GAMAGARA MUNICIPALITY

SUPPLY CHAIN MANAGEMENT IMPLEMENTATION REPORT

QUARTER 1

2025/2026

TABLE OF CONTENTS

<u>SUPPLY CHAIN MANAGEMENT PERFORMANCE REPORT FOR THE FIRST QUARTER OF 2025/2026 FINANCIAL YEAR</u>.

1. PURPOSE

The purpose of this report is to inform the Mayoral Committee / Mayor, as per SCM Regulation 6 issued in terms of the MFMA, on the performance of the Supply Chain Management Division for the First QUARTER of the 2025/2026 financial year.

2. STRATEGIC OBJECTIVE

To ensure good governance, financial viability, and optimal institutional transformation with capacity to execute the city mandate on service delivery.

"To Accelerate Higher, Shared Economic Growth and Development"

3. BACKGROUND

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"

4. DISCUSSION

4.1. AWARD STRUCTURES

4.1.1 Procurement threshold

The following thresholds are currently being adhered to support the strategic and operational commitment of the Gamagara Local Municipality.

(a) Written Price Quotations

Goods and services are procured by way of written price quotations for a transaction value over R2 000.00 up to R30 000.00 (VAT Included). The cumulative amount for written quotations for the FIRST QUARTER of 2025/2026 amounts to **R162 762.76.**

(b) 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).

The formal quotations for the FIRST QUARTER of 2025/2026 amount to **R719 882.41.**

(c) 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, municipal website and CIDB for construction tenders.

The attached tender tracking tool gives an overview of the tenders that have advertised, evaluated and appointed.

5. TENDERS AWARDED FOR THE FIRST QUARTER 2025/2026

For the quarter under review, only 1 tender was awarded.

Tender Number	Description	Date of award	Service Provider	Award Value	Period
GM2025/34	Supply and Delivery of Protective Equipment's on an as and Required	11/07/2025	Kailane Holdings	-	3 Years

6. DEVIATIONS FROM SUPPLY CHAIN MANAGEMENT PROCESS IN TERMS SCM REGULATION 36 OF MFMA

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.

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 may allow 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.

The deviations for the FIRST QUARTER of 2025/2026 financial year amount to **R1,721,330.50**

(VAT INCL.)

7. PROCUREMENT OF GOODS AND SERVICES UNDER CONTRACTS SECURED BY OTHER ORGANS OF STATE: 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.

NOTE: This paragraph refers to Regulation 32 appointments.

No Section 32 appointments were done for the FIRST QUARTER 2025/2026 Financial year

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.

8. IRREGULAR EXPENDITURE

As per definition in the Municipal Financial management Act, Irregular expenditure is defined as: -

- Expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170;
- Expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;
- Expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office Bearers Act, 1998 (Act No. 20 of 1998) ; Or
- Expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's bylaws giving effect to such policy, and which has not been condoned in terms of such policy or bylaw

The amount of irregular expenditure incurred for the FIRST QUARTER of 2025/2026 amounts to **R 4 630 556.88 inclusive of VAT**.

9. CONTRACTS PROVIDING FOR COMPENSATION BASED ON TURNOVER.

SCM Regulation 51 of the MFMA Act 56 of 2003 set guidelines for the fixed and agreed compensation payable to service providers based on turnover of service providers.

10. UNSOLICITED BIDS

SCM Regulation 37 of the MFMA Act 56 of 2003 set guidelines for consideration and management of unsolicited bids received outside a normal bidding process.

11. APPOINTMENT OF CONSULTANTS

SCM Regulation 35 of the MFMA Act 56 of 2003 set out guidelines for appointment of consult ants through a competitive bidding system for any services above R200 000.00.

Company	Description	Amount paid (VAT Incl.)
Involve	Panel of consultants for preparation and /or review of financial statements, review of standard operating procedures and assets management for a period of three (3) years	**R3 604 409.66**
CMG	Panel of consultants for preparation and /or review of financial statements, review of standard operating procedures and assets management for a period of three (3) years	**R5 824 710.71**
BVI Consulting Engineers	Civil Engineering Consulting Services & Project Management	**R672 684.44**
kimopax	Civil engineering consulting services	**R 0**
Tsela tsweu consulting engineers	Appointment of a panel of consulting engineering service provider for the period provision of professional civil engineering service for a period of three (3) years as and when required	**R 0**
Reneilwe consulting & planners	Appointment of a panel of professional for town planning for a period of three (3) years	**R 0**
K2014003156 (SOUTH AFRICA) (PTY) LTD (Akanani)	Appointment of a panel of professional for town planning for a period of three (3) years	**R1 279 409.29**
ELMON CONSULTING	Appointment of a panel of professional for town planning for a period of three (3) years	**R583 625.00**
Agisa	Appointment of a panel of consulting engineering service provider for the period provision of professional civil engineering service for a period of three (3) years as and when required	**R 0**
CIVIL SENSE CONSULTING	PROVISION OF PROFESSIONAL CONSULTING SERVICE	**R362 738.89**

MVD Kalahari consulting engineers and town planners	Provision Of Professional Consulting Service	**R183 118.73**
KMSD ENGINEERINERING CONSULTANTS	PROVISION OF PROFESSIONAL CONSULTING SERVICE	**R 843 796.57**
MALEKANA VAN RHYN AND MOSENA CONSULTING ENGINEERS	Provision Of Professional Consulting Service	**0**
TOTAL		**R13 354 493 .29**

12. 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.

For the quarter under review, no panels were appointed.

13. 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.

Of the committees stated above, Gamagara has appointed a Technical and Non-Technical BSC. The Technical committee deals with technical bids and the non-technical deals with normal supply and delivery bids. The BEC and BAC are standing committees.

All the bid committees are appointed in writing by the Accounting Officer.

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.

The final decision to appoint is currently delegated to the Accounting Officer only.

The bid committee system for competitive bidding is consistent with MFMA Act 56 of 2003 (SCM Regulations 27, 28 and 29) PPPFA as well as the B-BBEE Act and its strategy.

14. PERFORMANCE OF THE SCM COMMITTEES

15.1 Bid Specification Committee

The composition thereof is usually made up of officials from the user department and SCM Division. The meetings are held as and when there are submissions to the committee.

For the year under review, the table below depicts the number of items considered, approved or referred back, etc.

BSC scheduled meetings: Total

Number of meetings	3
Approved Specifications	0
Specifications Cancelled	0
Specifications Referred Back	0
No quorum Meetings	0

15.2 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: Total

Recommended for Adjudication	0
Meetings continuing (BEC)	0
No quorum Meetings	0

15.3 Bid Adjudication Committee

The BAC meets as and when there is submission from the BEC.

BAC Scheduled meetings: Total

Meetings that were convened	2
Items Considered	0
Items referred back	0
Recommendations to Accounting officer	1

15. CANCELLED TENDERS FOR THE FIRST QUARTER OF 2025/2026

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

- There was no tender cancelled

16. REGULATION 44 AND 45

Awards to persons in the service of the state and awards made to close family members

In terms of Regulation 44 and 45 of the Regulations state that:

44. "Prohibition on awards to persons in the service of the state

The supply chain management policy of a municipal entity must, irrespective of the procurement process followed, state that the municipality or municipal entity 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.

This section therefore means that the Gamagara Local Municipality must 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.

No	Tender Number/ Quotation	Name of Official	Description	Reason for Award
No award was made to a person in the service of the state				

45. "Awards to close family members of persons in the service of the state"

Contracted Supplier	Name of Spouse/ Family Member	Organ of State	Position Held	Amount incl. VAT
Sapphire Dawn	Chris Engelbrecht	Gamagara Local Municipality	Millwright	R22 287.00
Phatsimisa Setshaba	Jeanette Dipuo Masiane	Department of Education (Maremane Primary School)	School Principal	R1,533,600.00
Total				

17. LOGISTICS MANAGEMENT

SCM STATS QUARTERLY REPORT FOR 2025/2026

NAME OF DEPARTMENT	TOTAL STOCK ORDERED FOR THE QUARTER	% OF TOTAL STOCK
Financial Services (FUEL)	R556 507.82	**55.53%**
Infrastructure services (Cold mix bags)	R 0	0
Infrastructure services (Phosphate)	R 0	
Infrastructure services (Chlorine gas cylinders)	R 267 300,00	26.67%
Infrastructure services (Single phase electricity meters)	R 0	0%
Infrastructure services (Three phase meters)	R0	0%
Infrastructure services (Back plates)	R0	0%
Electricity meter keypads	R0	0%
Plc single phase meters(communicator)	R0	0%
Plc three phase meters	R0	0%
Electrical BEC44X SINGLE PHASE	R89 218.00	8.9%
Electrical BEC44 SINGLE PHASE CIU	R89 218.00	8.9%
TOTAL	**R 1 002 244.82**	**100%**

THEFT DETAIL: Theft was reported for the quarter under review:

The disciplinary report attached for reference

MONTH	MATERIAL DESCRIPTION OF THEFT	CAS NO	CLAIM NO	STATUS
N/A	N/A	N/A	N/A	N/A

The following are the guidelines from the National Treasury Guide for Accounting Officers of the municipalities and municipal entities. Logistics pertains to amongst others- coding of items, setting of inventory levels, placing of orders, receiving and distribution, store/warehouses management, expediting orders, transport management and vendor performance.

National Treasury further stipulates that due to protracted lead times and due to the need to keep **specific** items in stock, the following should be determined:

- Which items and quantities thereof should be kept in stock
- Minimum/maximum levels to be kept in stock based on consumption figures and inputs from user departments
- Allowing for safety margin (plus minus 20%) to be added to the minimum levels of **critical** stock items to cover for contingencies.

The concept of just- in- time should be considered in order to cover cost of holding stock and share the risk with suppliers.

The National Treasury guidelines also entail that stock taking of all inventories should be conducted at least once a year.

The GLM stock count procedure dictates stock counts to be conducted bi-annually.

18. 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.

TENDERS ADVERTISED FOR THE FIRST QUARTER 2025/2026 FINANCIAL YEAR

For the quarter under review, no tenders were advertised.

No	Bid number	Description	Briefing Session	Closing Date	E Tender Portal	Procurement Plan

a. Exceptions

Tenders that were advertised but not on Procurement Plan

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

19. PROGRESS ON PROCUREMENT PLAN

A total of 7 projects were included on the procurement plan. Attached, please find the table outlining the description and progress on the implementation of the projects. Out of the 7, 3 projects have not yet started. 2 appointments were made for 2 projects, 1 on deviation and one on competitive bidding. 2 projects are at stages of evaluation and adjudication.

20. 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 Gamagara municipality in general. All awards made during the financial year under review were loaded on the system and the contract register was updated accordingly.

Gamagara municipality does not have a contract management section and management, and council must take note and address this deficiency.

21. PERFORMANCE MANAGEMENT

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.

Gamagara municipality does not have a contract management section and management, and council must take note and address this deficiency. However, for contract invoices that are above R 200 000 the Accounting Officer is enforcing end-users to submit progress/performance reports with the invoice for his approval.

22. POLICY IMPLICATIONS

Gamagara Local Municipality SCM Policy is in line with and 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; Broad Based Black Economic Empowerment Act, 2003; The Construction Industry Development Board Act, 2000.

The adjudications and approvals of tenders were all implemented in accordance with the approved Gamagara Local Municipality SCM Policy.

23. FINANCIAL IMPLICATIONS

The total amount of tenders and quotations awarded for the financial year 2025/2026 are as follows:

Tenders	Unable to determine the value as most of the tenders are rate based
Deviations	R1,721,330.50
Written Quotations	R162 762.76
Formal Quotations	R719,882.41
Regulation 32 Organ of state	N/A
Payments to Consultants	R13 354 493 .29
Irregular Expenditure (VAT incl.)	R R 4 630 556.88
Section 110	N/A
Cessions	N/A
Sponsorships	N/A
Panels	N/A

24. RECOMMENDATIONS

- Council must task note of the report.
- The MPAC investigate all Irregular expenditure to determine recoverability or write-off according to the MFMA circular 68.