

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 31 March 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 31 March 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 31 March 2011 (Annexure A).

8. AUTHORITY

Municipal Finance Management Act, No 56 of 2003.

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

QUARTER THREE (3) DEVIATION REPORT TO COUNCIL – 01 JANUARY TO 31
MARCH 2011

9. **RECOMMENDATION:**

1. That the quarterly report for the quarter ending 31 March 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	Date	Cheque/ Order No.	Amount	Description	Vote No.	Type of deviation	Dept
1	Juta and Company Ltd	2011/02/07	6292	R 7,572.60	Legislative pocket booklet	Various	Multiple source bidding since there is only two service providers.	Various
2	South African Planning Institute	2011/03/31	T/58489	R 750.00	Spatial training	Due 046	Single source as they are the only institute for planning that offers such conference on spatial training.	PED
3	Waterberg Sakekamer	2010/08/16	6194[T/58481]	R 200,000.00	Training of personnel in charge of Surveillance Activities	DUE042	Single source as they are the service provider in Waterberg that installed the surveillance cameras.	PED
4	Witch & Wizards Creative	2011/03/09	T/58322	R 40,994.40	Tourism Indaba Floor Space	Due038	Single source as they are the service provider that was appointed by the Tourism association to be utilised to provide stands for tourism indaba.	PED

ANNEXURE A

NO	Service providers	Date	Cheque/ Order No.	Amount	Description	Vote No.	Type of deviation	Dept
5	Alma Endurance Club	2011/03/24	6410[T/58488	R 60,423.61	Co-Funding of a project implementation of the SA horse racing Challenge	SC0007	Single Source bidding for co-funding agreements as they are the only service provider that submitted a proposal on this regard with the facilities to implement horse racing challenge.	EMO
6	Dagbreek Primary School	25.11.10	6133	R 1,000.00	Drum majorettes for Disability Festival	CO016	Single source bidding due to its uniqueness and the artistic nature of the dance group and it is an organ of state whereby SCM process for competitive bidding does not apply.	EMO
7	Protea Hotel	2011/02/25	6351	R 83,750.00	Gala Dinner Traditiona Leaders	C0011	Single source limited bidding as it is the same venue of the conference facilities and accomodation which was already paid for by the office of the premier	EMO
8	Mogol Club	2010/11/12	6075	R 1,140.00	Conference Venue	C0011	Single source limited bidding as it is the only venue in Lephalae that can accomodate a large number of people.	EMO
9	University of Witwatersrand	2011/09/02	T/58214	R 7 300.00	Bursary for Mr Malesela Khumalo	615189	Single source bidding as that is the institution that the student is registered at to do the degree.	EMO

ANNEXURE A

NO	Service providers	Date	Cheque/ Order No.	Amount	Description	Vote No.	Type of deviation	Dept
10	Phagameng Community Theatre	14/01/2011	6231	R 3 000.00	Drum majorettes for Disability Festival	90506	Single source bidding due to its uniqueness and the artistic nature of the dance group. Three quotes can not be obtained as they will not be comparable.	EMO
11	Honey Attorneys	2011/09/02	T/58219	R 34 675.70	Bursary for Ms Gretta Sereto	615189	Single source bidding as the institution of University of Orange Free State where he was studying has handed the account to the attorneys for collection.	EMO
12	Northern Telecom	17/2/2011	6316	R 3 820.43	Repair of telephones	315162	Single source as they are the institution that installed the telephone systems.	CSSS
13	University of Pretoria	27/1/2011	6278	R 13 000.00	Air Quantity Management Course	315139	Single source bidding as that is the institution that offers the course as per the specification.	CSSS
14	Frazer Panelbeaters CC	2011/03/09	T/58335	R 4,188.69	Insurance Excess payment for the repair of BZG 890 I	315167	Single source as the service provider is the one authorised by the insurance to do the repairs.	CSSS

ANNEXURE A

NO	Service providers	Date	Cheque/ Order No.	Amount	Description	Vote No.	Type of deviation	Dept
15	Duchame Consulting	2011/02/04	6289	R 162,053.28	Conversion of 10/11 Budget into the new format as per the regulations.	115126	Single source bidding as they were appointed in terms of s32 of the MFMA. The company was appointed by another municipality through competitive bidding and the is a proven discounts for using their service.	BTO
16	Pay Day Software system (Pty)Ltd	2011/06/01	6217	R 3 400.00	Pay day seminar	115104	Single source as payday is the only company that offers the course and the municipality uses the payday system for salaries.	BTO
17	Pay Day software Systems	20/01/2011	T/058129	R 43 972.08	Pay day annual fees- Programming	115146	Single source as payday is the only company that can do the programming since it is their system that is being utilised for salaries.	BTO
18	University of Pretoria	2011/03/14	T/58337	R 117,300.00	MFMP for Three Delegates	115126	Single source bidding as that is the institution that is accredited by National Treasury & in patnership with SALGA to offer the course to the municipal officials.	BTO
	GRAND TOTAL		ITEMS=18	R 679,172.58				

ANNEXURE A

LIMITED BIDDING PROCUREMENT

NUMBER OF LIMITED BIDDING PROCUREMENT IN Q2 : 20
 AMOUNT OF LIMITED BIDDING PROCUREMENT IN Q2: R 193,502.84

URGENT/EMERGENCY

NO	Service providers	Date	Cheque/ Order No.	Amount	Description	Vote No.	Reason for deviation	Dept
1	Limpopo Auto Double Diesel cc	2011/09/02	T/58213	R2 701.80	Towing of corolla from Middelfontein to WDM	315169	The vehicle was involved in an accident on the R101 next to middlefontein and local dealer on the area had to be used to tow the vehicle immediately.	CSSS

NUMBER OF URGENT BIDDING PROCUREMENT IN Q2 : 1
 AMOUNT OF URGENT BIDDING PROCUREMENT IN Q2 : R 1,800.00

AVOIDABLE / GROSS DEVIATIONS

NO	Service providers	Date	Cheque/ Order No.	Amount	Description	Type of deviation	Disciplinary Action	Progress to date	Dept
1	Vuki Chuene	2010/10/12	6188	R 15,000.00	Transport-16 Days of activism	Database rotational system not used	A report be submitted by the EM'S Office to MM with reasons for non-utilisation of the database.	Report not yet submitted by the EM's office.	EMO

ANNEXURE A

NO	Service providers	Date	Cheque/ Order No.	Amount	Description	Type of deviation	Disciplinary Action	Progress to date	Dept
2	Shoki's Business Enterprise	28/1/2011	6282	R 140,200.00	Transport for voter registration	Advert not placed on the notice board, database not utilised & voter registration not part of community participation. This also forms part of the unauthorised expenditures.	Deviation condoned due to its urgency. Report to be submitted to council to condone the unauthorised & irregular expenditure.	Report not yet submitted by the EM's office to council.	EMO
3	Institute for Performance Management	13/01/2011	T/058103	R 70,588.80	Strategic Planning linked to WDM	SCM process not followed as the 1st preferred bidder appointed through limited bidding withdraw on the last hour and IPM had to be appointed without any order due to time constraints as they were still going to continue with the IDP/PMS alignment.	None as verbal approval was granted.	Not applicable.	MM
		GRAND TOTAL	ITEMS=3	R 225,788.80					

NUMBER OF AVOIDABLE DEVIATIONS IN Q2 : 3
AMOUNT OF AVOIDABLE DEVIATIONS IN Q2 : R12, 750. 77

ANNEXURE A

ORGAN OF STATE PROCUREMENT

NO	Service providers	Date	Cheque/ Order No.	Amount	Description	Vote No.	Reason	Dept
1	Auditor General	15/2/2011	T/58226	R 20,618.22	Audit fees	115141	Annual audit fees for 2010 audits as per law.	BTO
2	Bela Bela Municipality Local	2010/11/19	6101	R 235,000.00	GRAP Compliance Project	215154	Co-funding to assist with the GRAP Implementation	PED
3	Modimolle Municipality Local	2011/03/31	T/58495	R 300.00	Renewal of licence disk	316230	Licence disk had expired and must be renewed annually.	CSSS
GRAND TOTAL				R 255,918.22				

RECOMMENDED/ NOT RECOMMENDED

APPROVED/ NOT APPROVED

M MABUSELA: ACTING CHIEF FINANCE OFFICER

MV LETSOALO: MUNICIPAL MANAGER