

ITEM (07/2012)

Municipal Manager's Report to Council on the Deviation from and ratification of breaches from the Procurement processes for the period 1 April to 30 June 2011

PURPOSE

To submit a report to Council on the deviation from procurement processes for the quarter ending 30 June 2011.

BACKGROUND

In terms of Section 36 of the Supply Chain Management Policy: Deviation from, and ratification of minor breaches of, procurement processes:

- (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;*
 - (ii) *if such goods or services are produced or available from a 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 and/or nature and game reserves;*
 - (v) *in any other exceptional case where it is impractical or impossible to follow the official procurement processes; and*
- (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.*
- (2) *The accounting officer must record the reasons for any deviations in terms of subparagraphs (1)(a) and (b) of this policy and report them to the next meeting of the council and include as a note to the annual financial statements."*

Attached as Annexure A (pp1 - 4) please find the instance for the quarter April to June 2011 where the prescribed procurement processes were not followed but approved in terms of the Municipal Manager's delegated powers.

RECOMMENDED TO MUNICIPAL COUNCIL:

1. that Council takes note of the item as per Annexure A (pp1 - 4) where the official procurement processes were dispensed with, condonation of expenditure incurred and extension of contracts for reasons as mentioned in the report, with the approval of the Municipal Manager, for the quarter ending 30 June 2011.
2. that the items in 1 above be included by the Chief Financial Officer as a note to the 2010/2011 annual financial statements.

DISPENSING WITH CALLING FOR TENDERS FOR THE PERIOD FROM 1 APRIL TO 30 JUNE 2011

ANNEXURE A

Department	Description	Reason	Approved Company	Amount
Office of the Chief Operating Officer	Appointment of an experienced service provider for the Review of the Organizational Transactional Data and Recovery of Money	The need to improve internal controls system as to ensure that set objectives are achieved with allocated resources and that system are put in place to prevent, detect and correct irregularities pertaining to any transactions that MCLM process on a day to day basis. The reviews conducted by the in-house Internal Auditors as well as the AG noted that internal controls needed to be beefed up. Data mining will also be performed on our processes in preparation of the migration to another financial system.	Comperio Forensic Services (Pty) Ltd 33 Mark Avenue Northcliff Ext 12 Johannesburg	The fee, exclusive of VAT, will be based on 20% of actual recoverables. Should the company not be able to recover any money, no payment will accrue to the company.
Infrastructure Services: Electricity	Emergency repairs to the 33kV Mono Pole Structure Stay-Wire	Extension of appointment of EPSAR (appointed for repair of damaged lattice structures on the 33kV Condale) for further emergency repair of High Voltage overhead lines. In the process of replacing the damaged structures in Condale, EPSAR noticed that some adjacent 33kV Line's stay-wires are loose and poles are starting to fall over due to vandalism of the structures. It is also recommended that EPSAR be appointed for all emergency breakdowns on transmission lines as and when required until the new tender is finalized.	EPSAR cc 48 Louisa Street Brackenhurst 1450	R 91 080.00 (excluding VAT)
Social Services	Extension of contract of Civitas Data Services for a period of 8 months (until Jan	A one year contract was signed for the rental of software from Civitas as from June 2010 to May 2011. It is still uncertain when the	Civitas Data Services (Pty) Ltd 72 Dover Street Ferndale	An average of R 12 000 per month is paid for the service

	2012) for the rental of Software for the capturing of all direct notices and accidents on the service providers software system.	AARTO Act will commence and when the new tender for the renting of speed cameras as well as the software for capturing of the notices can be advertised.	Randburg	rendered.
Corporate Support Services	Appointment of Brilliant Telecommunications to install Cables and Switches (physical infrastructure) in remote sites of MCLM	Due to the urgency, Brilliant Telecommunications, who specializes in the telephone management of MCLM was appointed to install physical infrastructure of remote sites as the ICT Upgrade project only did the cabling of 12 sites and not the remote sites. The remote sites were therefore not connected through VoIP which was intended to save the municipality duplicate Telkom costs.	Brilliant Telecommunications (Pty) Ltd	Actual expenditure amount to be reported at next meeting of Council.
Finance Department	Appointment of Quill to Expand the Asset Module of the BIQ Financial System in order to comply with GRAP 17 and to link the IMQS Infrastructure Asset Management System to BIQ	Quill Associates is the sole supplier of the BIQ Financial System, and certain changes have to be affected to the Asset module in order to bring it in line with GRAP 17 requirements as well as to link it to the IMQS Infrastructure Asset Management System for the 2010/11 financial year end.	Quill Associates (Pty) Ltd PO Box 2021 Wingate Park 0153	R 350 000 (excluding VAT)
Finance Department	Appointment of a Transaction Advisor on the Risk Sharing Model to Enhance Collection of Mogale City's Debtors Book	AloeCap was appointed by the Gauteng Provincial Department of Local Government to assist municipalities with regard to the enhancement of the collection of their outstanding debtor's books. They advised the West Rand Municipalities to procure the services of agents/debt collectors/companies that are prepared to pay a certain amount upfront for the right to collect the debtors book (RTC). AloeCap will assist with the	AloeCap Postnet Suite 327 Private Bag X 30500 Houghton	An administration fee of 1% of the gross collection received by MCLM be paid to AloeCap

		compilation of the specifications to embark on a tender process as well as the evaluation process.		
Economic Services	Appointment of an Experienced Service Provider for the Land Use Audit of MCLM. The project will be done in phases, starting in Kagiso and the rest of the previously disadvantaged townships and then the rest of Mogale City	Instead of appointing consultants, the dept decided to request a University to assist with the audit. All universities were only willing to provide students during weekends. Mrs Lizelle Smit of the University of Pretoria offered her services to manage the project. This includes the appointment, payment and supervision of students for the duration of the project.	Mrs Lizelle Smit University of Pretoria	R 188 500 (including VAT)

CONDONATION

Office of the Executive Mayor: Condonation for the deviation from the official procurement processes for hosting of the annual State of the City Address by the Executive Mayor.

In the following instances, the official procurement processes were not followed, and condonation was requested from the Municipal Manager:

SERVICE PROVIDER	DESCRIPTION	AMOUNT	OFFICIAL PROCESS
Servimate29 Entertainment	Backtrack performance fee for Robbie Malinga	R 25 000.00	Three quotations should have been obtained
Gositang Construction and Projects	1 000 Business Card Holders	R 60 000.00	Three quotations were obtained but this request should have been advertised on the website for 7 days
Minatlou Trading 99	Entertainment (1 x DJ & 2 x artists) R 51 500 Production R 58 000	R 112 700.00	Three quotations were obtained, but this request should have been advertised on the website for 7 days
TLT Business Enterprises	Marquee, Audio Visual Equipment, Logistics	R 218 385.96	Three quotations were obtained, but this should have been an official tender

CONDONATION OF DEVIATION AND OVER-EXPENDITURE

In the following instance, the official procurement process was not followed and this expenditure causes the total budget as allowed for the State of the City Address, to be exceeded:

SERVICE PROVIDER	DESCRIPTION	AMOUNT	OFFICIAL PROCESS
K & C Events Management cc	Rental of Furniture, cutlery and crockery and catering for 1 000	R 216 967.30	Two quotations were obtained, but this should have been an official tender.

The original amount approved by the Municipal Manager for State of the City Address was R 500 000.00. The above expenditure however caused the approved expenditure to exceed the allocated budget with R 210 000.96, as the total expenditure incurred amounted to R 710 000.96.