

**ITEM (03/2014)**

**Municipal Manager's Report to Council on the Deviation from and ratification of breaches from the Procurement processes for the period 1 January to 30 March 2014 in the 2013/14 financial year**

**PURPOSE**

To submit a report to Council on the deviation from procurement processes, extension of tenders, ratification of minor breaches and regularization of irregular expenditure for the period 1 January to 30 March 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) please find the instances for the quarter January to March 2014 where the prescribed procurement processes were not followed but the deviations were approved in terms of the Municipal Manager's delegated powers.

Attached as Annexure B (pp2-3) please find the instances where existing tenders/contracts were extended and were approved in terms of the Municipal Manager's delegated powers.

Attached as Annexure C (pp4) please find the instances where the ratification of 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 are required. No instances to report for this quarter.

Attached as Annexure D (pp5) please find the instance where the expenditure has been classified as irregular but it was subsequently discovered that no expenditure has been incurred in this regard and the rescindment of the previous resolution to regularize this expenditure is requested (K (ii) 4(01/2014)..

**RECOMMENDED TO MUNICIPAL COUNCIL:**

1. that Council takes note of the item as per Annexure A (pp1) where the official procurement process was dispensed with, for reasons as mentioned in the report, with the approval of the Municipal Manager, for the quarter ending 30 March 2014.
2. that Council takes note of the item as per Annexure B (pp2-3) where existing tenders were extended, with the approval of the Municipal Manager, for the quarter ending 30 March 2014.
3. that Council takes note of the item as per Annexure D (pp5) where expenditure was previously reported as irregular, but in fact no expenditure was incurred in this regard (K (ii) 4(01/2014).
4. above be included by the Chief Financial Officer as a note to the 2013/2014 annual financial statements.

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## DISPENSING WITH CALLING FOR TENDERS FOR THE PERIOD FROM 1 JANUARY TO 30 MARCH 2014

## ANNEXURE A

Department	Description	Reason	Approved Company	Amount (including VAT)
Infrastructure Services (Roads)	Procurement of an official vehicle for the Speaker of MCLM	<p>The Executive Mayor and the Speaker of MCLM from the political office is allowed to have official vehicles supplied to them for official use. The EXCO meeting held on 6 Nov 2013 resolved that a SUV type vehicle can be purchased from Council own funding for the use by the Speaker. The current contract for the leasing of vehicles has expired and the new tender process will only be finalized in April 2014 the soonest.</p> <p>Section 36 (1)(a)(v) – Impractical to follow normal procurement process.</p>	Chrysler Jeep Dodge Constantia (Sandown Motor Holdings) Cnr Joseph Lister & William Nicol Road	R 637 954.34 Including full maintenance and service plan for 5 years or 100 000 km
Integrated Environmental Management	Hiring of Plant for the removal of illegal dumping during Dec 2013 and Jan 2014	<p>Some communities in Kagiso were severely affected by a hail storm which damaged their roofs and houses. Large amounts of roof tiles (asbestos) were shattered by abnormally large hail, resulting in flooding of these houses. As it continues raining the situation became an emergency and the Executive Mayor and the MM decided to task the Rapid Response Team to engage the services of a local contractor to execute relief work as a matter of emergency. As the contracted service provider, Twin-M Plant was closed for the festive season; Uhuru was the only contractor that indicated that they will be able to assist over this period when almost all the contractors have closed.</p> <p>Section 36 (1)(a)(a) – Emergency situation</p>	Uhuru Trucking and Transport	R 383 609.53 (from Social Responsibility Fund)

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**EXTENSION OF TENDERS FOR THE PERIOD FROM 1 JANUARY TO 30 MARCH 2014**

**ANNEXURE B**

Department	Description	Reason	Approved Company	Amount (including VAT)
Infrastructure Services (Water and Wastewater)	Tender no: I (W&S) 21/2012: Delivery or potable water to Informal Settlements within MCLM areas for a period of three years. Increase of original contract and budgeted amount for 2013/14	<p>The contract for the delivery of potable water to informal settlements for a period of three years was awarded on 5 July 2012 for the amount of approximately R 22 876 446 – the quantities were only estimates. Subsequently the service delivery has drastically increased and had a huge impact on the quantities and budgeted amount. Expenditure to end of Oct 2013 amounts to R 24 029 327.95 with an average monthly expenditure of R 1 679 700. The tender estimate has therefore already been depleted whilst 24 months of the contract is still remaining.</p> <p>The total estimated value of tender is increased from R 22 876 446 to R 65 000 000. During the Adjustment Budget the provision of R 14 716 294 was increased to R 21 000 000.</p> <p>Section 36 (1)(a)(v) – Impractical to follow normal procurement process.</p>	Twin-M Plant Hire	Total estimated value of tender increased from R 22 876 446 to R 65 000 000.
Office of the Chief Operating Officer (ICT)	Extension of tender COO (IT) 01/2010: Supply, delivery and maintenance of computers, laptops and printers on operational lease for five months	The three years contract period commenced on various dates based on when the various orders were placed and delivered. MCLM has placed 11 orders with the service provider. The operational lease for the first batch reached its 3 years rental period in Dec 2013. The operational lease for the second batch ended in Feb 2014 and the third	Intergr8 IT	Monthly rental for the first batch of IT equipment will reduce from R 57 615.86 to R 36 314.18. Likewise the second and

		<p>batch is ending in March 2014. It is proposed that the contract be extended for a period of five months for batches 1,2 and 3. The 5 months extension will commence 1 Jan to 31 May 2014.</p> <p>This 5 month period will be used to negotiate the buyback price on the computer equipment that is still in usable condition and to embark on a new tender process.</p> <p>Section 36 (1)(a)(v) – Impractical to follow normal procurement process.</p>		<p>third batches will be reduced when it reaches its 3 year rental period.</p>
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**RATIFICATION OF MINOR BREACH OF THE PROCUREMENT PROCESS**

**ANNEXURE C**

<b>Department</b>	<b>Description</b>	<b>Reason</b>	<b>Approved Company</b>	<b>Amount (including VAT)</b>
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**REGULARISATION OF IRREGULAR EXPENDITURE**

**ANNEXURE D**

Department	Description	Reason	Approved Company	Amount (including VAT)
Infrastructure Services	Installation of 3 x Rural boreholes at: <ul style="list-style-type: none"> <li>• Ptn 26 Kromdraai</li> <li>• Ptn Rem. Vogelzang (Hekpoort)</li> <li>• Vlakdrift Tarlton</li> </ul>	<p>The Manager: Water and Sanitation assigned the installation of the 3 boreholes to Tecroveer.</p> <p>This deviation from the SCM policy was reported by the Internal Audit section through an internal audit finding reference IA/10/09/13/FS</p> <p>It was however subsequently determined that <u>no expenditure</u> was incurred in this regard and that Tecroveer was instructed to not continue with the project.</p> <p>This is a request for the rescindment of Council resolution</p>	Tecroveer (Pty) Ltd & Ron Trading JV	No irregular expenditure was incurred in this regard



