight, the Accounting Officer must-

- (a) Submit to Council within 30 days after the end of each financial year a report on the implementation of the supply chain management policy of the municipality;
- (b) Whenever there are serious and material breach in the implementation of the supply chain management policy such breach or non-compliance should be reported to Council; and
- (c) Report any ratification of any minor breaches of the procurement processes by an official or committee which are purely of a technical nature.

Furthermore, in compliance with the Section 32 of the Municipal Finance Management Act, 56 of 2003 the Accounting Officer should report to Council any unauthorized, irregular, fruitless and wasteful expenditure (UIFWE) for Council to mandate the Municipal Public Accounts Committee for investigation and recommendation of appropriate measures to regularize these expenditures. The incurring of the UIFWE may constitute financial misconduct, and therefore Council may refer the UIFWE incurred to the Municipal Disciplinary Board for investigation of any potential financial misconduct in line with the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, 2014.

In compliance with these provisions of the legislative and regulative framework, the implementation of the supply chain management policy for the 2021/22 financial year ended 30 June 2022 and the status of the UIFWE incurred is as follows;

- a) A total procurement of goods and services amounting to R8,3 million (123 bids) was made following the deviations from the normal procurement process in accordance with Regulation 36(1)(a) of the Supply Chain Management Regulations and the details are contained on the attached, **Annexure FS 25/2022-1**;
- b) A total procurement of goods and services amounting to R2,1 million (1 bids) was made following the ratification of minor breaches of procurement process in accordance with Regulation 36(1)(b) of the Supply Chain Management Regulations;
- c) A total procurement of goods and services below R200 000 (two hundred thousand) amounting to R5,4 million (334 bids) was made following the normal supply chain management processes and the details of the bids awarded are contained on the attached, **Annexure FS 25/2022-2**;
- d) A total of R28,9 million value of bids (21 bids) were awarded following the competitive bidding process and the details of bids above R200 000 (two hundred thousand) awarded are contained on the attached, **Annexure FS 25/2022-3**;

- e) A total of R12 763,13 expenditure has been incurred as a result of and fruitless and wasteful expenditure has been incurred without unauthorised or irregular expenditure discoverer for the year ending 30 June 2022 and the details are attached as **Annexure FS 25/2022-4**;
- f) A total procurement of goods and services amounting to R25,6 million (5 contracts) was incurred as a result of amendments and extensions of existing contracts that have complied with section 116 of the Municipal Finance Management Act, 56 of 2003.
- g) No goods or services were procured under contracts secured by other organs of state in terms of Regulation 32 of the Municipal Supply Chain Management Regulations.

POLICY IMPLICATIONS

Supply Chain Management Policy

LEGAL AND CONSTITUTIONAL IMPLICATIONS

Municipal Finance Management Act, No. 56 of 2003.
Municipal Supply Chain Management Regulations, 2005.

FINANCIAL IMPLICATIONS

None

OTHER BODIES / DEPARTMENTS CONSULTED

None

RECOMMENDATIONS BY THE PORTFOLIO COMMITTEE

- 1. That the report for the 2021/22 financial year ended 30 June 2022 on the Implementation of Supply Chain Management Policy be noted;**
- 2. That the total procurement of goods and services amounting to R8,3 million (110 bids) made following the deviations from the normal procurement process in accordance with Regulation 36(1)(a) of the Supply Chain Management Regulations and details as per attached Annexure FS 25/2022-1 be noted;**
- 3. That the total procurement of goods and services amounting to R2,1 million (1 bids) made following the ratification of minor breaches of procurement process in accordance with Regulation 36(1)(b) of the Supply Chain Management Regulations;**
- 4. That the total procurement of goods and services below R200 000,00 amounting to R5,4 million (334 bids) made following the normal supply chain management processes and details as per Annexure FS/2022-2 be noted;**
- 5. That the total of R28,9 million value of bids (21 bids) awarded following the competitive bidding process and details as per attached Annexure FS 25/2022-3 be noted;**
- 6. That it be noted that the total fruitless and wasteful expenditure of R12 763,13 has been incurred during the financial year and details are contained in attached Annexure FS25/2022-4 does not warrant any investigations by MPAC and Disciplinary Board as R12 750,00 of this total amount is for traffic fines that have already been recovered from the municipal employees during the financial year and the balance of R13,13 is related to interest charged by Telkom due to delays on receiving of invoices from the Post Office.**

7. That it be noted that no unauthorised and irregular expenditure has been incurred during the 2021/22 financial year ended 30 June 2022.

PREPARER: SP Khumalo
Senior Manager: SCM Unit

DATE: 12 April 2022

REVIEWER: PO Mokoena
General Manager: Financial Services

DATE: 13 April 2022

APPROVAL: Dr NP Mahlalela
Acting Accounting Officer

DATE: 14 April 2022