

ITEM (04/2016)

Municipal Manager's Report to Council on the Deviation from and ratification of minor breaches from the Procurement processes for March 2016.

PURPOSE

To submit a report to Council on the deviation from procurement processes and ratification of minor breaches from the procurement process for March 2016.

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 (pp 1-3) please find the instances in March 2016 where the prescribed procurement processes were not followed and the deviations were approved in terms of the Municipal Manager's delegated powers.

In terms of Section 36 (1)(b) of the SCM Policy the Municipal Manager is also allowed to ratify any minor breach of the procurement processes made by a committee acting in terms of delegated powers which are purely of a technical nature. The following minor breaches, as reported to the bid committees, was ratified:

- F (R) 01/2016: Experienced service providers for printing, emailing, uploading accounts statements, sms services and dispatching of monthly municipal accounts statements for a period of three (3) years.

In this instance the above mentioned bid was awarded to CAB Holdings (Pty) Ltd. As per supply chain management processes the successful and unsuccessful bidders were notified of the outcome of the bid. Subsequent to that an enquiry was received by the supply chain management unit from one of the unsuccessful bidders (Evoplex Pty Ltd) T/A Lasercom in terms of which they requested the price breakdown from the other bidders.

The bid prices of the service providers had been calculated per annum for each service provider using 90 000 units as per expected statements per month for one step mailing, smsing, emailing and uploading on the website. The price breakdown for the service providers who went through to the functionality scoring stage were rechecked in order to respond to the enquiry from Evoplex (Pty) Ltd and in the process it was discovered that an error had occurred in calculating the price submission from Evoplex (Pty) Ltd. An amount of R 2 052 per month (R 24 624 per annum) for postal preparation was erroneously excluded from their bid price calculation thus resulting in the understatement of their bid price by R 24 624.

The above mentioned error has no effect on the outcome of the bid, however the price for Evoplex (Pty) Ltd must be amended with R 24 624 from R 1 657 756.80 to R 1 682 380.80 as follows. Attached as Annexure B.

RECOMMENDED TO MUNICIPAL COUNCIL:

1. that Council takes note of the item as per Annexure A (pp 1-3) where the official procurement process was dispensed with, for reasons as mentioned in the report, with the approval of the Municipal Manager, for March 2016.
2. that Council takes note of the ratification of the minor breaches as per Annexure B (pp 4) of the procurement processes by an official or committee acting in terms of delegated powers which are purely of a technical nature for the following tender:
 - F (R) 01/2016: Experienced service providers for printing, emailing, uploading accounts statements, sms services and dispatching of monthly municipal accounts statements for a period of three (3) years.
3. that above be included by the Chief Financial Officer as a note to the 2015/2016 annual financial statements.

Prepared by:

Renell Liebenberg
Manager: SCM

Supported by:

RECOMMENDED TO MUNICIPAL COUNCIL:

4. that Council takes note of the item as per Annexure A (pp 1-3) where the official procurement process was dispensed with, for reasons as mentioned in the report, with the approval of the Municipal Manager, for March 2016.
5. that Council takes note of the ratification of the minor breaches as per Annexure B (pp 4) of the procurement processes by an official or committee acting in terms of delegated powers which are purely of a technical nature for the following tender:
 - F (R) 01/2016: Experienced service providers for printing, emailing, uploading accounts statements, sms services and dispatching of monthly municipal accounts statements for a period of three (3) years.

that above be included by the Chief Financial Officer as a note to the 2015/2016 annual financial statements

Leslie Mahuma
Chief Financial Officer

Approved by:

D Mashitisho
Municipal Manager

Date

DISPENSING WITH CALLING FOR TENDERS FOR MARCH 2016

ANNEXURE A

Department	Description	Reason	Approved Company	Amount (including VAT)
Infrastructure Services	Approval for payment for repairs to the aircon system at the Town Hall, Traffic Licensing and Flip Human	<p>The Municipal contract for installation and maintenance of air conditioner cooling systems has lapsed and currently under the process of being re-advertised, whereby the specifications are to accommodate for service and maintenance including the supply, delivery and installation of new air conditioner units.</p> <p>Infrastructure services – Building and maintenance currently utilizes the services of various service providers on quotation basis to facilitate the maintenance of the cooling systems as an interim solution to advertising the tender contract – the status quo is that in general the air conditioners have not being serviced for a period of two years.</p> <p>An urgent intervention has been undertaken to facilitate repair and maintenance of air conditioners in the server room (Information Technology), the Town Hall, traffic Licensing Department and Flip human Wastewater Treatment Works.</p> <ul style="list-style-type: none"> • Town Hall – a total of thirty six (36)units have been re-gassed and serviced • Traffic Licensing 	Idol Consulting	R 196 505

		<p>Department – a total of sixteen (16) A/C units have been re-gassed and serviced.</p> <ul style="list-style-type: none">• Flip Human Wastewater Treatment Works – one (1) A/C unit has been re-gassed and serviced. <p>The urgency to intervene by assigning a service provider correlates to the following distinct implications:</p> <ul style="list-style-type: none">• The condition of the air conditioners at the server room require timeous inspection depending on the temperature of the room – the recommendation for a long term solution being to replace the existing A/C units. Quotations for supply and installation of new A/C units has been sought.• Town Hall – to abide with the regulations and standards of office spaces according to the labour Act, the service and re-gassing of non-functional A/C was paramount also considering that most office spaces are windowless and the only means of cooling the surrounding atmosphere is dependent on the operational status		
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		<ul style="list-style-type: none">of the A/C units.• Flip Human Wastewater treatment Works – is the location of the municipal laboratory where specialized chemical and microbiological equipment are kept and utilized. The operational status of some equipment require a maintenance of a particular room temperature – in this instance as maintained via the optimal function of the A/C units.• The overall intervention to attend the maintenance and optimal function of the A/C units in Mogale City local Municipality as interim to the tender contract being finalized will be under Civil Building Maintenance Vote Number: 1410 03051 with MPL Number : 13594		
		Section 36 (1)(a)(i) – In an emergency		

ANNEXURE B

RATIFICATION OF MINOR BREACHES OF THE PROCUREMENT PROCESS

The following tender followed the official procurement processes in 2015/16 and was awarded to the highest point scoring bidders:

- F (R) 01/2016: Experienced service providers for printing, emailing, uploading accounts statements, sms services and dispatching of monthly municipal accounts statements for a period of three (3) years.

In this instance the above mentioned bid was awarded to CAB Holdings (Pty) Ltd. As per supply chain management processes the successful and unsuccessful bidders were notified of the outcome of the bid. Subsequent to that an enquiry was received by the supply chain management unit from one of the unsuccessful bidders (Evoplex Pty Ltd) T/A Lasercom in terms of which they requested the price breakdown from the other bidders.

The bid prices of the service providers had been calculated per annum for each service provider using 90 000 units as per expected statements per month for one step mailing, smsing, emailing and uploading on the website. The price breakdown for the service providers who went through to the functionality scoring stage were rechecked in order to respond to the enquiry from Evoplex (Pty) Ltd and in the process it was discovered that an error had occurred in calculating the price submission from Evoplex (Pty) Ltd. An amount of R 2 052 per month (R 24 624 per annum) for postal preparation was erroneously excluded from their bid price calculation thus resulting in the understatement of their bid price by R 24 624.

The above mentioned error has no effect on the outcome of the bid, however the price for Evoplex (Pty) Ltd must be amended with R 24 624 from R 1 657 756.80 to R 1 682 380.80 as follows. Attached as Annexure B.

The complete amended report was submitted to the BEC, BAC and Municipal Manager for approval on 15 December 2015.

Deviations the Procurement processes for the third quarter: January to March 2016.

JANUARY 2016

Department	Description	Approved Company	Amount (including VAT)
Economic Services	Tudor Shaft relocation, resettlement and relocation programme	Vuka Ultrasonic Joint Venture	R 129.2 Million
Infrastructure Services	Emergency and risk of operational failure of air conditioners (information technology)	Idol Consulting Firm	R 93 026.39
		Total	R 129 293 026.39

MARCH 2016

Department	Description	Approved Company	Amount (including VAT)
Infrastructure Services	Emergency and risk of operational failure of air conditioners (Town Hall, Traffic, Licensing and Flip Human)	Idol Consulting Firm	R 196 505
		Total	R 196 505
		Total for the 3rd Quarter	R 129 489 531.39

MARCH 2015

Department	Description	Approved Company	Amount (including VAT)
Corporate Services	Sole training provider to train 15 unemployed matriculates as library assistants	BP Developments	R 436 500
COO	Annual renewal of GIS enterprise licenses	ESRI SA	R 640 863
Corporate Services	Extension of lease of Ellerines Building (12 months)	Azaad Asvat Investments	R 2 711 818 32
Infrastructure Services	Extension of Fleet tenders until new fleet has been received (April to June 2015)	Fleetmatics Aqua Transport G-Fleet Sula Smart	R 8 700 000
		Total for the 3rd Quarter	R 12 489 181.32

% REDUCTION OF TOTAL VALUE OF DEVIATIONS PER ANNUM AGAINST PREVIOUS YEARS:

	TOTAL
JAN – MARCH 2015	R 12 489 181.32
JAN – MARCH 2016	R 129 489 531.39
DIFFERENCE	R 117 000 350.07 +
%	937% INCREASE