

ITEM

REPORT BY THE CHIEF FINANCIAL OFFICER

RE: SUPPLY CHAIN MANAGEMENT ANNUAL DEVIATION REPORT FOR THE YEAR ENDING 30 JUNE 2012

1. PURPOSE OF THE REPORT

The purpose of the report is to inform Council on limited bidding procurements and gross deviations from the Supply Chain Management Policy for the year ending 30 June 2012, for notification.

2. LEGISLATIVE / STATUTORY REQUIREMENTS

The Municipal Supply Chain Management Regulations - Gazette 27636 of 30 May 2005, Section 36 and Section 99 of our Supply Chain Management Policy approved 29 June 2010 reads as follows:

Deviation from, and ratification of minor breaches of, procurement processes

- 36. (1) A supply chain management policy may allow the accounting officer–**
- (a) to dispense with the official procurement processes established by the 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; or**
 - (v) in any other exceptional case where it is impractical or impossible to follow the official procurement processes; and**
 - (b) to 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 subregulation (1)(a) and (b) and report them to the next meeting of the council, or board of directors in the case of a municipal entity, and include as a note to the annual financial statements.**

3. BACKGROUND, EXPOSITION, FACTS AND PROPOSALS

Limited bidding consists of 3 types of procurement, namely:

- Multiple source: If there is limited competition, hence only a few prospective bidders are allowed to make a proposal. This should be based on a thorough analysis of the market
- Single source: This should be based on a thorough analysis of the market and use a transparent and equitable pre-selection process, to request only one amongst a few prospective bidders to make a proposal
- Sole source: If there is no competition and only one bidder exists (for example, sole distribution)

This report summarizes the gross deviations from the Supply Chain Management Policy which occurred during the year ending 30 June 2012, that was approved by the Accounting Officer.

4. STAFF IMPLICATIONS

None

5. FINANCIAL IMPLICATIONS

Amounts of limited bidding procurement as per attached Limited Bidding procurement report.

Amounts of Emergency / Urgent procurement as per attached Emergency / Urgent Bidding procurement report.

Amounts of Gross deviations as per attached avoidable deviations procurement report.

Deviations might lead to costly procurements or fruitless and wasteful expenditure in some instances.

6. OTHER PARTIES CONSULTED

Divisional Managers, Section 57 managers and Accounting Officer.

7. ANNEXURES

Supply Chain Management Procurement Deviation Report for the year ending 30 June 2012

- A - Limited Bidding
- B - Urgent / Emergency
- C - Gross / Avoidable Deviations

8. AUTHORITY

Municipal Finance Management Act, No 56 of 2003.

Municipal Supply Chain Management Regulations - Gazette 27636 of 30 May 2005

9. RECOMMENDATION:

That:

1. The annual report for the year ending 30 June 2012 by the Municipal Manager regarding the limited bidding procurement, urgent/emergency procurement and avoidable deviations from the Supply Chain Management Policy, be noted (Annexure A).
2. Council note that limited bidding appointments, approved by the Municipal Manager, to an amount of R 2,560,503.38 occurred during the 2011/2012 year.
3. Council note that urgent / emergency procurements, approved by the Municipal Manager, to an amount of R 116,010.87 occurred during the 2011/2012 year.
4. Council note that gross / avoidable SCM deviations, approved by the Municipal Manager, to an amount of R 193,985.53 occurred during the 2011/2012 year.
5. Council ratifies and condones the gross / avoidable SCM deviations, approved by the Municipal Manager, to an amount of R 600.00 that was recovered from responsible officials during the 2011/2012 year.
6. Council ratifies and writes off the gross / avoidable SCM deviations, approved by the Municipal Manager, to an amount of R 193,385.53 that was not recovered from responsible officials during the 2011/2012 year.