

**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 APRIL TO JUNE 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 April to June 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 April to June 2013 there were Twelve (12) deviations, and Twelve (12) 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

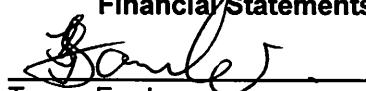
The deviations contained in this report will be included as a note to the annual financial statements of the City and will be made public in the manner prescribed in Section 21(a) of the Local Government: Municipal System Act No 32 of 2000, of access thereof by the public.

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 APRIL TO JUNE 2013

Department	Description	Contracted Service Provider	Value of the Project (incl. VAT)	Reasons	Corrective Measures	Date of Decision
Office of the Executive Mayor	Ratification: Reg 36 (1)(b) Request for payment to Bella Recruitment Team for the service rendered to Private office of the Executive Mayor	Bella Recruitment Team	R138,144.00	The previous incumbent for this position in the Office of the Executive Mayor passed away un-expectantly. The Department urgently required replacement to render the services of a Frontline Specialist. Quotations were sourced and a replacement was secured however the appropriate approval for the engagement of the service provider was not obtained in time. Hence the ratification		12 April 2013
Total			R138,144.00			

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Department	Description	Contracted Service Provider	Value of the Project (incl. VAT)	Reasons	Corrective Measures	Date of Decision
Social Development	Deviation: Reg 36 (1)(a)(v) Extension of contract for the expanded social package (ESP) system with resultant finance	Resultant Finance	R288,728.00	The equipment were originally leased or procured through the normal procurement policies and procedures. The request for the extension of the lease was due to the fact that no other alternative was available to source the equipment through Reg 32 of the Municipal Supply Chain Management Regulation (using another organ of state). SITA refused the City to utilize its contracts and the equipment were required for a longer period than the original contract due to the ESP registration services Citywide at that time. Hence the request for the deviation.		12 April 2013
Total			R288,728.00			
Housing Department	Deviation: Reg 36 (1)(a)(v) Motivation for payment to IT service provider	Lufhereng IT	R35,595.00	The service provider was initially appointed through the normal procurement policies and procedures. The request for the extension of this contract was due to the fact that COJ's ICT and IM were finalising the integration of the Lufhereng IT platform into the COJ environment and hence they could not be interruption of services during this period, and therefore the contract was extended.	The actions of the officials from Housing were not ratified. The approval of this item was relates only to the payment of the service provider. The Group Head: Assurance Service to institution an investigation in terms of Regulation 38(1)(b) of the Municipal Supply Chain Management Regulations.	12 April 2013

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Department	Description	Contracted Service Provider	Value of the Project (incl. VAT)	Reasons	Corrective Measures	Date of Decision
Housing Department	Deviation: 36(1)(b) Supply and Installation of the workstations	Badiri ba setshaba business enterprise	R61,490.09	The appointment of the service provider was in terms of due process and was approved by the Central Adjudication Committee at its meeting of 27 September 2012. The service provider provided two resources to the Department while the Department was busy with the recruitment process which were however not completed prior the expiry of the contract. The department followed normal procurement policies and procedures in the appointment of the service provider but however did not have the report for engagement of the service provider to be signed by the official with delegated authority.		26 April 2013
TOTAL			R97,085.09			

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Department	Description	Contracted Service Provider	Value of the Project (incl. VAT)	Reasons	Corrective Measures	Date of Decision
Economic Development	Deviation: Reg 36 (1)(a)(v) Extension of lease to accommodate the department of Economic development at Jorrisen place	LLP	R716,816.01	The EAC approved the extension of this lease until 31 January 2013 to allow the department in consultation with JPC to find alternative accommodation. Unfortunately up until the 31 January 2013 the department and JPC had not find and or finalised the alternative accommodation for the department hence the request for the ratification and the deviation to allow the department to continue leasing the premises pending the finalisation of alternative accommodation.		12 April 2013
Total			R716,826.01			
Stakeholder Relationship Management	Ratification: Reg. 36 (1)(b) Request for Payment to the Cleaning Services contract	Beef, General and Civil Construction	R49,950.00	The user department solicited quotations for the cleaning of the building and proceeded to instruct the company to proceed to clean the premises without giving them an official order to proceed with the work hence the request for the ratification		26 April 2013
Stakeholder Relationship Management	Ratification Reg. 36(1)(b) Extension of lease agreement to accommodate ward councillors and the Legislature at the ACA Krans Building Region B	ACA Krans Building	R958,431.09	The original lease agreement for the ACA Krans Building was to accommodate two departments namely: Office of the Speaker and Corporate Shared Services. When the lease was renewed by Facility Management they did so without the part leased by the Office of the Speaker. The Office of the Speaker continued to occupy their portion of the building assuming that their lease portion was also extended. Hence the request for the ratification to extend the lease agreement.		26 April 2013
Total			R1,008,381.09			

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Department	Description	Contracted Service Provider	Value of the Project (incl. VAT)	Reasons	Corrective Measures	Date of Decision
Transport Department	Deviation: Reg 36(1)(a)(ii) Extension of the service level agreement	BNP Capital and Goba (Pty) LTD	R0	The contract was extended for the period of three (3) months or until the budget is exhausted. There are no financial implications to the City. This is just the extension of the period.		26 April 2013
Transport Department	Ratification Reg. 36(1)(b) Unauthorised expenditure incurred for the appointment of temporary resources	NT Ngidi Consulting (Pty) Ltd	R153,736.72	The appointment of the service provider was in terms of due process and was approved by the Central Adjudication Committee at its meeting of 27 September 2012. The service provider provided two resources to the Transport Department while the Department was busy with the recruitment process which was however not completed prior to the expiry of the contract. The department followed normal procurement policies and procedures in the appointment of the service provider but however did not have the report for engagement of the service provider signed by the official with delegated authority.	The actions of the officials from Transportation were not ratified. The approval of this item relates only to the payment of the Service Provider. The Group Head: Assurance Services to institute an investigation. In terms of Regulation 38(1)(b) of the Municipal Supply Chain Management Regulation.	31 May 2013

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Department	Description	Contracted Service Provider	Value of the Project (incl. VAT)	Reasons	Corrective Measures	Date of Decision
Transport Department	Deviation: 36(1)(b) Extension of the service level agreement	Exponent (Pty) LTD	R1,014,000.00	The department could not be without two resources hence the request to extend the contract to allow for the finalisation of the recruitment process		26 April 2013
Total			R1,167,736.72			
JMPD	Ratification: Reg. 36 (1)(b) Request for payment of Office Furniture and Equipment suppliers	Imvelo Office Profile CC Mukulu Library Furniture Manufactures Akanani Office Furniture Manufacturers Thuthuka Paper (PTY) ltd Instant Office Furniture cc	R873,231.81 R222,452.76 R556,291.50 R533,504.36 R837.925.20	The offices at JMPD were not in compliance with OHASA as they were dilapidated and the staff morale was very low amongst officials, hence there was an urgent need to procure furniture. Quotations were solicited from furniture companies. However the Supply Chain Management threshold on soliciting quotations were exceeded and the engagement of the service providers were not signed off by the delegated authority or Committee. Hence the request for a ratification	The actions of the officials from JMPD were not ratified. The approval of this item relates only to the payment of the Service Provider. The Group Head: Assurance Services to institute an investigation. In terms of Regulation 38(1)(b) of the Municipal Supply Chain Management Regulation.	31 May 2013
JMPD	Ratification: Reg 36(1)(b) Request for Payment to Insearch	Insearch Recruitment Projects	R120,000.00	Due to the challenges experienced by JMPD at its licencing cash points, there was a need for a permanent messenger or driver to collect daily cashier processing and documentations.	The actions of the officials from JMPD were not ratified. The approval of this item relates only to the payment of the Service	31 May 2013

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Department	Description	Contracted Service Provider	Value of the Project (incl. VAT)	Reasons	Corrective Measures	Date of Decision
	recruitment projects for a temporary driver/Messenger			Quotations were solicited from service providers for the engagement of a messenger while the department was following normal recruitment process to fill the vacancy. However the recruitment process took long to be completed and hence the request for the ratification, as JMPD continued to utilise the service provider beyond R30 000 threshold.	Provider. The Group Head: Assurance Services to institute an investigation. In terms of Regulation 38(1)(b) of the Municipal Supply Chain Management Regulation.	
Total			R3,143,405.63			
Group Communication & Tourism	Ratification: Reg. 36 (1)(b) Appointment of consultants Mailtronics Direct Marketing	Mailtronic Direct Marketing CC	R149,880.00	The department followed the normal procurement process in term of soliciting quotations from their panel (A474) but however their process was not completed as they did not comply with Practise Note 4 of 2011(Utilisation of Panels) in that they engaged the service provider without their report being signed by the delegated authority for a threshold of R30 000 to R200 000 hence the ratification.		31 May 2013
Group Communication & Tourism	Ratification Reg. 36 (1)(b) Procurement for the	Garona Communications and Projects	R70,000.00	The department followed the normal procurement process in terms of soliciting quotations from their panel (A474) but however	The actions of the officials from Group Communication & Tourism were not	31 May 2013

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Department	Description	Contracted Service Provider	Value of the Project (incl. VAT)	Reasons	Corrective Measures	Date of Decision
	Rand Easter show stand builder			their process was not completed as they did not comply with Practise Note 4 of 2011(Utilisation of Panels) in that they engaged the service provider without their report being signed by the delegated authority for a threshold of R30 000 to R200 000 hence the ratification.	ratified. The approval of this item relates only to the payment of the Service Provider. The Group Head: Assurance Services to institute an investigation. In terms of Regulation 38(1)(b) of the Municipal Supply Chain Management Regulation.	
Group Communication & Tourism	Deviation: Reg. 36 (1)(b) Appointment of consultants	Garona Communication s and Projects	R80,000.00	The department followed the normal procurement process in term of soliciting quotations from their panel (A474) but however their process was not completed as they did not comply with Practise Note 4 of 2011(Utilisation of Panels) in that they engaged the service provider without their report being signed by the delegated authority for a threshold of R30 000 to R200 000 hence the ratification.	The actions of the officials from Group Communication & Tourism were not ratified. The approval of this item relates only to the payment of the Service Provider. The Group Head: Assurance Services to institute an investigation. In terms of Regulation 38(1)(b) of the Municipal Supply Chain Management Regulation.	31 May 2013

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Department	Description	Contracted Service Provider	Value of the Project (incl. VAT)	Reasons	Corrective Measures	Date of Decision
Group Communication & Tourism	Deviation: Reg. 36 (1)(b) Appointment of consultants	Cut to Black Media	R196,472.16	The department followed the normal procurement process in term of soliciting quotations from their panel (A474) but however their process was not completed as they did not comply with Practise Note 4 of 2011(Utilisation of Panels) in that they engaged the service provider without their report being signed by the delegated authority for a threshold of R30 000 to R200 000 hence the ratification.	The actions of the officials from Group Communication & Tourism were not ratified. The approval of this item relates only to the payment of the Service Provider. The Group Head: Assurance Services to institute an investigation. In terms of Regulation 38(1)(b) of the Municipal Supply Chain Management Regulation.	31 May 2013
Total			R496,352.16			

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Department	Description	Contracted Service Provider	Value of the Project (incl. VAT)	Reasons	Corrective Measures	Date of Decision
Group Information Communication Technology & Information Management	Deviation Reg: 36 (1)(b)	Mandisa Human Capital	R 363,400.53	The department initially followed the normal procurement processes in terms of soliciting quotations from the service providers to provide temporary staff while the department was busy with the recruitment process to fill the vacancies. The recruitment process however took longer than three months. The department could not function without the resources they continued to extend the 3 quotations without a proper authority hence the ratification.	The actions of the officials from Group Information Communication Technology & Information Management were not ratified. The approval of this item relates only to the payment of the Service Provider. The Group Head: Assurance Services to institute an investigation. In terms of Regulation 38(1)(b) of the Municipal Supply Chain Management Regulation.	31 May 2013
	Approval of short term employment contracts with recruitment agencies for Administrative assistance	Vogue HR Services Innovations Recruitment				
Group Information Communication Technology & Information Management	Ratification Reg: 38 (1)(b)	Dimension Data including 3rd Parties	R 22,401,411.00	The contract was sourced through the normal procurement process and was approved by the Executive Adjudication Committee. However due to transitional period to the new contract, additional		31 May 2013
	The ICT and other departments pertaining to expenditure	TSS including 3rd Parties	R4,672,666.00			
		Accenture	R1,800,000.00			

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Department	Description	Contracted Service Provider	Value of the Project (incl. VAT)	Reasons	Corrective Measures	Date of Decision
	incurred on contract no. A387 for exceeding the budget			business requirements, statements of works agreed to between service provider and user department to introduction VIP and VVPI, increase in the baseline and annual charge adjustment, necessitated that the contract value be exceeded hence the request to the ratifications.		
Total			R29,237,477.53			
Revenue Shared Services Centre department	Ratification Reg: 21(2)(b)	Sixpence Construction and Projects	R89,608.56	The department exceeded the threshold for the 3 quotation system for the repair and maintenance since they could not call for additional quotation for the strip and repairs. Hence only one service provider was utilised, hence the request for the ratification		31 May 2013
Total			R89,608.56			

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Department	Description	Contracted Service Provider	Value of the Project (incl. VAT)	Reasons	Corrective Measures	Date of Decision
<i>Grand Total</i>			R36,383,744.79			