

AGENDA: SPECIAL COUNCIL: 22 MAY 2024

44. SUPPLY CHAIN MANAGEMENT: APPROVED DEVIATIONS FOR JANUARY TO MARCH 2024

(Directorate: Budget and Treasury Office).

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1. STRATEGIC THRUST

The Rustenburg Local Municipality has adopted amongst other key priorities the following strategic thrust, *“To ensure sustainable municipal financial viability and management including good governance and public participation”*.

2. PURPOSE OF THE REPORT

The purpose of this report is to report to Council on the deviations from the procurement processes approved by the accounting officer for the period ending **1 January 2024 to 31 March 2024**, in terms of the municipal Supply Chain Management (“SCM”) Policy and the Municipal Supply Chain Management Regulations (“MSCMR”) of the Municipal Financial Management Act 56 of 2003 (“MFMA”).

3. EXECUTIVE SUMMARY

Regulation 36(2) of the MSCMR requires the accounting officer to record the reasons for any deviations from the procurement process and report to the next council and include the note to the annual financial statements (“AFS”).

4. DISCUSSION

Accounting officer exercised legislative powers to approve the deviations from the official procurement process.

a) The municipality could not avoid incurring these expenses in relation to these services. The deviations were not incurred because of poor planning or any related negligence, but they were necessitated by emergencies, single service provider and in other exceptional circumstances where it was impractical to follow the official procurement processes.

b) There were four (04) deviations from the normal procurement process approved for the period

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5. FINANCIAL COMMENTS

In terms of section 15 of the MFMA, a municipality may incur expenditure only-

- a) In terms of an approved budget; and
- b) Within the limits of the amount appropriated for the different votes in an approved budget.

The table below indicates summary of deviation for the period, available budget per deviation and the relevant budget vote.

	<u>DIRECTORATE</u>	<u>DESCRIPTION FOR SERVICE PROVIDED</u>	<u>VOTE NUMBER</u>	<u>AVAILABLE BUDGET</u>
10	Technical and Infrastructure Services	Hiring of combination Jet Cleaners and TLB's	O0001 IE00547\F0041\X146\R0333\001\325 O24102- /IE00545/F0931/X139/R0333/ 001/345 O2410- 1/IE00651/F0041/X139/R0333 /001/345 O0006- 2/IE00705/F0041/X146/R0333 /001/340	R13 926 516.00
11	Local Economic Development	Hosting of the Rustenburg COMFESA internal Choral Symposium	O1303- 6/IE00844/F0041/X098/R0333 /001195	R200 000.00
12	Technical and Infrastructure Services	The Refurbishment of Lethabong Reservoir.	O2538- 1/IE00651/F0041/X146/R0333 /001/340	R9 832 760.81 ((R9 632 760.81 + R200 000.00))
13	Corporate Services	Vetting & screening services	O1300- 1/IE00019/F0041/X051/R0332 /001/030	R1 131 358.00.00

Deviations are in its nature not always once off deviation but are limited for a period of 12 months at most, as results actual expenditure might not be accurate and complete at time of reporting to Council. It is recommended that a separate report be prepared and submitted at end of each financial period indicating budget amount, contract amount and

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actual amount for all deviation for that particular financial year end. This will be in line with the required reporting of deviations in the AFS.

SCM Unit and the Chief Financial Officer are required to comment and recommend the deviations. If any deviations are approved for the month, comments of BTO in relation to each deviation would be contained in each deviation.

6. LEGAL COMMENTS

Regulation 36(2) of the MSCMR mandates the Accounting Officer to record the reasons for any deviations and report them to the next meeting of the council and include as a note in the AFS.

In the case there is a failure to comply with this statutory requirement this will amount to an irregular expenditure as defined by section 1 of the MFMA.

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The item served before Mayoral Committee on the 07 May 2024 and the following recommendations were made:

RECOMMENDED:	<u>ACTION</u>
1. That Council notes the list of deviations approved by the Accounting Officer, on grounds as specified in regulation 36(1)(a) and or (b) of the Municipal Supply Chain Regulations, for the period January – March 2024;	CC
2. That the report be submitted to the Provincial and National Treasury;	AO
3. That the report be made public in compliance with Municipal Supply Chain Management Regulation 6(4) and in a manner prescribed in Section 21A of the Municipal Systems Act;	AO
4. That a strategy to reduce the abuse of regulation 36 of the Municipal Supply Chain Management Regulations be developed, and submitted to Council before the commencement of the 2024/25 financial year;	AO/BTO
5. That a report from DTIS on the status of yellow fleet be submitted to the next sitting of Council.	DTIS
