KNYSNA
Municipality Munisipaliteit uMasipala

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Quarterly Supply Chain Management report

Prepared in terms of the Local Government:
Municipal Finance Management Act (56 of 2003);
Supply Chain Management Regulations.

01 JULY 2024/25 – 30 SEPTEMBER 2024/25
FIRST QUARTER REPORT

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PART 1: QUARTERLY REPORT

1. LEGAL CONTEXT

1.1 Municipal Finance Management Act

Section 111 of the Municipal Finance Management Act (MFMA) determines that:

"*Each municipality and each municipal entity must have and implement a supply chain management policy which gives effect to the provisions of this Act".*

Section 112 of the Municipal Finance Management Act (MFMA) determines that the supply chain management policy must comply with the prescribed framework:

"(1) The supply chain management policy of a municipality or municipal entity must be fair, equitable, transparent, competitive and cost-effective and comply with a prescribed regulatory framework for municipal supply chain management, which must cover at least the following—

(a) the range of supply chain management processes that municipalities and municipal entities may use, including tenders, quotations, auctions and other types of competitive bidding;

(b) when a municipality or municipal entity may or must use a particular type of process;

(c) procedures and mechanisms for each type of process;

(d) procedures and mechanisms for more flexible processes where the value of a contract is below a prescribed amount;

(e) open and transparent pre-qualification processes for tenders or other bids;

(f) competitive bidding processes in which only pre-qualified persons may participate;

(g) bid documentation, advertising of and invitations for contracts;

(h) procedures and mechanisms for—

(i) the opening, registering and recording of bids in the presence of interested persons;

(ii) the evaluation of bids to ensure best value for money;

(iii) negotiating the final terms of contracts; and

(iv) the approval of bids;

(i) screening processes and security clearances for prospective contractors on tenders or other bids above a prescribed value;

(j) compulsory disclosure of any conflicts of interests prospective contractors may have in specific tenders and the exclusion of such prospective contractors from those tenders or bids;

(k) participation in the supply chain management system of persons who are not officials of the municipality or municipal entity, subject to section 117;

(l) the barring of persons from participating in tendering or other bidding processes, including persons—

(i) who were convicted for fraud or corruption during the past five years;

(ii) who wilfully neglected, reneged on or failed to comply with a government contract during the past five years; or

(iii) whose tax matters are not cleared by South African Revenue Service;

(m) measures for—

(i) combating fraud, corruption, favouritism and unfair and irregular practices in municipal supply chain management; and

(ii) promoting ethics of officials and other role players involved in municipal supply chain management;

(n) the invalidation of recommendations or decisions that were unlawfully or improperly made, taken or influenced, including recommendations or decisions that were made, taken or in any way influenced by—

(i) 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

(ii) municipal officials in contravention of item 4 or 5 of the Code of Conduct for Municipal Staff Members set out in Schedule 2 to that Act;

(o) the procurement of goods and services by municipalities or municipal entities through contracts procured by other organs of state;

(p) contract management and dispute settling procedures; and

(q) the delegation of municipal supply chain management powers and duties, including to officials.

(2) The regulatory framework for municipal supply chain management must be fair, equitable, transparent, competitive and cost-effective."

Section 115 of the Municipal Finance Management Act (MFMA) determines that a system of supply chain management must be implemented:

(1) The accounting officer of a municipality or municipal entity must—

(a) implement the supply chain management policy of the municipality or municipal entity; and

(b) take all reasonable steps to ensure that proper mechanisms and separation of duties in the supply chain management system are in place to minimise the likelihood of fraud, corruption, favouritism and unfair and irregular practices.

(2) No person may impede the accounting officer in fulfilling this responsibility.

Section 117 of the Municipal Finance Management Act (MFMA) determines that councillors are barred from serving on tender committees:

"*No councillor of any municipality may be a member of a municipal bid committee or any other committee evaluating or approving tenders, quotations, contracts or other bids, nor attend any such meeting as an observer".*

Section 118 of the Municipal Finance Management Act (MFMA) determines that there may not be any interference in the supply chain management system:

"*No person may—*

(a) interfere with the supply chain management system of a municipality or municipal entity; or

(b) amend or tamper with any tenders, quotations, contracts or bids after their submission".

1.2 Supply Chain Management Policy

Section 3 of the Knysna Municipality Supply Chain Management Policy indicates a system of delegations:

"(1) The council hereby delegates all powers and duties to the Accounting Officer which are necessary to enable the Accounting Officer –

(a) to discharge the supply chain management responsibilities conferred on the Accounting Officer in terms of –

(i) Chapter 8 of the Act; and

(ii) the Supply Chain Management Policy.

(b) to maximize administrative and operational efficiency in the implementation of this Policy;

(c) to enforce reasonable cost-effective measures for the prevention of fraud, corruption, favouritism and unfair and irregular practices in the implementation of this Policy; and

(d) to comply with his or her responsibilities in terms of Section 115 and other applicable provisions of the Act.

(2) Section 79 of the Act applies to the sub-delegation of powers and duties delegated to an Accounting Officer in terms of Sub-Section (1).

(3) The Council or Accounting Officer may not sub-delegate any supply chain management powers or duties to a person who is not an official of municipality or to a committee which is not exclusively composed of officials of the municipality.

(4) Section 4(3) may not be read as permitting an official to whom the power to make final awards has been delegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in Section 26 of this Policy.

Certain subdelegations are also indicate in the Supply Chain Management Policy:

(1) "The Accounting Officer may in terms of Section 79 of the Act sub-delegate any supply chain management powers and duties, including those delegated to the Accounting Officer in terms of this Policy, but any such sub-delegation must be consistent with Sub-Section (2) of this Section and Section 4 of this Policy.

(2) The power to make a final award –

(a) above R10 million may not be sub-delegated by the Accounting Officer;

(b) above R2 million, but not exceeding R10 million, may be sub-delegated but only to –

(i) the Chief Financial Officer;

(ii) a Head of Department; or

(iii) a Bid Adjudication Committee of which the Chief Financial Officer or a senior manager is a member.

(c) not exceeding R 2 million may be sub-delegated but only to –

(i) the Chief Financial Officer;
(ii) a Head of Department;
(iii) a manager directly accountable to the Chief Financial Officer or a Head of Department, or
(iv) a Bid Adjudication Committee.

(3) An official or Bid Adjudication Committee to which the power to make final awards has been sub-delegated in accordance with Sub-Section (2) must within five working days of the end of each month submit to the Accounting Officer a written report containing particulars of each final award made by such official or committee during that month, including–
(a) the amount of the award;
(b) the name of the person to whom the award was made; and
(c) the reason why the award was made to that person.

(4) A written report referred to in Sub-Section (3) must be submitted –
(a) to the Accounting Officer, in the case of an award by –
(i) the Chief Financial Officer;
(ii) a senior manager; or
(iii) a Bid Adjudication Committee of which the Chief Financial Officer or a senior manager is a member.
(b) to the Chief Financial Officer or the senior manager responsible for the relevant bid, in the case of an award by –
(i) a manager referred to in subparagraph (2)(c)(iii); or
(ii) a Bid Adjudication Committee of which the Chief Financial Officer or a senior manager is not a member.

(5) Sub-Section (3) of this Section does not apply to procurements out of petty cash.

(6) This Section may not be interpreted as permitting an official to whom the power to make final awards has been sub-delegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in Section 26 of this Policy.

(7) No supply chain management decision-making powers may be delegated to an advisor or consultant".

Section 5 of the Knysna Municipality Supply Chain Management Policy prescribe the oversight role of Council:

"(1) The council reserves its right to maintain oversight over the implementation of this Policy.

(2) *For the purposes of such oversight the Accounting Officer must –*

   (a) *within 30 days of the end of each financial year, submit a report on the implementation of this Policy and the Supply Chain Management Policy of any municipal entity under the sole or shared control of the municipality, to the council of the municipality; and*

   (b) *whenever there are serious and material problems in the implementation of this Policy, immediately submit a report to the council.*

(3) *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.*

(4) *The reports must be made public in accordance with Section 21A of the Municipal Systems Act.*

(5) *The Accounting Officer will, within 60 days of the end of each financial year, submit to the Provincial Treasury any information concerning supply chain management in such format as the National Treasury and Provincial Treasury may determine.*

(6) *To maintain oversight over the implementation of the SCM Policies and Principles. To this end, in addition to the reports referred to in regulation 6(2) and 6(3) of the SCM TR, and in addition to the deviations reports that are already being reported on, the Accounting Officer must also submit monthly reports to the Mayor for tabling in Council containing details of all tenders awarded during the previous month including but not limited to the following in respect of each tender:*

   (a) *The decisions of the BSC and the reasons therefore;*
   (b) *The recommendations of the BEC and the reasons therefore;*
   (c) *The minutes of the BAC reflecting the bid specifications, the decisions/recommendation of the BAC and, if such decisions/recommendations differ from the recommendations of the BEC, the reasons for so differing and the outcome of any resolution of the difference of opinion between the BEC and BAC;*
   (d) *Details of any subsequent decision of the Accounting Officer on any recommendations and, where applicable, the reasons for the Accounting Officer's decision being different from the recommendations of the BEC and/or the BAC; and*
   (e) *Information about any developments during that month in respect of any dispute, complaint, objection or court action submitted in relation to any tender award. If any of the above information becomes available only in subsequent months in relation to such awards, such information must likewise be reported to the Mayor in the month following that in which the*

information became known to the Accounting Officers. Any dispute, complaint, objection or court action in relation to any decisions or actions taken by the Municipality in respect of other aspects of the operation of the SCM system should likewise be reported on".

Section 9 of the Supply Chain Management Policy indicates a range of procurement processes:

"(1) Goods and services may only be procured by way of –

(a) petty cash purchases in terms of Council's Petty Cash Policy for procurement transactions with a value up to R2 000 (Incl. VAT);

(b) written or verbal quotations for procurement transactions of a value up to R10 000;

(c) formal written price quotations for procurement transactions of a value over R10 000 up to R300 000; and

(d) a competitive bidding process for–

(i) procurement transactions with a value above of R300 000; and

(ii) the procurement of long-term contracts.

(2) The Accounting Officer may, in writing-

(a) lower, but not increase, the different threshold values specified in Sub-Section (1); or

(b) direct that –

(i) written or verbal quotations be obtained for any specific procurement of a transaction value lower than R2 000;

(ii) formal written price quotations be obtained for any specific procurement of a transaction value lower than R10 000; or

(iii) a competitive bidding process be followed for any specific procurement of a transaction value lower than R300 000.

(3) Goods or services may not deliberately be split into parts or items of a lesser value merely to avoid complying with the requirements of the policy. When determining transaction values, a requirement for goods or services consisting of different parts or items must as far as possible be treated and dealt with as a single transaction".

Section 16 of the Supply Chain Management Policy describes the procurement process for purchases above R30 000:

"(1) The conditions for the procurement of goods or services for a value over R30 000 up to R300 000, through formal written price quotations are as follows:

(a) quotations must be obtained in writing from at least three different providers whose names appear on the list of accredited prospective providers of the municipality;

(b) quotations may be obtained from providers who are not listed, provided that such providers meet the listing criteria set out in Section 14(1)(b) and (c) of this Policy;

(c) if it is not possible to obtain at least three quotations, the reasons must be recorded and approved by the Chief Financial Officer or an official designated by the Chief Financial Officer, and

(d) the Accounting Officer must record the names of the potential providers and their written quotations.

(2) Quotations must:

(a) be in writing, and signed by a person with the necessary authority to act on behalf of the prospective supplier;

(b) comply with the specifications set out in the quotation notice;

(c) be marked for identification in relation to the particular quotation.

(3) A designated official referred to in Sub-Section (1) (c) must within three days of the end of each month report to the Chief Financial Officer on any approvals given during that month by that official in terms of that Sub-Section".

Section 18 of the Supply Chain Management Policy describes the procurement process for purchases above R30 000:

"(1) Goods or services above a transaction value of R300 000 and long term contracts may only be procured through a competitive bidding process, subject to Paragraph 11(2) of this Policy.

(2) The bid documentation will be prepared by the SCM Manager in consultation with the relevant directorate and displayed on notice boards, placed on the council's website, and advertised in commonly circulated local and/or provincial newspapers with a closing date of at least 14 days after the date that the advertisement first appears.

(3) No requirement for goods or services above an estimated transaction value of R300 000 may deliberately be split into parts or items of lesser value merely for the sake of procuring the goods or services otherwise than through a competitive bidding process".

Section 25 of the Supply Chain Management Policy describes the procurement process for purchases above R300 000:

"(1) The Accounting Officer is required to establish a committee system for competitive bids of at least-

(i) a Bid Specification Committee;

- *(ii)* *a Bid Evaluation Committee; and*
- *(iii)* *a Bid Adjudication Committee.*

(2) The Accounting Officer appoints the members of each committee, taking into account Section 117 of the Act.

(3) A neutral or independent observer, appointed by the Accounting Officer, must attend or oversee a committee when this is appropriate for ensuring fairness and promoting transparency.

(4) The committee system must be consistent with –

- *(a)* *Section 27, 28 and 29 of this Policy; and*
- *(b)* *any other applicable legislation.*

(5) The Accounting Officer may apply the committee system to formal written price quotations".

Section 35 of the Supply Chain Management Policy describes the procurement process for deviations from the policy:

(1) "The Accounting Officer may –

- *(a)* *dispense with the official procurement processes established by this Policy and to procure any required goods or services through any convenient process, which may include direct negotiations, but only –*
  - *(i)* *in an emergency which is considered an unforeseeable and sudden event with materially harmful or potentially materially harmful consequences for the municipality which requires urgent action to address.*
  - *(ii)* *where it can be demonstrated that goods or services are produced or available from a single source / sole supplier 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 and/or nature and game reserves; or*
  - *(v)* *in any other exceptional case where it is impractical or impossible to follow the official procurement processes.*
- *(b)* *ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely of a technical nature; and*
- *(c)* *may condone any irregular expenditure incurred in contravention of, or that is not in accordance with a requirement of this Policy, provided that such condonation and the reasons therefore shall be reported to Council at the next ensuing meeting.*

(2) The Accounting Officer must record the reasons for any deviations in terms of Sub-Sections (1)(a) and (b) of this policy and report them to the next meeting of Council and include as a note to the annual financial statements.

(3) Sub-Section (2) does not apply to the procurement of goods and services contemplated in Section 11(2) of this policy".

2 FIRST QUARTER SUPPLY CHAIN MANAGEMENT REPORT

2.1 Introduction

2.1.1 The Local Government: Municipal Finance Management Act requires that the Municipality must have and implement a Supply Chain Management Policy, which gives effect to the provisions of Part 1 of Chapter 11 of the Act that deals with 'Supply Chain Management'.

2.1.2 The SCM Unit hereby wish to submit the first quarter 2024/25 financial year report to the Finance Committee of Council, this report represents the implementation of Supply Chain Management from 01 July 2024 to 30 September 2024, and reflects the implementation of the supply chain management policies of the Municipality.

2.1.3 The purpose of this report is to provide the status of SCM Unit and report on the implementation of SCM policies in terms of Council's approved Supply Chain Management Policies and Procedures of the Municipality namely Preferential Procurement Policy Framework Act and Contract Management.

2.2 Bid Committee's Administration.

2.2.1 The competitive bidding process and bid committee structures as prescribed inccordance with the SCM Policy are in place. The mandate, composition, roles and responsibilities of bid committee's as well a meeting procedures, ethical code of conduct and declaration of ineteret for committee's are clearly outlined and defined in the committees charter (terms of references) and ethical code of conduct to ensure proper good governance and compliance with SCM processess. The Bid Committee's members are required to abide by the Committtee TOR,the members ethical code of conduct and declaration of interest to manage the potential conflict of interest. The committee's are comprise of the following members:

#	Bid Committee's	Bid Committee's Compositions and Functions
	Bid Specification Committee – BSC	BSC will be compose of a Senior Manager, Manager or Senior official of the user department, an official of a division requiring the goods or services [user], and a member of the SCM Unit. Its mandate is to develop proper specifications, do proper needs analysis, project costing in line with the procurement plan, feasibility study and conduct market analysis. The specifications submitted by the user department in the Municipality must allow effective competition and fair dealing for bidders to offer

#	Bid Committee's	Bid Committee's Compositions and Functions
		their goods and services. Members of the Bid Specification Committee shall in exercising and executing their powers and functions in terms hereof, comply with all Council approved policies, by-laws, guidelines, directives and relevant legislation pertaining to procurement of goods/services, appointment of consultants.
	Bid Evaluation Committee – BEC	BEC will comprise of a Chairperson, Managers and responsible official of the procuring department and SCM Official as the secretariat of the committe. Its mandate is to evaluate bids in accordance with evaluation criteria, do proper due diligent and quality assurance in the evaluation of bids. submit evaluation report with recommendations to the Bid Adjudication Committee for the award and appointment by the Accounting Officer.
	Bid Adjudication Committee – BAC	At least 4 Senior Managers of Department (Directors), and a Senior SCM Practitioner and SCM Manager with the CFO as Chairperson. Its sole mandate is to adjudicate or reject the recommendations from the BEC. To make awards or recommend to the MM to appoint for goods and services above R 10 million.

2.3 **Performance of the Bid Committee Members**

2.3.1 The appointment of the bid committee's by the Accounting Officer in accordance with the Municipal Supply Chain Management Policy, is to ensure functional and effective bid administration. This helps the Municipality in terms of accountability and reporting. The SCM unit has scheduled a weekly standing meetings for bid committee's The Wednesday are dedicated for Bid Adjudication Committee, Tuesday are dedicated for Bid Evaluation Committtee and Thursday are dedicated for Bid Specification Committee.

2.3.2 This was undertaken to ensure that SCM unit improves on internal services delivery support and good turnaround time to finalise all the bids within the validity period. This assist the Municipality to improve its performance and achievd service delivery targets.

2.3.3 The attached bids register indicates number of projects evaluated and adjudicated within required 120 days tender validity period.

2.3.4 SCM Unit as the custodian of the bids administration still faced with challenges of none attendance of meetings by committee members. The introduction of members rotational systems on appointment has made some improvement but more still need to be done through the issuing of BEC meetings directives by the Accounting Officer for members to attendance this meetings and finalization of projects within the stipulated validity period.

2.3.5 The SCM Manager and Chief Financial Officer must ensure that there is principles of good governance and compliance in the functioning of the SCM Unit. The element of supply chain management to ensure proper due diligent, quality control for RFQ's and bid evaluation quality assurance to avoid administrative oversight and errors in the SCM functions must be highly maintained.

2.3.6 The annual review and assessment of the SCM annual performance is underway:

- Review and assement of SCM process and internal controls in the administration of RFQ and Bids is schedule from the 12 November 2024 till 15 November 2024 by the Provincial Treasury as part of Section 139 support plan.
- All SCM Audit RFI have been submitted to the AGSA for review and assessment as part of the 2023/2024 Audit Plan.
- Review option to introduce the procurement systems to submit bids online and procurement systems account for submission of RFQ is underway. (Ongoing consultations and various worrshops from the Provincial Treasury and SCM Managers)
- Registration of of the strategic procurement projects namely, waste to energy project which is at the feasibility study level, Request for proposals for construction of Municipal Offices and Land Commercialization for mixed development for Municipality.
- Appointment of panel of service providers on various Municipal services and delivery of goods, also makes recommendations on the BEC and BAC report to appoint second or third recommended bidder to mitigate the risk of none supplier or poor performance and avoid deviations.
- Strengthening the participation of the Municipality on National Treasury Transversal contract as another method of the national strategies sourcing..
- Review of the current procurement plan to be in line with the Municipal Budget Funding Plan to reduce escessive spending and redefine the Municipal demand management strategies.
- Develop a document reporting management system that will assit MPAC to quickly have an access to all the document in relation to UIFW expenditure without any delay on the monthly basis. (Collab to investigate)

Table 1: Bids Under Consideration for First Quarter 2024/2025

No	Bid Number	Bid Descriptions	Status of the Project	Comments
1.	T 03 of 2024/25	Establishment of a Panel of Professional Service Providers for various Municipal Infrastructure Projects for a period of three years	Bid Evaluation Stage	None attendance of the BEC meeting by members contributed to the delay in the finalization of the project.
2.	T 05 of 2024/25	Electronic Web-Based Organisational and Individual Performance Management System, Compliance Management System and Professional Services for a period of 36 months from date of appointment.	Bid Specification Stage	The bid is adavertised and is closing on the 20 Novemebr 2024
3.	T 08 of 2024/25	Three (3) year contract for Maintenance of the existing Knysna Municipal Telemetry Installation	Bid Specification Stage	
4.	T 09 of 2024/25	Repair and Maintenance of Civil Engineering Services and Specialised Emergency Repair Work(s) and facilities for a period of three (3) years.	Bid Evaluation Stage	
5.	T 10 of 2024/25	RFP for the development of non-fixed trading facility/craft market on portion of ERF 255 Corner of George Rex Drive & Vigilance Drive Knysna	Bid Specification Stage	
6.	T14 of 2024/25	Roads & Stormwater related Infrastructure Maintenance & Repairs.	Bid Specification Stage	
7.	T 15 of 2024/25	Expression Of Interest for Miscellaneous Construction Works	Bid Specification Stage	
8.	T 17 of 2024/25	Supply and Delivery of Server.	Bid Evaluation Stage	
9.	T 18 of 2024/25	Supply and Delivery of Plumbing material for a period of 36 Months.	Bid Evaluation Stage	

10.	T 19 of 2024/25	Appointment of a suitable qualified and experienced panel of service providers for Communication & Marketing Professional Services for 3-year period	Bid Advertising Stage	
11.	T20 of 2042/25	Supply, Installation and Maintenance of Static Red Light and Speed Violation Cameras and Back Room Processing Services for a period of three (03) years	Bid Specification Stage	

2.4 Table 2: Bids Awarded in the First Quarter 2024/2025

No	Tender	Tenderer	Total Rand Value/ amount of Requisitions
1.	T 02 of 2024/25: Appointment of Panel of Suppliers for Supply and Delivery of Stationary & Office Supplies for a period of 36 Months.	Panel of service providers was appointed as follow: • Platinum Suppliers • Waltons	Rates based tender, cost will be incurred on as and when required basis subject to availability of budget.
2.	T 11 of 2024/25: Renewal and Provision of Mimecast Services for a period of one (01)	Afrovation Technology (Pty) Ltd	R 734 396,76
3.	T 25 of 2023/24: Provision of Security Services for a period of three years	Dephethogo Trading CC	R 68, 007 837.27 Awarded amount is indicative, cost will be incurred in accordance with the tendered rates in accordance with the project scope and availability of budget
4.	T 04 of 2024/25. The Collection of Recyclable Waste from Households/Businesses within the Knysna Municipal Area for a period of three years.	DM Recycling CC Masiquame Trading 672 cc	R550.00 for 200 tonnages collected R600.00 for 300 tonnages collected R650.00 for 400 tonnages collected
5.	T 51 of 2023/24. The Repairs, Service and Maintenance of Machinery and Equipment for a period of 3 years	Chippers EC Pty Ltd Hoistec Engineering George Lawnmowers and Chainsaws	Various labour rates for different sections

6.	T 50 of 2023/24. The supply, Installation & Monitoring of Vehicle Tracking Systems for a period of three (3) years.	CTracck Fleet Management Solutions Pty Ltd	Rate per Unit Drivers ID Tag R110.00 Decommission Cost R350.00 Monthly Rental fee R199.00
7.	T 27 of 2023/24 Knysna CBD Emergency Sewerage Rehabilitation at the Greater Knysna Municipality	Lupha Enterprise (Pty) Ltd	R 2, 559,991.22.00
8.	T 29 of 2023/24: expression of interest for various municipal projects for a period of 3 years.	Establishment of a panel in various disciplines (Emerging Contractors) Various Contractors appointed	Various rates per square meters prescribed by the Municipality
9.	T 46 of 2023/24. The Electrical and Associated Works for a period of three (3) years.	Hlalanathi Contractors Coalition Trading 879 CC t/a B Spark Electrical cc. Philtech Projects Pty Ltd MDL Engineering Pty Ltd Komanim Trading	Various Labour rates as and when required for different sections
10.	T 30 of 2023/24: Biological Monitoring and Medical Surveillance Services for the employees of Knysna Municipality for a period of three years	Tender is awarded to a panel of services providers, namely: • Unlimitz Occupational Health Services,	The tender is a rates based tender, cost will be incurred in accordance with the tendered rates on as and when required basis, subject to availability of funding.
11.	T 31 of 2023/24: Travel Agency for a period of three years	Travel Click Agency	The tender is a rates based tender, cost will be incurred in accordance with the tendered rates on as and when required basis, subject to availability of funding.
12.	T 32 of 2023/24: Repairs, Service and Maintenance of Municipal Vehicles for a period 3 years	Tender is awarded to a panel of services providers, namely: • Diamond Hill Trading 180 cc • Ramcom Trucks & Load Bodies • Shorts Nissan CC	The tender is a rates based tender, cost will be incurred in accordance with the tendered rates on as and when required basis, subject to availability of funding.
13.	T 33 of 2023/24: Analytical Services for various Water and Sewer sources for the Greater Knysna Municipal Area for a period of three (3) years.	A.L Abbott & Associates	R 6 508 885.00

14.	T 12 of 2024/2. The Appointment of a suitable qualified and experienced panel of service providers as Auctioneers to conduct the auctions of municipal owned fixed assets, moveable property and impounded vehicles on behalf of the Knysna Municipality for a period of three years	Dladla and Khan Auctioneers JV Petermasteell Auctions Pty Ltd Riley Aunctioneers Pty Ltd	Fixed Property - 5 % commission Moveable and Imponded Vehicles - 5% commission
15.	T 34 of 2023/24: Supply and Delivery of Chemicals, Bacteria and Ancillary Services relating to Water and Sewer in the Greater Knysna Municipal Area for a period of 3 years.	Awarded to multiple suppliers per panel	The tender is a rates based tender, cost will be incurred in accordance with the tendered rates on as and when required basis, subject to availability of funding.
16.	T 45 of 2023/24 Repair and Servicing of the HV, MV and LV Electrical Switchgear for a period of three (3) years	Rihati Utility Services Pty Ltd Maboko Contractors Pty Ltd Manxiwa Group Pty Ltd SNR Electrical Pty Ltd TFS Pty Ltd	The tender is a rates based tender, cost will be incurred in accordance with the tendered rates on as and when required basis, subject to availability of funding.
17.	T 39 of 2023/24: Rehabilitation of Hornlee Internal Streets and Related Infrastructure.	ZKS/MJK JV	R 10 500 411.54
18.	T 40 of 2023/24: Supply, Installation and Service of Multifunction Devices (Photo Copier Machine/ Printers) for a Period of Three (3) Years	Konica Minolta South Africa	R 4 507 927.95 Tendered amount is indicative, cost will be incurred in accordance with the tendered rates and subject to the usage of the multifunction device.
19.	T 06 of 2024/25. The Supply and Delivery of 22/11 KV Outdoor Ring Main Units (Non-extensible) for a period of three (3) years	At negotiation stages	The tender is a rates based tender, cost will be incurred in accordance with the tendered rates on as and when required basis, subject to availability of funding
20.	T 58 of 2023/24. The Supply and Delivery of Mini-Substations & Distribution Transformers for a period of three (03) years below mentioned items:	Baynes Transformers SNR Electrical Pty Ltd Bloemhof	The tender is a rates based tender, cost will be incurred in accordance with the tendered rates on as and when required basis, subject to availability of funding

21.	T 44 of 2023/24: Panel of Legal Services for a period of three years.	Establishment of a panel of services providers	Cost will be incurred on as and when required bases in accordance with the tendered rates.
22.	T 52 of 2023/24: Supply and Delivery of Vehicle Spare Parts for a period of 3 years	The panel has been appointed as follow: Diamond Hill Overine 258 cc	The panel is a rates based tender. Cost will be incurred on as and when required bases in accordance with the tendered rates.
23.	T 53 of 2023/24: Expression of Interest for appointment of emerging contractors for the construction (labour and materials) of Low Income Houses (24m² - Double Storey, 40 m² - Single Storey and 48 m² - Semi-Detached Double Storey, 45 m² - Single Storey), Retaining Walls, Platforming, Carpentry, Plumbing, Minor Concrete Works and Minor Civil Works within Knysna Municipal Area for a period of three (3) years.	Various service providers	Rates are predetermined, cost will be incurred in accordance with the predetermined rates and subject to the number of units to be built.
24.	RT 15 - 2021 Supply and delivery of Mobile Communication services	Vodacom	Cost will be incurred in accordance with the tendered rates.
25.	RT 27 -Provision of Debt Collection Services	Various service providers	7 – 9% Commission fee
26.	RT 29 – Supply and delivery of smart metering in the Municipality	Still Under consideration	

2.6 Table 3: Cancelled Bids in the First Quarter 2024/2025

No	Tender number	Tender Description	Reason for cancellation
1.	T 01 of 2024/25	Duly Accredited Training Provider and learning Program.	No bids met functionality requirements after the Bid Evaluation
2.	T 07 of 2024/25	Supply, Installation and Maintenance of Static Red Light and Speed Violation Cameras and	BAC recommended for re-advertisement after the Bid Evaluation. Reason that the tender specifications did not allow for proper evaluation

		Back Room Processing Services for a period of three (03) years	in line with the principles of effective competition and fair dealing
3.	T 47 of 2024/25	Supply, Delivery, Installation and Maintenance of Emergency Back-up Generators for a period of twelve (12) months.	Funding no longer available to fund the envisage expenditure
4.	T19 of 2024/25	Appointment of a suitable qualified and experienced panel of service providers: Communication & Marketing Professional Services for 3-year period	

2.7 Bids Appeals and Objections

Please refer to the attached Annexure F

2.8 Formal written quotations

2.8.1 A summary of the formal written quotation awards made by the delegated officials for the period is indicated in Table 3 below. More detailed information on the awards made to service providers, their BBBEE status, their origin of destination and the amounts involved are depicted in detailed **Annexure A and Annexure B attached** to this report.

Table 3: Formal Written Quotations

No	**Month**	**Total Number of Requisitions processed**	**Total Rand Value/ amount of Requisitions**
1.	July	4 Requisitions	R478 662.58
2.	August	24 Requisitions	R2 528 903.07
3.	September	10 Requisitions	R1 174 753.00
4.	**Overal Total**	Total 38 Requisitions for First Quarter	R4 182 318.65
5.	Total number of C orders	14 Requisitions for C orders	R 1 497 785.38
6.	Total Number of RFQ 's	52 Purchase orders	R 5 680 104.03

2.9 Deviations from the SCM Policy

2.9.1 Section 36 of Council's Supply Chain Management Policy allows the Accounting Officer to dispense with the official procurement processes under certain circumstances. The total deviations for the period under review is depicted in Table 4 below . More detailed information on the deviations made to service providers, their compelling and justifiable reasons assoctiated with and the amounts involved are depicted in detailed **Annexure C, D and E attached** to this report.

Table 4: Approved Deviations.

Month	Total Number of Deviations processed	Total Rand Value/ Amount for Deviations
July	01 Deviations	R 147 200
August	12 Deviations	R5 228 817.17
September	07 Deviations	R1 298 689.41
Overal Total	Total 20 Deviations for First Quarter	R 6 100 353.01

QUARTER 1 DEVIATION REASONS		
Reason	**Total**	**Invoiced Amounts (Excl. VAT)**
Emergency	1	R15 267,11
Exceptional Case	17	R5 279 207,18
Sole Supplier	2	R10 180,50
Single Source	0	R00.00
	Total	**R5 304 654,79**
	VAT	**R 795 698,22**
	Total Incl Vat	**R 6 100 353,01**

Quarter 1 Outstanding Amount	
Total Excl Vat	R530 207,53
VAT	R79 531,13
Total Incl Vat	**R609 738,66**

2.10 INVENTORY MANAGEMENT

Financial Year: 2024/2025

There huge differences between Stores & General ledger and saw that a journal were passed to correct the figures.

This journal were captured directly against the General ledger and not through the Stores subsystem.

This is not the correct way to correct the figures as

- It causes the igl998 to go out of balance
- It doesn't fix the quantity on the on the stores subsystem
- There is no guarantee that the journal amount is correct as each stock code has a price per unit.

The correct way is to do a journal from the stores, reducing the qty & amount. This will then update the balance in the General ledger.

These journals should be reversed and captured through the subsystem.

The sores has been assisted by R Data with the stock take / bin cards and there huge discrepancies with the quantity opening balances, which must be fixed as soon as possible.

```
<=======STORES SUB-LEDGER=======> <====================GENERAL LEDGER======
                          STORES      CONTROL          TO BE            IN
DESCRIPTION               AMOUNT      ACCOUNT      TRANSFERED      BATCHES
--------------- ------------- ------------ ------------- ------------- ----
1 KNYSNA: RATES    5996105.50   11139130122                              20
                -------------                                          ----
                   5996105.50                                            20
```

	A	B	C	I	J	K	L	M	N	O
	ACCOUN	ACCOUNT DESCRIPTION	ALLOCATIC	YC NO	SOURC	PERIO	REC N	EFERE	DATE	DESCRIPTION
26	11139130144	InventSR-R GS W/House1:Adjustments	11139130144	10	GL	202408	1	IGLTDFYE	30/06/2024	Correction to stock c

Report on Variances on Stores Item Project

R Data was requested by Knysna Municipality to provide training on Promun's Stores module during the week of the 16th to the 20th of September 2024.The following was noted:

- Bin cards are not being utilized.

- The balancing report (igl998.p), which runs every night, wasn’t checked. This report balances the subledger to the general ledger.
- Journals were captured directly to the general ledger and not through the subsystem, resulting in imbalances between the sub ledger and the general ledger.
- The stock take balances as at 30/06/2024 were never captured on the Promun system. There were significant differences between the physical count and Promun stock on hand. This caused numerous problems when issuing stock as Promun still had stock left but none left on the shelves.
- Uncertainty regarding the units of measure – Example: while implementing the bin cards, the sponges were counted. Sponges were delivered in a pack of 3. During stock take, do you count a pack as 3 separate sponges or as 1 packet?
- Some issued requisitions were not captured in Promun. There were unaccounted differences when counting penlight batteries between 30/06/2024 and 17/09/2024. Physical stock take 30/06/24 = 357, physical stock take 17/09/24 = 171. Promun issued 4 items resulting in 182 unaccounted items.

Recommendations:

- The Opening balances as per 01/07/2024 should be corrected asap.
- Journals captured directly in the General ledger should be reversed.
- The igl998 should be checked every morning.
- Bin Cards should be maintained with each issue/receipt.
- Stock take should be performed at least every quarter.
- Units of measure should be revised for each item.

2.11 IRREGULAR EXPENDINTURE

The work is ongoing in order to reduce the Irregular Expenditure Balance. The report on Irregular Expenditure Balance as found on unuadited Annual Financial Statement for 2024/25 Financial Year.

Irregular Expenditure - Quarter 1 (01 July 2024 - 30 September 2024)			
Tender number	**Tender Description**	**Supplier**	**Expenditure Incl VAT**
T 36/2019/2020	Appointment of Consulting Engineers	Various	R650 768,35
D 10647	Leasing of Consilium Building	Deon & Carina Boshoff	R126 820,14
D 10643	Leasing of Office Space Customer Care	Noble Spectatus Fund 4	R 638 558,16
D 10653	SDBIP USER FEES JULY 2024	Ignite Advisory Services	R39 854,28
D 10670	IComply User Fees - September 2024	Ignite Advisory Services	-
D 10671	SDBIP User Fees - September 2024	Ignite Advisory Services	-
D 10672	iComply User Fees	Ignite Advisory Services	-
D 10673	SDBIP UPLOAD	Ignite Advisory Services	-
D 10649	Gaurding July 2024	Security Consortium SA	R 2 533 650,74
D 10656	RUDOLF BALIE ALARM REPAIRS	Security Consortium SA	R3 680,75
D 10657	ALARM MONITORING JULY 2024	Security Consortium SA	R127 937,50
D 10675	ALARM MONITORING AUGUST 2024	Security Consortium SA	R127 937,50
D 10644	ZKS AND NAM GENERAL TRADING	MIG:T06 OF 2022/23_CONTRACTORS FEES	R1 205 778,97
D 10674	ZKS AND NAM GENERAL TRADING	MIG: CONTRACTORS FEES_T06-22/23	R733 878,31
D 10646	Deviation Professional Services	Quantra Consulting SA (PTY)LTD	R511 151,95
	Irregular Expenditure - Current Year before Audit		**R6 700 016,65**
T 69 OF 202/21	Request for the provision of banking services for a period of 5 years	Standard Bank	R2 523 047,39
T 01 OF 2022/23	Supply, delivery and offloading of electrical cables, conductors	Various supplies	R38 655,30
	Irregular on contracts Identified through Audit 2022-2023		**R2 561 702,69**

The below mentioned recommendations will greatly assist in reducing the Irregular Expenditure and improve efficiency in the implementation of Supply Chain Management systems and business process in the Municipality.

Attachments
Annexure A: Request For Quotations Awards (RFQ) Register for First Quarter.
Annexure B: C Order purchase awards (RFQ) Register for First Quarter.
Annexure C: Deviations Register for First Quarter (July 2024)
Annexure D: Deviation Register for First Quarter (August 2024)
Annexure E: Deviation Register for First Quarter (September 2024)
Annexure F: Appeals Register for First Quarter
Annexure G: Irregular Register for First Quarter

2.9 Recommendations

The Finance and Governance Committee of Council should:

- Note the First Quarter report for implementation of the Supply Chain Management in the Municipality.
- Note all the irregular and deviation expenditure, and inform MPAC to investigate all the Irregular Expenditure of the first quarter 2024/25 Financial year.
- Make appropriate recommendations where applicable to Council in relation to implementations of Supply Chain Managaement policy in the Municipality .
- Council approved internal process must unfold to escalate the matters to MPAC for further consideration, investigation, corrective action and consequences Management.
- MPAC must submit quarterly progress report and feedback on matters considered for condonation as unavoidable expenditure like sole suppliers and emergency procurement that meets reequirements for deviations.
- MPAC to investigate all the regular expenditures as results of poor planning with deliberate intentions to contravene the SCM process of the Municipality and enforce consequences management.
- MPAC reports must have a standing item in all the ordinary Council related meetings and on quarterly basis have a special Council meeting to adopt all the recommendations of MPAC and that of Finance Committee of Council.

TR MAMPANA
SUPPLY CHAIN MANAGER
DATE: 15 OCTOBER 2024