ITEM 21

BUDGET AND TREASURY OFFICE: SUPPLY CHAIN MANAGEMENT ANNUAL REPORT FOR THE PERIOD 1 JULY 2025 TO 30 JUNE 2026.

PURPOSE

The purpose of the report is to give feedback on the implementation of the Supply Chain Management policy for the financial year ended 30 June 2026.

BACKGROUND

The Municipal Supply Chain Regulation 6(3) as promulgated in Government Gazette Number 27636 of 30 May 2005 provides as follows:

> *"The council of a municipality must maintain oversight over the implementation of its supply chain management policy. For the purpose of such oversight the accounting officer must within ten (10) days of the end of each quarter, submit a report on the implementation of the supply chain management policy to the Mayor of the municipality"*

This report enables Council to provide an oversight over the implementation of the supply chain management policy to ensure that it is within the ambit of the applicable legislation by providing a detailed information in respect of compliance, challenges and any constraints that are or may be encountered during the implementation of the Supply Chain Management Policy.

DISCUSSION

1. Review of the Supply Chain Management Policy

In terms of Section 111 of the Local Government: Municipal Finance Management Act (Act No. 56 of 2003) each 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.

On 30 May 2005 the Municipal Supply Chain Management Regulations were promulgated. The West Rand District Municipality's Supply Chain Management Policy was approved in terms of these regulations by Council on 05 December 2011.

Regulation 3(1)(b) requires the Accounting Officer to review the SCM Policy at least once annually to ensure that it is aligned with new legislative requirements. The West Rand District Municipality's Supply Chain Management Policy was reviewed and adopted by council on the date the budget was approved, that is 27th May 2025.

2. Supply Chain Management Unit:

Regulation 7 states the following:

a. *Each municipality must establish a supply chain management unit to implement its supply chain management policy.*

b. *A supply chain management unit must, where possible, operate under the direct supervision of the Chief Financial Officer or an official to whom this duty has been delegated in terms of section 82 of the act (MFMA).*

The Supply Chain Management Unit in terms of the legislation is responsible for the following prescribed functions:

- Demand management;
- Acquisition management;
- Logistics management;
- Disposal management;
- Performance management; and
- Risk management.

2.1 Staff Complement

The Supply Chain Management has a staff complement as listed below:

- Manager: Supply Chain Management
- Logistics and Disposal Officer
- Demand and Acquisitions Officer
- Coordinator: SCM (Position vacant since 1 January 2023)
- Two (02) Learners (Not permanent)

The three (03) permanent officials possess the required competency levels as per Section 119 of the MFMA.

2.2 SCM Staff Training

- The SCM officials attended the virtual FMCMM & eMuni Monitor Induction on the 25th February 2026.
- The SCM Manager attended the Gauteng Municipal Supply Chain Management Forum on the 20th March 2026. The main purpose of the forum is to enhance transparency, efficiency, and collaboration in the implementation of SCM prescripts across the province.
- The SCM officials attended the virtual UIFWE and Financial Misconduct workshop on the 30th March 2026 which was conducted by COGTA, GPT and SALGA.
- The SCM officials and bid committee members attended the virtual Bid

Committee Training for SCM officials and Committee Members on the 14th April 2026.

- End users, SCM officials, finance officials, and project managers also attended the virtual Demand Management Workshop on the 10th June 2026.

3 Supply Chain Management Processes

3.1 <u>Bid Committees</u>

The following bid committees are established to allow for the smooth implementation of the competitive bidding process:

✓ Bid Specification Committee;
✓ Bid Evaluation Committee; and
✓ Bid Adjudication Committee

The Accounting Officer reviews the appointment of bid committee members on an annual basis, and the latest review was on 26 June 2025. Members of all bid committees were appointed by the Accounting Officer.

Bid Committees deal with procurement requirements in excess of R200 000.00. The following members have been appointed to serve in the bid committees for the 2025/26 financial year.

- **Bid Specification Committee**

OFFICIAL	CAPACITY
Manager: Public Safety	Chairperson
Manager: Budget, Treasury & Asset Management	Member
Manager: ICT	Member
Logistics and Disposal Officer	Member

- **Bid Evaluation Committee**

NAME OF OFFICIAL	CAPACITY
Executive Director: Regional Planning & Re-Industrialisation	Chairperson
Manager: Human Settlement & Infrastructure	Member
Manager: Income & Expenditure Management	Member
Manager: Waste & Environmental Management	Member
Acting Coordinator: Contract Management & Compliance	Member

- **Bid Adjudication Committee**

NAME OF OFFICIAL	COMMITTEE MEMBER
Chief Financial Officer	Chairperson
Executive Director: Health & Social Development	Member
Executive Director: Public Safety	Member
Executive Director: Corporate Services	Member
Manager: Regional Planning & Performance Management	Member
Manager: Supply Chain Management	Member

3.2 Demand Management

The system of demand management allows for the proper analysis of needs, procurement planning, establishment of a credible supplier database, and drafting of unbiased specifications.

3.2.1 Approval of Procurement Plan

The objective of the Procurement Plan is to assist with the planning for the procurement of goods, services or infrastructure projects in a proactive manner and to move away from merely reacting to procurement requests.

The National Treasury Circular No. 62 requires municipalities to develop Procurement Plans for all procurement needs in excess R200 000.00. The Procurement Plan for the financial year 202/2026 was approved on the 31/05/2025. Attached as **"Annexure 1"** is the Approved Procurement Plan for 2025/26 Financial Year.

3.2.3 Supplier Database

The municipality maintains a list of accredited providers of goods and services on the Munsoft Financial System. The list is updated on a quarterly basis to include any new additional prospective providers.

The National Treasury requires all government institutions to procure goods and services from businesses that are registered on the Central Suppliers Database (CSD). The West Rand District Municipality therefore utilises the CSD as part of the listing criteria for accrediting prospective providers in line with Regulation 14 of the Municipal Supply Chain Management Regulations.

The WRDM's SCM policy requires the supplier database to be reviewed on an annual basis and an invitation for listing as a prospective provider to be advertised at least once a year on newspapers commonly circulating locally, the municipal website and any appropriate other ways to reach out to interested potential suppliers. An invitation was sent out to existing suppliers to update their details, and to prospective suppliers to register on the Central Supplier Database and West Rand District Municipality Suppliers database. The following media platforms including the municipal website were used to invite suppliers:

Item	Newspaper	Date
1.	Sowetan	04/07/2025
2.	Randfontein Herald	08/07/2025
3.	Krugersdorp News	09/07/2025
4.	Carletonville Herald	10/07/2025

3.3 Acquisition Management

3.3.1 Range of procurement processes

The system of acquisition must allow for compliance with all the ranges of procurement as legislated. The following are the ranges of procurement:

Procurement Process	Value
Petty Cash Purchases	Up to R2000 [VAT included]
Written Quotations (Three quotation System)	Over R2000 [VAT included] up to R30 000 [VAT included]
Formal Written Price Quotations	Over R30 000 [VAT included] up to R200 000 [VAT included]
Competitive Bidding	Over R200 000 [VAT included] or Long Term Contracts

All procurement of goods and services irrespective of thresholds is centralized and performed by the Supply Chain Management Unit.

3.3.1 A total amount of **R 153 450.00** was spent on Petty Cash transactions as at 30 June 2026.

3.3.2 A total amount of **R 691 972.85** was spent on transactions between R2 001 and R30 000. A detailed breakdown is attached as **"Annexure 2"**.

3.3.3 A total amount of **R 1 866 715.53** was spent on transactions between R30 001 and R200 000.00. Attached as **"Annexure 3"** is the outcome.

3.3.4 A total amount of **R 16 402 320.66** was awarded for transactions over R200 000.00. This amount excludes the following appointments that were appointed based on rates:

- Appointment of a Service Provider for the Production and Management of the Go West Heritage Festival for a Period of Three (3) Years.
- Appointment Of a Panel of Service Providers for the Financial Resources Mobilisation and Revenue Enhancement Strategies for the West Rand District Municipality for a period of three (3) Years.
- Panel of Service Providers for the Vehicle Maintenance, Services and Repairs.
- Appointment of a Panel of Service Providers to Provide ICT Goods and Services for a Period of Three Years.
- Request for Proposals from a Private Entity to Use, Control and Manage the Donaldson Dam for a Period of Nine (9) Years and Eleven (11) Months. Attached as **"Annexure 4"**.

3.3.2 Publication of Tender Results

Section 75(1) (g) of the Municipal Finance Management Act states that, "The Accounting Officer of a municipality must place on the website all supply chain management contracts above a prescribed value". All awards in excess of R200 000 are published on the municipal website.

3.3.3 Deviations

Regulation 36 of the Municipal Supply Chain Regulations allows for the Accounting Officer to dispense with SCM processes under one of the following circumstances:

(i) in an emergency;
(ii) if such goods or services are produced or available from a single provider
(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.

A total of fourteen (14) deviations occurred in the 2025/2026 financial year with the total amount of **R2 856 357.00** Attached as **"Annexure 5"** is the detailed information.

3.4 <u>Logistics Management</u>

Logistics management is a key part of Supply Chain Management and primarily aims to control the movement and storage of materials and to process the associated transactions, including, receiving, safeguarding and issuing. The municipality has a storeroom where consumables are issued to departments.

The following consumables were kept at stores during the financial year:
Stationery, and
Cleaning materials.

The stock count was conducted as per the 2025/2026 SDBIP requirements for the 2025/2026 financial year. Attached as **"Annexure 6"** is a detailed report on the outcome of the stock count.

3.5 Disposal Management

The criteria for the disposal or letting of assets, including unserviceable, redundant or obsolete assets is subject to Section 14 of the Municipal Finance Management Act. No assets were disposed during the financial year.

3.6 Contract Management

Contract Management is the function within Supply Chain Management Unit that deals with all the administrative tasks pertaining to the management of the contracts procured through Supply Chain Management processes.

3.6.1 Supplier Performance Assessment

Section 116(2) of Local Government: Municipal Finance Management Act (No.56 of 2003) provides as follows:

The accounting officer of a municipality must-

(a) *take all reasonable steps to ensure that a contract or agreement procured through the supply chain management policy of the municipality is properly enforced*;

(b) *monitor on a monthly basis the performance of the contractor under the contract or agreement;*

(c) *establish capacity in the administration of the municipality-*

  (i) *to assist the accounting officer in carrying out the duties set out in (a) and (b); and*

  (ii) *to oversee the day-to-day management of the contract or agreement; and*

(d) *regularly report to the council of the municipality, as may be appropriate, on the management of the contract or agreement and the performance of the contractor.*

The user departments are responsible for managing contracts in their respective departments in terms of the specifications and conditions contained in the approved contracts by means of the Supplier Evaluation Matrix which the municipality has developed, and on a quarterly basis report to SCM on the performance of their service providers. Below is a summary of the Contract Performance Register for the 2025/26 financial year.

The table below provides a summary of the suppliers' performance assessment:

Number of contracts assessed.	**Number of suppliers whose performance were above average**	**Number of suppliers whose performance was average and below**
20	20	0

3.6.2 Contract Register

All approved contracts awarded through SCM processes are registered in the Contract Management Register to monitor expenditure and contract end dates in order to commence with the procurement strategy on time. Attached as **"Annexure 7''** is the Contract Register for the financial year.

3.6.3 Annual Procurement Plan Progress Report

In terms of the Municipal Finance Management Act, Circular No. 62, municipalities are required to submit procurement plans in respect of goods, works and services more than R 200 000.00 (inclusive of applicable taxes). Monitoring the Procurement Plan assists in planning details of when the procurement process can be undertaken to ensure that goods and services are delivered on time, within budget, and with the right or acceptable quality to achieve value for money. Attached hereto is the Procurement Plan Progress Report as **"Annexure 8".**

LEGAL IMPLICATIONS

The report is compiled as required by Regulation 6 of the Municipal Supply Chain Regulations.

RECOMMENDATIONS:

1. That, in terms of Regulation 6(3) of the Municipal Supply Chain Regulations, as promulgated in Government Gazette Number 27636 of 30 May 2005, that cognizance be taken of the Supply Chain Management Report as at 30 June 2026, regarding the following:

- Awards made for procurement needs up to R2000
- Awards made for procurement needs between R2001 up to R30 000

- Awards made for procurement needs between R30 001 up to R200 000
- Tender Report
- Stock Taking Report
- Deviations Report
- Supplier Performance Report and the updated Contract Register, and
- Procurement Plan Progress Report

2. That, as required by Regulation 6(4) of the Municipal Supply Chain Regulations, promulgated in Government Gazette Number 27636 of 30 May 2005, that the report be made public in terms of Section 21A of the Municipal Systems Act.