

**ITEM (01/2015)**

**Municipal Manager's Report to Council on the Deviation from and ratification of minor breaches from the Procurement processes for December 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 December 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 (pp1-5) please find the instances in December 2014 where the prescribed procurement processes were not followed and the deviations were approved in terms of the Municipal Manager's delegated powers.

On 22 September 2014 the Municipal Manager approved an emergency deviation for the provision of ta

nkered water to affected areas in Krugersdorp by Twin M Plant Hire. This deviation was duly reported to Council at the end of October 2014 with the condition that the actual amount will be reported once available. It can now be confirmed that an amount of R 466 175 was paid to Twin M Plant Hire for emergency tankered water delivery for the period 16 September to 10 October 2014 to the following areas:

- Pick and Pay Noordheuwel
- Kenmare Reservoir
- Rand en Dal
- Pinehaven
- Key West

**RECOMMENDED TO MUNICIPAL COUNCIL:**

1. that Council takes note of the item as per Annexure A (pp1-5) where the official procurement process was dispensed with, for reasons as mentioned in the report, with the approval of the Municipal Manager, for December 2014.
2. that above be included by the Chief Financial Officer as a note to the 2014/2015 annual financial statements.

## DISPENSING WITH CALLING FOR TENDERS FOR DECEMBER 2014

## ANNEXURE A

Department	Description	Reason	Approved Company	Amount (including VAT)
Finance	General Valuation Roll Integration Project (into BIQ)	<p>Tender F (V) 04/2012 for the compilation of the General Valuation Roll as well as the supply of other valuation related services was awarded to Northwest Valuations in the amount of R 6 450 000. The compilation of the valuation roll was completed successfully.</p> <p>The General Valuation Roll (GV) had to be integrated into the financial system and the required IT expertise was not available internally. A quotation was requested from Northwest Valuations as the service provider on site. Initially the cost was estimated at 10% of the total contract value. Highly technical experts had to be deployed to work on the project.</p> <p>After the first integration of a total of 65 000 properties into BIQ, the team realized that there is a need to correct the billing to include the billing from July 2014 to the date the roll was uploaded into the BIQ. Entries that needed to be adjusted were for the three months period July to September 2014 – a total of 120 000 – which made it virtually impossible to process manually. The IT team then programmed an automated way of raising and uploading the adjustment entries into BIQ.</p>	Northwest Valuations	R 1 169 999.54

		<p>When finalizing the entries the team realized that the programming in BIQ for farm properties was faulty and did not recognize correctly the farm splits. The necessitated technical fixing and raising of automated journal entries once again.</p> <p>The last claim will be finalized in January 2015 to cover the automation of journals to correct billing from July 2014 to December 2014 relating to the property entries at present being captured manually by the Valuation Section.</p> <p>Section 36 (1)(a)(v) – impractical to follow the normal SCM process</p>		
Infrastructure Services	Percy Wastewater Works – Maintenance Steward Treatment Analyser	<p>Appointment of the sole service provider to service the specialized analytical equipment installed at Percy Steward Water Care Works for a period of one year:</p> <ul style="list-style-type: none"> <li>• periodic preventative maintenance checks and inspections</li> <li>• periodic functionality checks</li> <li>• periodic calibration checks</li> <li>• administration time and meeting time</li> <li>• travel and labour.</li> </ul> <p>The aim of the maintenance and calibration agreement will be to ensure:</p> <ul style="list-style-type: none"> <li>• optimal instrument performance</li> <li>• minimized risk of failure</li> <li>• awareness of potential problems</li> <li>• documented reports to ensure compliance with quality performance</li> </ul>	Endress + Hauser	R 443 964.13

		<ul style="list-style-type: none"> <li>improved maintenance budget control</li> </ul> <p>Endress + Hauser is the sole manufacturer and supplier of analytical equipment and no other service provider will be able to maintain this specialized analytical equipment.</p> <p>Section 36 (1)(a)(ii) – Sole Service Provider</p>		
Chief Operating Officer	Additional scope as required by Finance Department for implementation of IFMS	<p>RSL Enterprise trading as Ramco was appointed to implement IFMS through the LIMMS recommencement approved through a deviation. The Original Equipment Manufacturers (OEM's) were appointed based on their Due Diligence Reports. RAMCO was appointed on 19 March 2014 for the implementation of the IFMS for an amount of R 7m (Excluding VAT).</p> <p>On completion of the Solution Definition Review Phase in June 2014, additional changes were requested by the Finance Department as follow:</p> <ul style="list-style-type: none"> <li>Revenue R 352 000</li> <li>SCM R 176 000</li> <li>Budget R 316 000</li> </ul> <p>It is less costly to implement required and requested changes in a project, which do not have an impact on the project time frame, whilst the project is being implemented than when it has gone live.</p> <p>Section 36 (1)(a)(v) – impractical to follow the normal SCM process</p>	RSL Enterprise trading as Ramco	R 1 056 000

<p>Chief Operating Officer</p>	<p>Additional cost that are associated with the finalization of the Integrated Financial Management Solution (IFMS)</p>	<p>RSL Enterprise trading as Ramco was appointed to implement IFMS through the LIMMS recommencement approved through a deviation.</p> <p>The appointment of RAMCO did not however take the following into consideration:</p> <ul style="list-style-type: none"> <li>• Parallel run support R 5,8m</li> <li>• Operation business analytics within IFMS R 2 030 630</li> <li>• Payroll R 3 224 926</li> </ul> <p>As the focus as the time was for the quick salvaging of LIMMS.</p> <p>The Parallel run is proposed to a avoid a “Big Bang” approach which is risky as not all data validation and transactional validation will have been completed to a satisfactory level. The parallel run will also allow for data cleansing to take place.</p> <p>The Operational business analytics within IFMS will allow for adequate financial analysis of data to be performed. It will also allow for Project Financials to be properly analyzed as well as the project Management Module will be added during the Parallel run. Further to this the budgeting process will be made easier as scenario planning will be possible.</p> <p>It is proposed that Absalom Systems should only be obliged to deliver the SmartHR system and no longer be obliged to deliver the SmartHR Payroll</p>	<p>RSL Enterprise trading as RAMCO</p>	<p>R 11 055 556</p>
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		<p>system. Thus Ramco is proposed to be the substitute service provider to ensure the delivery of the Payroll system. The reasons are:</p> <ul style="list-style-type: none"> <li>• Seamless integration at database and software level of the finance system IFMA to the Payroll system as both will be supplied by RAMCO.</li> <li>• Dependency on licenses from Service Providers will be reduced</li> <li>• Annual maintenance and software upgrades will also be more manageable as the number of service providers for the financial system will be reduces.</li> </ul> <p>Section 36 (1)(a)(v) – Impractical to follow normal SCM process</p>		
Chief Operating Officer	Supply and Delivery of ADAudit Plus and ADManager Plus Software including a three year license from ITR Technology	<p>Active Directory (AD) is a lifeblood of user (Employee) records. User accounts, email addresses, computers, servers and server actualities are stored in active directory. User accounts are created, modified, disabled and deleted on AD. It is imperative to keep track of all changes made in AD. This cumbersome task is easily accomplished by AD Auditing Tools.</p> <p>Currently MCLM is using the ManageEngine: ADAudit Plus and ADManager on a trail version basis. A trail version of the software has limited functions and requires the software to be re-installed periodically.</p>	ITR Technology	R 236 776.18

		<p>ITR Technology, an affiliate of ManageEngine, is the only entity that has exclusive rights to enter into a direct transaction with the customer in SA for the resale of ADManager and ADAudit Plus Volume licenses.</p> <p>Section 36 (1)(a)(ii) – Sole Provider</p>		
Social Services	<p>Appointment of sole Training provider to train 15 unemployed matriculants as library assistants</p>	<p>Library services currently has ten functional libraries around Mogale City. As the communities around these existing libraries grow, so does their usage. Maintaining a high level of service with limited staff is a near impossible task with places a lot of pressure on the existing staff.</p> <p>Four more libraries will soon be acquired to service local schools and communities. The sourcing of participants will be done through Human Capital Section.</p> <p>Section 36 (1)(a)(ii) – Sole Provider ( as the SAQA: South African Qualifications Authority: Further Education and Training Certificate: Library Practice)</p>	<p>BEPE Developments in Education and Training (Pty) Ltd trading as BP Developments</p>	<p>Training of 15 interns at R 21 900 per intern and a stipend of R 600 per intern.</p> <p>Total cost R 436 500 to be claimed back from LGSETA</p>





