

**COJ: TECHNICAL EMT CLUSTER
COJ: EMT
COJ: MAYORAL SUB COMMITTEE
COJ: MAYORAL COMMITTEE
COJ: FINANCE COMMITTEE
COJ: COUNCIL**

**SUPPLY CHAIN MANAGEMENT
EAC DEVIATION AND RATIFICATION REPORTS
THAT WERE CONSIDERED AND APPROVED BY
THE EXECUTIVE ADJUDICATION COMMITTEE
FOR PERIOD JANUARY TO MARCH 2013**

1 STRATEGIC THRUST

Well Governed and Managed City.

2 OBJECTIVES

- 2.1 To provide information to Council on deviations and ratifications considered and approved by the Accounting Officer for the month of January to March 2013.

3 SUMMARY

- 3.1 Regulation 36(1)(a) of the Municipal Supply Chain Management Regulations (the Regulation) provides that the Accounting Officer may dispense with the normal procurement processes and procure the required goods or services through any convenient process, which may include direct negotiations, but only:

1. In an emergency
2. If goods or services are available from single supplier only;
3. In respect of acquisitions of special works of art;
4. In respect of acquisitions of animals for Zoo's;
5. In any other exceptional case where it is impossible or impractical to follow official procurement processes.

In terms of Regulation 36(1)(b) the Accounting Officer may ratify any minor breaches of the procurement processes by an official or a committee acting in terms of delegated powers, which are of a purely technical nature.

To give effect to Regulation 36, paragraph 21 of the SCM Policy by the City on 6 April 2006 likewise allows the Accounting Officer to deviate from the normal procurement processes under the circumstances contemplated. Regulation 36(2) provides that the next meeting of Council and must include them as notes in the Annual Financial Statements.

It should be noted that for the period of January to March 2013 there were Six (06) deviations, and Seven (07) ratification reports that were considered by the Executive Adjudication Committee in terms of the Supply Chain Management Policy.

During the aforesaid period the Accounting Officer approved the deviations from the normal procurement processes and ratified the actions of officials for their breach of procurement processes as reflected in Annexure A attached hereto. The deviations are hereby reported to the Council.

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4 POLICY IMPLICATIONS

The reporting of the deviations and ratification of actions taken to safeguard the interest of the City contained in this report are done in compliance with the SCM Policy of the City and in adherence to Regulation 36(2) of the Municipal Supply Chain Management Regulations.

5 LEGAL AND CONSTITUTIONAL IMPLICATIONS

In terms and Regulations 6(1) of the Local Government: Municipal Finance Management Act, the Council of a Municipality must maintain oversight over the implementation of its Supply Chain Management Policy. By virtue of Regulation 36(2), the Accounting Officer must record the reasons for any deviation, must report the deviations to the next meeting of the Council and must include them as notes in the annual financial statements.

Regulation 6(4) further requires the Council to make this report public in the manner prescribed in section 21A of the Local Government: Municipal Systems Act No 32 of 2000, for access thereof by the public.

6 FINANCIAL IMPLICATION

All deviations and the ratification reports approved by the Accounting Officer had budget provisions under the respective votes. No deviation was approved without the approved budget provision.

7 COMMUNICATIONS IMPLICATIONS

The deviations contained in this report will be included as a note to the annual financial statements of the City and will be made public in the manner prescribed in Section 21(a) of the Local Government: Municipal System Act No 32 of 2000, of access thereof by the public.

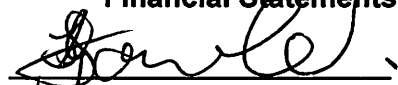
8 OTHER BODIES / DEPARTMENTS CONSULTED

The Finance and Group Legal and Contracts Departments were consulted in the drafting of this report.

IT IS RECOMMENDED

1 That the contents of the report and the information contained in Annexure A be noted in compliance with Regulation 36(2) of the Municipal Supply Chain Management Regulations.

2 That the deviations contained in Annexure A be included as a note to the Annual Financial Statements in compliance with Regulation 36(2).


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City Manager

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CITY OF JOHANNESBURG

EAC DEVIATION / RATIFICATION REPORT FOR THE PERIOD JANUARY TO MARCH 2013

Department	Description	Contracted Service Provider	Value of the Project (incl. VAT)	Reasons	Corrective Measures	Date of Decision
Group Communication and Tourism	Ratification: Reg 36 (1) (b) Appointment of Two Tone Global Agency to execute AFCON 2013 Communication and Marketing Campaign	Two Tone Global Agency	R2,8008,435.34	The department followed all the procurement policies and procedures in the terms of soliciting quotations from panel A459 as established by the Executive Adjudication committee. However since the value was above R200 000, the report for the engagement of the service provider should have been submitted to the Central Adjudication Committee in terms of Practice Note 004/2011 (utilizing of panel) but that was not done and the service provider was engaged without the approval of the CAC, hence the request for the ratification.		January 2013
Total			R2,808,435.34			

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Department	Description	Contracted Service Provider	Value of the Project (incl. VAT)	Reasons	Corrective Measures	Date of Decision
Group Human Capital Management	Ratification: Reg 36 (1) (b) Ratification for exceeding the Value of Contract 287/10, Electronic Automate Clearing Services	Mindworx Consulting (Pty) LTD	R109,982.07	Contract no 287/10 was approved by the Central Adjudication Committee . Group Human Capital Management took over the pay roll of other MOE's and subsequent to that the number of employees within the City's Core departments increased which resulted in the number of salaries to be cleared to increase. This meant that the monthly fee increased and resulted in an over expenditure of R109 982.07 hence the request for the ratification. The clearing of salaries for the additional employees could not be sourced anywhere nor could they be stopped.as that could have resulted in an Industrial Notice.		January 2013
Total			R109,982.07			
Community Development	Deviation: Reg 36 (1)(a)(ii) Appointment of Universal knowledge software to provide the Symphony Library System	Universal Knowledge Software (UKS)	R5,680,000.00	In 2009 the Executive Adjudication Committee approved a contract for re-utilization of the Sirsi Dynix library Management System which system was supported and maintained by Universal Knowledge Software the sole		January 2013

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Department	Description	Contracted Service Provider	Value of the Project (incl. VAT)	Reasons	Corrective Measures	Date of Decision
				Agent of this system in South Africa. Hence the request for the deviation to continue to utilize the system through Universal Knowledge Software as the sole provider of the system within South Africa.		
Group Revenue Shared Services	Ratification: Reg 21 (2)(b) Deliver and Installation of surveillance DVR System, Security Camera, Alarm Connectivity and monitoring civic centre Florida Park	SOS	R67,727.40	The customer service centre at Roodepoort was renovated and new surveillance DVR System with security cameras, alarm connectivity and monitoring systems were installed. However the user department utilized the incorrect contract for the procurement of the listed item as this contract was not awarded with those items even though it was security contract, hence the request for the ratification.		January 2013
Total			R5,747,727.40			

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Department	Description	Contracted Service Provider	Value of the Project (incl. VAT)	Reasons	Corrective Measures	Date of Decision
Health Department	Ratification Reg. 36 (1)(b) Appointment of SKS Business Solution CC for minor works	SKS Business Solution cc	R211,696.69	The department followed process in terms of soliciting quotations from the panel for the repairs of Bellavista Clinic in Region F. However they did not follow the practice note on the utilization of panel by having the engagement of the service provider being signed off by the Central Adjudication Committees hence the request for the ratification.		January 2013
Total			R1,624,843.39			

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Department	Description	Contracted Service Provider	Value of the Project (incl. VAT)	Reasons	Corrective Measures	Date of Decision
Revenue Shared Services Centre	Deviation: Reg. 36 (1)(b)	Ernest & Young	R1,093,906.38	In April 2012 the Central Adjudication Committee approved the appointment of Ernest & Young to conduct cheque/cash management review and forensic investigation services at Revenue and Customer Relations Department at a cost of R 1 982 779.00. In the project plan only 10 computers imaged were envisaged but however 28 computers were analysed which increased the scope of the work by an additional R1 093 906.38.	The actions of the Officials from Revenue Customer Relations Management were not Ratified. The approval is limited only to the payment of the service provider. The The Group Head: Risk And Assurance to institute an investigation in terms of Regulation 38 of the Municipal Supply Chain Management Regulations.	January 2013
Total			R1,093,906.38			

Department	Description	Contracted Service Provider	Value of the Project (incl. VAT)	Reasons	Corrective Measures	Date of Decision
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Department	Description	Contracted Service Provider	Value of the Project (incl. VAT)	Reasons	Corrective Measures	Date of Decision
Corporate and Share Services	Ratification: Reg. 36 (1)(b) Ratification for Exceeding the Value of the Contract A491, Acquisition Management	Mogale Solution Providers (Pty) Ltd	R214,132.36	The user department followed the normal procurement process in terms of soliciting quotation from panel A491 for talent acquisition. The total expenditure for this approval was R 1 262 557.00 but however due to the fact that no suitable candidate was found and the service provided was requested to headhunt a candidate, this resulted in additional expenses of R 214 132.36 hence the request for the ratification.		March 2013
Total			R214,132.36			
Community Development	Ratification: Reg 36(1)(b) Deviation: Reg. 36 (1) (a) (ii) Licensing and support for the heritage collections database and ratification of actions of Arts and Culture in relation to utilising Glomas Africa	Glomas Africa	1. <u>Ratification</u> R144,177.16 2. <u>Deviation</u> R459,635.06	Approval payment from 01 November 2011 to 31 October 2012. Sole Supplier of licenses and support for the STAR databases used for the City for a period of twenty four (24) months from November 2012 to 31 October 2014		March 2013
Total			R603,812.22			

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Department	Description	Contracted Service Provider	Value of the Project (incl. VAT)	Reasons	Corrective Measures	Date of Decision
Revenue Customer Relation Management	Deviation: Reg. 36 (1)(a)(v) Expenditure incurred on EOH Contract No. A472 where has been exceeded	EOH Resources	R11,935,418.10	Contract A472 was approved by the Central Adjudication Committee however the Department requested a deviation due to the fact that they wanted to request the service provider to assign additional resources to assist with the resolution of the fault loggings in order to deal with the billing challenges.	The actions of the Officials from Revenue Customer Relations Management were not Ratified. The approval is limited only to the payment of the service provider. The The Group Head: Risk And Assurance to institute an investigation in terms of Regulation 38 of the Municipal Supply Chain Management Regulations.	March 2013
Total			R11,935,418.10			

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Community Development (Library and Information Services)	Ratification Reg. 36 (1)(b)	Steiner Hygiene Services	R173,056.56	The current contract with the two service providers are historical and currently the department is busy with the procurement process for a new tender hence the request for the ratification as the services with the current service providers could not be terminated as that would have caused serious Health issues and not compliant with OHASA.		March 2013
	Appointment of Steiner Hygiene Services and Agonamathata Air Conditions and Projects	Agonamathata Air Conditions and Projects	R190,596.60			
Total			R363,653.16			

Department	Description	Contracted Service Provider	Value of the Project (incl. VAT)	Reasons	Corrective Measures	Date of Decision
Group Corporate and Shared Services	Deviation: Reg. 36 (1)(a(ii)&(v) Payment to Microsoft for the Third Year of Enterprise Agreement and the True up fees as Sole Provider.	Microsoft Corporation	R3,389,928.97 R2,445,300.00	Microsoft is the sole provider of Microsoft Software in South Africa.		March 2013

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Department	Description	Contracted Service Provider	Value of the Project (incl. VAT)	Reasons	Corrective Measures	Date of Decision
Total			R5,835,228.97			

Department	Description	Contracted Service Provider	Value of the Project (incl. VAT)	Reasons	Corrective Measures	Date of Decision
Group Corporate and Share Services	Deviation Reg. 36 (1)(a)(ii)&(v) The use of Microsoft as Sole Provider in terms of the conceptional design of Migration from Lotus domino to Microsoft exchange server	Microsoft Corporation	R1,035,375.00	Microsoft is the sole provider of Microsoft Software in South Africa.		March 2013
Total			R1,035,375.00			