

ITEM (07/2014)

Municipal Manager's Report to Council on the Deviation from and ratification of minor breaches from the Procurement processes for June 2014

PURPOSE

To submit a report to Council on the deviation from procurement processes, extension of tenders and ratification of minor breaches from the procurement process for June 2014.

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 (pp1-3) and Annexure B (pp4 - 9) please find the instances for June 2014 where the prescribed procurement processes were not followed and the deviations were 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 (pp1-3) where the official procurement process was dispensed with, for reasons as mentioned in the report, with the approval of the Municipal Manager, for June 2014.
2. that Council takes note of the item as per Annexure B (pp4-9) where the official procurement process was dispensed with for the extending of existing contracts, for reasons as mentioned in the report, with the approval of the Municipal Manager, for June 2014.
3. That above be included by the Chief Financial Officer as a note to the 2013/2014 annual financial statements.

DISPENSING WITH CALLING FOR TENDERS FOR JUNE 2014

ANNEXURE A

Department	Description	Reason	Approved Company	Amount (including VAT)
Social Services	Appointment of a service provider to Facilitate with the Identification of Mass Graves said to be in the Krugersdorp Game Reserve	<p>Deliberations on the possible existence of mass graves in the Krugersdorp Game Reserve date as far back as the early 90's. On 24 September 1999 (Heritage Day), the former Premier of Gauteng, Mr M Shilowa unveiled a commemorative stone to honor those who are said to have died in the concentration camp. Since then, no further research and/or investigation were carried out regarding the graves.</p> <p>The Department Social Services, after discussions, recommended to the MM that the plan and investigations linked to the mass graves and war remnants should be handled with the highest level of sensitivity. It is the department's view that mismanagement of processes and communication around this project will trigger interest from various professionals, individuals and groups, but may also trigger much controversy and criticism.</p> <p>Therefore Art Africa Alliance, a Heritage, Arts and Culture Company, has already developed a proposal (at own cost) on how the process could unfold and therefor SS recommended that they be appointed as the primary facilitator and coordinator of other professional resources</p>	Art Africa Alliance as the main facilitator and coordinator of processes and resources	R 370 700.00

		required. Section 36 (1)(a)(v): Impractical to follow the normal SCM process		
Infrastructure Services	Utilisation of the Mogale Asset Management Consortium (F SCM 04/2008) for the Blue Water Requirements	<p>Department Water and Sanitation has insufficient capacity and resources available to collect data and update all the statistics required for the 2013 Blue Water Services Audit as performed by the Department of Water Affairs.</p> <p>As the Mogale City Asset Management Consortium is on site in terms of tender F (SCM) 04/2008 for the Updating and Maintenance of Infrastructure Asset Management System of MCLM - it would be practical to utilize their services for this function.</p> <p>Section 36 (1)(a)(v): Impractical to follow the normal SCM process</p>	Mogale City Asset Management Consortium. Bigen Africa as the lead partner	R 139 630.62
Chief Operating Officer	Purchase of a Business Analytical Tool, IBM Cognos Express and Disclosure Management as part of the Integration Project of the LIMMS Programme	<p>Blue Bison has been appointed through an official RFQ to perform the integration in the LIMSS Programme. Verification of the integration will only be known through the system testing of the individual systems. A need thus exists to further verify the integration through a business analytical tool. This business tool will be utilized to verify that the integration has been performed correctly. It will also bring additional value to MCLM in the form of aligning resources, performing detailed what-if analysis and scenario planning, monitoring of kpi's and seamlessly produce reports.</p> <p>As Blue Bison already has an established</p>	IBM South Africa (Pty) Ltd	R 383 881.32

		<p>relationship with IBM and the quotation obtained from Ramco was more expensive. Section 36 (1)(a)(v): Impractical to follow the normal SCM process</p> <p>Upgrade of the IBM DB2 9.1 to DB2 Workgroup Server Edition as part of the Technical Stack upgrade in the Integrated Financial Management System Project of the LIMMS programme. As part of the due diligence exercise undertaken by the Original Equipment Manufacturers (OEM) last year, verification of the IT infrastructure environment was undertaken. IBM has indicated that they will withdraw support for the current version of DB2 9.1.</p> <p>Technological changes have occurred since original installation in 2010. From an implementation perspective it is less risky and thus less costly to implement any technical upgrades on the LIMMS infrastructure prior to the system going live. Section 36 (1)(a)(ii): Sole provider</p>		<p>R 91 086.00</p>
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EXTENSION OF TENDERS FOR JUNE 2014

ANNEXURE B

Department	Description	Reason	Approved Company	Amount (including VAT)
Finance: Asset Section	Extension of tender F (SCM) 04/2008: Implementation and Maintenance of an Integrated Infrastructure Asset Management System for a period of seven months to 31 December 2014	<p>Current contract expires on 30 June 2014. It is impractical for the contract to end right on year end, as the majority of work is only performed after financial year end in order to update and reconcile the infrastructure asset management system to the BIQ financial system. It would not be possible to appoint a new service provider at this critical stage. The contract is therefore extended until the financial statements have been completed and all the AG queries answered.</p> <p>Section 36 (1)(a)(v): Impractical to follow the normal SCM process</p>	Mogale City Infrastructure Asset Management Consortium	R 3 184 114.00
Finance: Valuations	<p>Request for extension of scope of work of tender F (V) 04-2012</p> <p>Compilation of the general valuation roll Mogale City Local Municipality as well as the supply of other valuation related services in compliance with the Local Government: Municipal Property Rates Act, 2004 (Act no.6 of 2004) for the Financial years 1st July 2014 to 30 June 2018.</p>	<p>During the process of sending out Section 49 Notices in terms of the Municipal Property Rates Act which commenced in February 2014, the Valuation Division noted the need to integrate the General Valuation Roll into the BIQ financial system. This was necessitated by the difficulty of programming the addresses on BIQ to match the properties on the General Valuation Roll in order to be able send out notices to the ratepayers.</p> <p>Section 36 (1)(a)(v): Impractical to follow the normal SCM process</p>	Northwest Services CC Valuation	Additional cost of R675 000.00

Infrastructure Services: Building Maintenance	Extension of scope of work – Tender I (B) 12/2014: Refurbishment of the Existing Green Hostel at Kagiso Extension 11 – to accommodate the tenants during refurbishment of the hostel	The existing scope of work is extended to make provision to complete statutory requirements and additional matter requested by Health and Safety to accommodate tenants during refurbishment of the hostel. Section 36 (1)(a)(v): Impractical to follow the normal SCM process	KH Civils and Maseno General Trade JV	R 663 086.44
Corporate Support Services	Extension of scope of work for tender CORP (ADM) 06/2012: Rendering of Cleaning Services for MCLM Buildings for a period of two years, to include the cleaning of offices at 3 x Waste Water Treatment Works	The existing scope of work for the cleaning services tender only provides for the Civic Centre, President Building and IEC Building. Currently no cleaning services are available at the Wastewater Treatment Works. Offices, bathrooms and boardrooms are currently being cleaned at the three works in Magalies, Percy Steward and Flip Human. Section 36 (1)(a)(v): Impractical to follow the normal SCM process	Hetlisa Cleaning Services and Kamgolozi Construction and Projects JV	R 30 389.09 per month for three months.
Social Services: Sport and Recreation	Extension of scope of work for tender SS (SR) 04/2014: Rehabilitation and Upgrading of Azaadville Sport Complex to include the renovation of an additional combi court	There are two combi courts adjacent to each other in the Sport Complex and both courts are dilapidated. The initial plan was to renovate only one court because of the limited budget, but now there is a saving of R 303 737.97 and it makes sense to use the saving to renovate the second court as well. Section 36 (1)(a)(v): Impractical to follow the normal SCM process	Rigamani Construction (Pty) Ltd	R 100 000 Increasing the total project value to R 8 167 913.67
Economic Services (Rural)	Extension of scope of work – Tender ES (R) 03/2014: Construction of 6.7km Pedestrian Walkways	There is currently no lightning available on the affected streets and safety issues were reported in the area. The scope of work did not include street lighting on the 6.7km	Kingsway Civil (Pty) Ltd	R 1 663 825.57

	Connecting Kagiso Mall to the Leratong Node – to include streetlights	pedestrian walkways. Street lighting will be crucial in order to allow for the walkways to be safely utilized in the evenings. This project is funded by the NDPG. Section 36 (1)(a)(v): Impractical to follow the normal SCM process		
Chief Operating Officer	Extension of tender COO (IT) 01/2010 for the Operational Lease of Computers, laptops and Printers for another period of six months or pending the award of the new tender (1 June 2014 to 30 November 2014)	Initially MCLM intended to utilize the SITA Transversal contract 285/1 for the supply and delivery of IT equipment. The SITA transversal contract has however expired and was extended on a month to month basis. SITA conducted a workshop at MCLM regarding the procurement process. During the workshop SITA was however not able to provide legitimate answers to the questions that MCLM has on the contract. Hence a decision was taken to embark on our tender process. Whilst the tender process unfolded the current contract had to be extended for the interim. Section 36 (1)(a)(v): Impractical to follow the normal SCM process	Integr8 IT (Pty) Ltd	R 737 669.24
Corporate Support Services	Extension of tender CORP (ADM) 06/2011 for the implementation of unique cellular phones management tool, which customized for Mogale City for six months as from 1 May to 31 October 2014	The Department Corporate Support Services did not have the internal technical expertise to draft the specifications for this highly technical tender. External expertise had to be sought to assist with the process. Permission was requested to extend the validity period of the existing tender whilst finalizing the new tender process.	MTN Service Provider (Pty) Ltd	Amount unknown

		Section 36 (1)(a)(v): Impractical to follow the normal SCM process		
Finance Revenue	- Extension of scope of work for tender F (R) 01/2014: Supply, delivery and commissioning of hand-held meter reading machines for the reading of water and electricity meters to include extended warrantee and extra software modules	Scope of work was extended to include extended warrantee and extra software modules Section 36 (1)(a)(v): Impractical to follow the normal SCM process	Consolidated African Technologies (CAT)	R 188 138.76
Infrastructure Services: Water	Extension of scope of work for tender I(W&S) 29/2013 Supply, delivery, Installation, Reading and Maintenance of Prepaid Water Meter System to include the vending of prepaid water	Original scope of work only allows for the supply, delivery, installation, reading and maintenance of prepaid water meters. MCLM relies on external vendors in various areas to sell prepaid water. An extension of scope of work was requested to include the purchase of tokens and vending of prepaid water to end users as these are regarded as key components of prepaid water. Section 36 (1)(a)(v): Impractical to follow the normal SCM process	Kgosihadi Trading VZ Contractors JV	Vending of pre-paid water at a rate of 10% (including VAT) on sales of water.
Social Services: Sport and Recreation	Extension of scope of work for tender SS (SR) 03/2014: Renovation and Upgrading of Kagiso Sport Complex to include the Supply and Laying of Stormwater Pipes on Class B Bedding and Construction of manhole	Original scope of work includes construction of new buildings, refurbishment of existing building entrance, road and parking bays, reinstatement of soccer field, high mast lighting and replacing of tennis court fence. It was only now discovered that the stormwater line has been damaged by overgrown tree roots. This necessitates the	Rigamani Construction	R 200 000 (including professional fees)

		change of dormant pipes as well as the damaged existing manhole to ensure proper flow in the system. Section 36 (1)(a)(v): Impractical to follow the normal SCM process		
Infrastructure Services: Roads and Surface Drainage	Request for increase of estimated tender value I (R) 30/2012 Roads rehabilitation and surfacing: construction of surface seals, asphalt bases and surfacing for a period of thirty six (36) months	On 25 Sept 2015 the BAC appointed three contractors for R 42m based on the unit rates tendered and estimated quantities at the time. The variance between the estimated and projected expenditure is due to the sharp increase in the fuel index prices and additional budget allocation to perform work. The high rain fall as well as damage caused by the excessive rain, increased the need for patching repairs and repair of stormwater damaged roads. The need for speed calming measures also increased drastically. Section 36 (1)(a)(v): Impractical to follow the normal SCM process	Roadmac Surfacing (Section A - Asphalt seals); Boitshoko Road Surfacing and Civil Works (Section B - Single and double seals) and SP Surfacing (Section C - Slurry seals)	Be increased by the allowed 20% from R 42 m to R50.2 million
Finance: Revenue	Request for extension of scope of work for tender F (R) 01/2013: Management of Credit Control and Revenue Protection Administration and Related Field Actions to include the AMR Enablement of all Water meters installed in Featherbrooke	During the previous contract appointment of UMS, an initiative was embarked upon to kerb water losses in Featherbrooke estate. UMS was tasked with the replacement of dysfunctional water meters and the replacing thereof with prepaid water meters in an attempt to address the unaccounted water problem. Permission was requested to AMR-enable the 1050 Elster Kent prepaid water meters installed in the estate. This is consist simply of adding the Aquadata	IPES-Utility Services (UMS)	R 1 538 975.78

		module to the existing prepaid water meter. Section 36 (1)(a)(v): Impractical to follow the normal SCM process		
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