

ITEM

TO: COUNCIL

RECOMMENDATION: FINANCE PORTFOLIO COMMITTEE

RE: SUPPLY CHAIN MANAGEMENT

REPORT BY THE CHIEF FINANCE OFFICER

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 quarter ending 30 June 2011, 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 quarter ending 30 June 2011, 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.

Amounts of Organ of state procurement as per attached organ of state 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 quarter ending 30 June 2011 (Annexure A).

8. AUTHORITY

Municipal Finance Management Act, No 56 of 2003.

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

9. **RECOMMENDATION:**

1. That the quarterly report for the quarter ending 30 June 2011 by the Municipal Manager regarding the limited bidding procurement, urgent/emergency procurement, organ of state procurement and avoidable deviations from the Supply Chain Management Policy, be noted (Annexure A).

ANNEXURE A

DEVIATIONS REPORT

In terms of section 36 of the Municipal Supply Chain Management Regulations, the Accounting Officer must sign-off all the deviations and minor breaches of the procurement processes. A register of such breaches must also be kept. The deviation report includes the limited bidding procurement, emergency procurement, urgent procurement and the avoidable / gross deviations.

| NO | Service providers | Order date | Order No. | Amount | Description | Vote No. | Type of Deviation | Dept |
|----|----------------------------|------------|----------------|-------------|---|----------|---|------|
| 1 | stainless Steel Designs CC | 2011-02-14 | 6303[T/585365] | R 84,679.00 | Sportswear for golf and life Skills Development | C0022 | Single source as it was a continuation of previous contract. | EMO |
| 2 | Lexis Nexis | 2011-04-05 | T/58508 | R 927.16 | Books & subscriptions | 315109 | Multiple source as only 2 service providers who can provide the booklets. | CSSS |
| 3 | Nu Flex Enterprise | 2011-04-08 | 6458 | R 93,090.97 | Advanced Computer training | 215154 | Multiple source where competition was encouraged as the specific training was offered by such institutions. | CSSS |

ANNEXURE A

| NO | Service providers | Order date | Order No. | Amount | Description | Vote No. | Type of Deviation | Dept |
|----|----------------------|------------|-----------|------------|-------------------------------|----------|--|------|
| 4 | Juta and Company LTd | 2011-06-07 | 6630 | R 478.00 | Legislation - pocket Booklets | 15102 | Multiple sources as only 2 service providers who can provide the booklets. | BTO |
| 5 | FRAMA (Pty) LtD | 2011-04-11 | T/58530 | R 4,800.00 | Refill franking machine | 315124 | Single Source as the company is the manufacturer of the machine | CSSS |
| 6 | Witch & wizards | 2011-04-29 | T/58625 | R 3,360.00 | Badges Tourism Indaba | UE038 | Single Source as they were the approved company for Indaba. | PED |

ANNEXURE A

| NO | Service providers | Order date | Order No. | Amount | Description | Vote No. | Type of Deviation | Dept |
|----|------------------------------|------------|-----------|-------------|--|-----------------|--|--------|
| 7 | ILGM Conference call Account | 2011-05-23 | T/58715 | R 6,400.00 | ILGM National Strategy Conference Registration fee | 0215104/0415104 | Single Source as they are the only service provide for local government offering the training | PED/MM |
| 8 | Bosveld Glass & Binding | 24.05.11 | 6571 | R 8,839.73 | Windscreen-Fire Truck | 817269 | Single source as they are the only company authorised by insurance company to provide the service. | MM |
| 9 | The Valley massanger | 03.06.11 | 6616 | R 15,990.00 | Advert-Council Meeting | CO009 | Single source as the targeted readers are only using that newspaper and was affordable. | EMO |

ANNEXURE A

| NO | Service providers | Order date | Order No. | Amount | Description | Vote No. | Type of Deviation | Dept |
|----|------------------------------|------------|-----------|--------------|---|----------|---|------|
| 10 | Limpopo Tourism & Parks | 2011-04-29 | T/58626 | R 149,418.93 | Stand design Tourism Indaba | UE038 | Single Source as they were the only service provider to provide stands for all Limpopo companies. | PED |
| 11 | Phagameng Development Club | 2011-05-20 | 6559 | R 5,000.00 | Drum Majorettes opening of OR Tambo Games | SC009 | Single Source as they offer a unique dance. | EMO |
| 12 | Rainbird Publishers CC | 2011-03-23 | 6409 | R 85,158.00 | RE-printing of tourism Booklets | Due038 | Single source as it was a continuation of previous contract. | PED |
| 13 | Northern Telecom Enterprises | 2011-05-09 | 6538 | R 4,571.97 | Repair of office telephones | 315162 | Single Source as they are the service provider who supplied telephone lines. | CSSS |

ANNEXURE A

| NO | Service providers | Order date | Order No. | Amount | Description | Vote No. | Type of Deviation | Dept |
|----|--------------------------------|------------|-----------|-------------|--|----------|---|------|
| 14 | Makubenjalo Art Entertainment | 2011/05/30 | 6596 | R 5,000.00 | Traditional Dance MRM event | C0015 | Single Source as they offer a unique dance. | EMO |
| 15 | Mmetlwa wa noko Club | 2011-06-01 | 6612 | R 4,980.00 | Sepedi Cultural group | C0015 | Single Source as they offer a unique dance. | EMO |
| 16 | Betty & Kgothatsegang | 2011-05-30 | 6595 | R 4,400.00 | Entertainment During moral regeneration movement | C0015 | Single Source as they offer a unique dance. | EMO |
| 17 | Makgalane Supply & Projects | 2011-05-30 | 6598 | R 5,000.00 | Cultural dance MRM | C0015 | Single Source as they offer a unique dance. | EMO |
| 18 | Lexis Nexis | 2011-06-22 | T/58852 | R 5,445.00 | annual labour law conference | 315139 | Multiple source as only 2 service providers who can provide the booklets. | CSSS |
| 19 | Marce Fire Fighting Technology | 2011-06-24 | T/58880 | R 38,386.00 | Insurance Excess | 817468 | Single Source as they are the supplier of the truck. | MM |

ANNEXURE A

| NO | Service providers | Order date | Order No. | Amount | Description | Vote No. | Type of Deviation | Dept |
|----|-------------------|------------|-----------|------------------------|--------------------------------------|----------|--|------|
| 20 | Endurance Club | 2011-03-24 | 6410 | R 78,847.00 | Co funding SA horse Racing Challenge | Sc007 | Single Source as they are the only service provider offering horse racing. | EMO |
| | | | | R 604,771.76 | | | | |

LIMITED BIDDING PROCUREMENT

NUMBER OF LIMITED BIDDING PROCUREMENT IN Q3 : 18
AMOUNT OF LIMITED BIDDING PROCUREMENT IN Q3: R 679,172.58

ANNEXURE A

URGENT/EMERGENCY

| N O | Service providers | Order date | Order No. | Order Amount | Order Description | Vote No. | Type of Deviations | Deviation | Responsible Department |
|--------|----------------------------------|------------|-----------|--------------|--|----------|--|-----------|------------------------|
| 1 | Majadiso Electrical Construction | 2011-05-19 | T/58695 | R 4,825.00 | Repair of lights, repair air conditioner | 316201 | The lights were sparking some fire and imposing danger to employees, verbal approval was obtained. | Emergency | CSSS |
| 2 | Avello Retail (edms) Bpk | 2011-05-11 | 6544 | R 14,820.00 | Pest control- Spraying of termites for disaster centre | 816201 | The termites were damaging the building and imposing danger to human life | Emergency | MM |
| 3 | Avello Retail (edms) Bpk | 2011-06-10 | 6638 | R 14,592.00 | Pest control- Lephalale disaster centre | 817236 | The termites were damaging the building and imposing danger to human life | Emergency | MM |
| 4 | Double J Diesel | 29.06.11 | T/058934 | R 1,295.15 | Towing of Vehicle | 616230 | The vehicle had a tyre burst with no spare and had to be towed back to WDM Building. | Emergency | EMO |
| | | | | R 35,532.15 | | | | | |

NUMBER OF URGENT BIDDING PROCUREMENT IN Q3 : 1
 AMOUNT OF URGENT BIDDING PROCUREMENT IN Q3 : R 2 701.80

ANNEXURE A

AVOIDABLE / GROSS DEVIATIONS

| N O | Service providers | Date | Order No. | Amount | Description | Vote No. | Reasons for deviation | Disciplinary action | Progress to date | Responsible Department |
|--------|--------------------|------------|-----------|------------|--------------------------------------|----------|--|--|--------------------------------------|------------------------|
| 1 | Badiredi Travel CC | 2011-05-27 | T/58736 | R 1,500.00 | Travel Agency accommodation bookings | Various | Order amount was above the s & t policy threshold. | Badiredi contract is finished and the new service provider will be given strict conditions & policy guideline. | Tender to be advertised in July 2011 | Various |
| 2 | Badiredi Travel CC | 2011-05-27 | T/58737 | R 342.00 | Travel Agency flight booking | Various | Utilise more than the order without authorisation. | AMEMO must advise EM & other political office bearers on the use of hired cars i.e. maximum permissible kilos. | No deviation on car hire. | EM |

ANNEXURE A

| N O | Service providers | Date | Order No. | Amount | Description | Vote No. | Reasons for deviation | Disciplinary action | Progress to date | Responsible Department |
|--------|----------------------------|------------|-----------|----------------|--|----------|---|--|---|------------------------|
| 3 | Vuki Chuene Tourism CC | 2011-04-15 | 6498 | R 11,115.00 | Transport Mogalakwena outreach programme | C0011 | Database rotational system not utilised. | A report be submitted by EM'S office to Divisional Manager Community Participation with reasons for deviation within 7 days. | Report not yet submitted | EMO |
| 4 | XDSL trading 171 (Pty) Ltd | 2011-06-08 | T/58775 | R 2,153.83 | Courier parcels to Durban for tourism indaba | 315145 | Order not issued before utilisation of service because goods had to be weighted first before quote is made the same day the service was utilised. | None | Prior approval will be requested in future. | PED |

ANNEXURE A

| N O | Service providers | Date | Order No. | Amount | Description | Vote No. | Reasons for deviation | Disciplinary action | Progress to date | Responsible Department |
|----------------|---------------------------------|----------------|----------------------|----------------|---------------------------------------|---------------------|--|---|---|-----------------------------------|
| 5 | Oasis Lodge Mokopane | 2011- 04-11 | T/58529 | R 19,000.00 | IDP/BUDGET Mogalakwena Roadshow | CO011 | Road show was combined with local municipality and procurement done by local and paid by WDM. | LM must submit requests for joint expenses or funding of road shows on time. | In future arrangem ent will be done in advance and 3 quotes sourced. | MM |
| 6 | Limpopo Tourism and Parks | 29.06.1 1 | T/05894 8 | R 9,714.00 | Promotional Material | CO009 | Order not issued as additional shirts had to be bought for councillors who attended the Indaba. | None | In future arrangem ent will be done in advance . | EMO |
| | | | | R 43,824.83 | | | | | | |

NUMBER OF AVOIDABLE DEVIATIONS IN Q3 : 3
AMOUNT OF AVOIDABLE DEVIATIONS IN Q3 : R225, 788.80

ANNEXURE A

ORGAN OF STATE PROCUREMENT

| NO | Service providers | Order date | Order No. | Order Amount | Order Description | Vote No. | Deviation | Department |
|----|--------------------------------------|------------|-----------|--------------|---|-----------------|---|------------|
| 1 | Lephalale Local Municipality | 2011-04-05 | T/58518 | R 157,871.06 | Skills Audit | 90502 | Transfer of funds to assist with skills audit | MM |
| 2 | Waterberg Emergency Medical Service | 2011-04-15 | T/58558 | R 1,055.00 | Ambulance Crew members Onsite | C0011 | Provision of medical service | EMO |
| 3 | Modimolle local Municipality | 2011-05-05 | T/58628 | R 209.00 | Renewal of licenses for Council Vehicles | 316230 | Expired License and had to be renewed | CSSS |
| 4 | Waterberg Emergency Medical services | 2011-05-19 | T/58693 | R 1,693.00 | Opening of OR Tambo Games | SC09 | Provision of medical service | EMO |
| 5 | Modimolle local Municipality | 2011-05-23 | T/58713 | R 870.00 | Venue Moral regeneration Movement | 90506 | Booking of Venue | EMO |
| 6 | Modimolle local Municipality | 2011-05-23 | T/58702 | R 8,895.00 | Renewal of licenses for Council Vehicles | 0316230/0817469 | Expired License and had to be renewed. | CSSS/MM |
| 7 | Settlers Agricultural High School | 2011-05-19 | 6556 | R 113,000.00 | Accommodation For Athletes OR Tambo GAMES | SC009 | Accommodation for sports activities. | EMO |

ANNEXURE A

| NO | Service providers | Order date | Order No. | Order Amount | Order Description | Vote No. | Deviation | Department |
|----|------------------------------|------------|-----------|--------------|-------------------------------|----------|--|------------|
| 8 | Auditor General | 2011-06-23 | T/58868 | R 7,806.30 | Audit fees | 115141 | Annual Audit fees for 2010 as per the law. | BTO |
| 9 | Durban University | 07.06.11 | 6633 | R 78,000.00 | Project Management Training | 215154 | Provision of training | MM |
| 10 | Lephalale Municipality | 29.06.11 | T/058937 | R 600,000.00 | Co-Funding Marapong Library | IN035 | Transfer of funds to assist with Marapong Library | MM |
| 11 | Lephalale Municipality | 29.06.11 | T/058936 | R 235,598.76 | Lephalale Turnaround strategy | IN035 | Transfer of funds to assist with turnaround strategy | MM |
| 12 | Settlers Agricultural School | 15.06.11 | 6659 | R 36,300.00 | Accommodation-OR Tambo Games | SC009 | Accommodation for sports activities. | EMO |

ANNEXURE A

| NO | Service providers | Order date | Order No. | Order Amount | Order Description | Vote No. | Deviation | Department |
|----|-------------------|------------|-----------|-----------------------|-----------------------------------|----------|---|------------|
| 13 | SALGA Limpopo | 29.06.11 | T/058926 | R 7,500.00 | Registration fee-SALGA Conference | Various | Registration with Association of local government | EMO |
| | | | | R 1,248,798.12 | | | | |

RECOMMENDED/ NOT RECOMMENDED

APPROVED/ NOT APPROVED

M MABUSELA: ACTING CHIEF FINANCE OFFICER

MV LETSOALO: MUNICIPAL MANAGER