

ITEM (04/2014)

Municipal Manager's Report to Council on the Deviation from and ratification of minor breaches from the Procurement processes for March 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 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 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 (pp2-4) please find the instances where existing tenders/contracts were extended and 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) where the official procurement process was dispensed with, for reasons as mentioned in the report, with the approval of the Municipal Manager, for the 30 March 2014.
2. that Council takes note of the item as per Annexure B (pp2-4) where existing tenders were extended, with the approval of the Municipal Manager, for the March 2014.
3. That above be included by the Chief Financial Officer as a note to the 2013/2014 annual financial statements.
4. That due diligence be applied in respect of the repair and maintenance of Council assets to prevent unforeseen interruption of service delivery caused by assets breaking down.

**D MASHITISHO
MUNICIPAL MANAGER**

DATE:

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DISPENSING WITH CALLING FOR TENDERS FOR MARCH 2014

ANNEXURE A

Department	Description	Reason	Approved Company	Amount (including VAT)
Infrastructure Services	Kromdraai Waterline Refurbishment: Commencement of Construction	The Kromdraai Waterline Project was transferred to MCLM from the WRDM during the demarcation era. The project was inherited with both the consultant and the contractor appointed by the WRDM. Unfortunately no proof could be provided that WRDM followed an official procurement process for the appointment of the contractor. The total contract value as initially administered under WRDM amounted to R 4 814 317.93 (including VAT).	Contractor: Maseno General Trade and KH Civils JV Consultant: Pro-Plan Engineering – appointed by WRDM through Section 32 of the SCM Regulations.	R 2 185 083.57 transferred from WRDM.
Office of the COO	Resumption of the LIMMS Programme	The Due Diligence on LIMMS commenced in August 2013 and as an outcome the Due Diligence Reports have been provided by the OEM's. Accompanying these Due Diligence reports have been proposals on completing the project work that have been submitted by the OEM's. An operational budget amount of R 9 567 817 (including VAT) from Implementation of new system is available for the salvaging of LIMMS.	RSL Enterprise Solutions (Pty) Ltd trading as RAMCO: Implementation of Integrated Financial Management Module (IFMS) Absalom Systems SA (Pty) Ltd: Implementation of Payroll and HR Module	R 6 999 800 R 2 158 220

EXTENSION OF TENDERS FOR MARCH 2014

ANNEXURE B

Department	Description	Reason	Approved Company	Amount (including VAT)
Infrastructure Services	<p>I (W&S) 27/2013: Resealing of Water Tightness in Kenmare Reservoir</p> <p>Emergency ratification of the extension of scope of work due to the emergency situation that existed in certain areas of MCLM with regard to a water crisis.</p>	<p>The following challenges were encountered in rolling out of this project:</p> <ul style="list-style-type: none"> • No “as-built” drawings were available to assist the consultants and user department with the drafting of the specification. • Estimations had to be made for the planned scope of work. • Determining the full scope of work to reseal the reservoir was not possible during the inception stages of the project. • The reservoir had to be emptied to do a proper inspection in order to determine the actual and full scope of work. • Upon activation of the bypass line, it was soon established that the existing bypass line was not going to cope with the amount of water needed to sustain the affected areas. A decision was subsequently taken to construct a new bypass and to test once completed. This was outside the scope of work. • Following this exercise the reservoir was then only ready to be emptied for the bypass line to be tested with water in it. • The success of the bypass depended on the constant uninterrupted supply of 	<p>Morad Consulting Engineers</p> <p>Casnan Civils</p>	<p>Increased from R 420 734.10 to R 754 012.00</p> <p>Increased from R 3 936 950.10 to R 6 846 587.34</p>

water from Rand Water. It was soon discovered that is a problem as the flow was always fluctuating and when checked with Rand Water there was inconsistencies between MCLM records of incoming flow vs the outflow from Rand Water supply system.

- More investigations were carried out by both parties.
- MCLM found broken meter components inside one of the Rand Water lines feeding MCM and a valve for the inlet to MC sump was also found to be not fully functional.
- Once the network was stabilized from Rand Water and the critical valves attended to, MC was advised that there was a possible risk of water supply shortages due to the pending City Power Workers strike. The project was requested to hold its operations until further notice (2 weeks).
- Following a number of service interruptions that was reported to Department of Water Affairs, the officials from Water Affairs paid a visit to MCLM. They confirmed that there was no intention from MCLM to prejudice the consumers of water unnecessary.
- After the reservoir was emptied it was only discovered that the reservoir roof was leaking. This was also not part of

		<p>the scope of work.</p> <ul style="list-style-type: none">• A very high percentage of underground water seepage was noticed on the reservoir floor. This seepage was a result of the underground water which gained access through a cracked floor.• Silting and sludge was also observed – this was going to result in water contamination and thereby compromising water quality. This resulted that the reservoir had to be resealed in full and not only in patches and portions as estimated.		
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RATIFICATION OF MINOR BREACH OF THE PROCUREMENT PROCESS FOR MARCH 2014

ANNEXURE C

Department	Date awarded	Description	Reason	Approved Company	Amount (including VAT)
Infrastructure Services: Energy					

