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Supply Chain Management Fourth Quarter Report

Audit Committee of Council 2025/26 Financial Year

Fourth Quarter Report Overview and Objectives

The report is prepared in terms of MFMA (56 0F 2003) which gives effect to the provision of part 1 of chapter 11 of the Act on the implementation of Supply Chain Management in the Municipality.

The report objectives covers SCM key performance Indicators in relation to namely:

- Governance and Regulations Compliance (Policy reviews and Implementation)
- Demand and Acquisition Management (Procurement Plan and Bid administration) – Bids under consideration, Bids ending 30th December 2026, Bids awarded and Bids Cancelled.
- Contracts Management (contract bids register, suppliers' performance) – capital commitment.
- RFQ Register and C – Order Register
- Deviations Register
- Irregular Expenditure Register
- Challenges and Recommendations

Governance and Regulations at the SCM

The SCM policy reforms, reviews and implementation. The following policies were submitted to Council for approval before the start of 2026/27 Financial year budget namely.

- Municipal Supply Chain Management Policies and Procedures.
- SCM Financial systems of Delegations.
- Contracts Management Policy.
- Inventory Management Policy.
- Preferential Procurement Policy Framework Act Management.
- Irregular Expenditure Management Policy.
- Municipal Procurement Plan.
- SCM Standard Operating Procedures.

Demand Management - Needs Identifications and Budget Allocations

- The final annual procurement plan of the Municipality has been approved by the Council.
- The procurement plan covers both Operational and Capex budget, and is in accordance with Service Delivery Budget Implementation Plan.
- SCM Unit has scheduled a meeting with all end user departments to verify the procurement requirements, align them with approved budgets and work plans.
- Identify outstanding information required from departments where applicable.
- Agree on specific timelines for completing projects in line with the procurement plan.
- Allocate key personnel to the procurement activity and initiate all the procurement process
- Formulate various sourcing strategies to ensure efficiency and effectiveness

Acquisition Management – Methods of Acquisition and Bid Committee Systems

The AO has appointed all the bid committees for 2026/27 financial as prescribed in the SCM Policy with clear code of conduct and committees charter or terms of reference

- Bid Specification Committee for supply and delivery of goods and services, and for construction related services with different Chairpersons.
- Bid Evaluation Committee for supply and delivery of goods and services, and for construction related services with different Chairpersons.
- Bid Adjudication Committee comprise of all the Directors, Chaired by the Chief Financial Officer and Manager SCM or Senior SCM Practitioner as the standing member of the committee
- The Bid committee induction will take place on the 25th and 26th August 2026 to ensure proper compliance , governance and capacity building.
- All bid committees' members signed the governance documentation such as the code of conduct, declaration of interest and committee terms of reference
- The bid committee performance is rated poorly this quarter, cancelling combined total of 12 bids and only adjudicated three bids, 07 of the bids are still under considerations and a total of 16 bids are ending on the 30 December 2026.

Requests for Quotations, Deviations and Irregular Expenditure

Formal written quotations is the acquisition of goods and services below R300 000.00.

- A total of 26 RFQ’s have been registered for Quarter 4 at the total cost of R2 429 156.90 (04 RFQ’s for April at total cost R274 999.73, 07 RFQ’s for May at total cost R829 758.61 and 15 RFQ’s for June at total cost R1 324 398.56.)
- A total of 21 C- Orders have been registered for Quarter 4 at the total cost of R569 660.00. C -Orders are RFQ’s advertised and only less than three quotations are obtained (00 C – orders for April, 4 C Orders for May at the total cost R148 860.00 and 17 C Orders for June at the cost R420 800.00)
- A total of 26 deviations have been registered for Quarter 4 at the total cost of R48 877 257,86 (16 are on exceptional cases at the total cost R32 275 030,37 and 10 on emergency basis at the total cost R16 602 227.49)
- A total of R3 364 564,47 of irregular expenditure have been incurred before Audit current year and A total of R161 570,64 of irregular expenditure through Audit previous Year
- A total of R63 695 190.05 of irregular expenditure have been recommended for written off to Council by MPAC

Challenges in the Implementation of SCM Policies

- Poor planning and high volume of deviations from User department that resulted into 150 million of expenditure through deviations (Technical services is the highest contributor of this expenditures).
- No contracts for technical services related projects (Project Management professional consultants, repairs and maintenance of sewerage and storm water, road repairs and maintenance services, plant and machinery, supply and delivery of road construction related materials (Asphalt and G 5).
- End User department committing the Municipality to service providers without budgets, without approved purchase orders, procuring goods or services outside of the approved contract (Electrical related services from Technical Services).
- Ineffective bid committee systems (None attendance of BSC meetings and BEC meetings by members, tenders adjudicated beyond advertisement period which affect the service delivery target and low expenditure on projects.)
- Abuse of deviation process to deliberately manipulate the procurement systems and splitting of RFQ's
- Poor Turnaround on the finalizations of bids

Recommendations from SCM

- Proper and adequate procurement plan by the User departments
- Consequences management on self created emergency because of poor planning
- MPAC to investigate all the irregular expenditure and recommend corrective action to Council
- Accounting Officer to take remedial action against the bid committee members that don’t attend meetings.
- Accounting Officer to ensure the functioning of UIFWE steering committee and put measures in place to reduce escalating irregular expenditure

THANKS

BAIE DANKIE, KE A LEBOGA, NDIYABULELA