

AGENDA: MAYORAL: 10 MAY 2022

99. SUPPLY CHAIN MANAGEMENT: APPROVED DEVIATIONS FOR JANUARY 2022 - MARCH 2022

(Directorate: Budget and Treasury Office)

GD

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 **01 January 2022 to 31 March 2022**, 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. DISCUSSION

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").

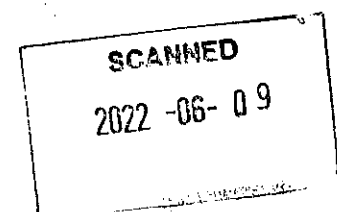
The municipality's practice has been to report the deviations on quarterly basis to Council for noting. This practice is not in line with Regulation 36(2) of the MSCMR and it will be rectified going forward.

Accounting officer exercised legislative powers to approve the deviations from the official procurement process. The municipality could not avoid incurring these expenses in relation to these services. The deviations were not 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.

There were Seven (07) deviations from the normal procurement process approved for the months of **January 2022 to March 2022**.

--- Summary of these deviations are included as attached *Annexure A* of this Report.

--- The individual deviation reports are attached as *Annexures B to G*.



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4. 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. The actual cost of the deviation would not be reported in this report as the deviations should be reported after procurement process and not after spending. Deviation are in its nature not always once off deviation but are limited for period of 6 months, 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 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 as per attached deviations. Comments of BTO in relation to each deviations are therefore contained in each deviation annexured to this report.

<u>DEVIATION NUMBER</u>	<u>DIRECTORATE</u>	<u>DESCRIPTION FOR SERVICE PROVIDED</u>	<u>VOTE NUMBER</u>	<u>AVAILABLE BUDGET</u>
9	Technical and infrastructure services	Annual service fee	O2538-2/IE00651/F0932/X146/R0333/001/340	R 4 155 279.44
10	Technical and infrastructure services	Repair of air-conditioning	O1548-1/IE00650/F2496/X146/R0333/001/325	R 1 293 194.74
11	Corporate Support Services	Advertising	O0001/IE00036/F1182/X045/R0332/001/018	R116 747.00
12	Office of the Municipal manager	Strategic planning	O0001/IE00751/F2496/X045/R0332/001/012	R 420 205.00
14	Corporate Support Services	Accredited Registered Service Provider to Provide an Employee	O0001/IE00635/F2496/X046/R0333/001/035	R416 400.00

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		Assistance Programme		
15	Public Safety and Rapid Road Transport	Accredited Service Provider for Security Services	O0001/IE00698/F2496/X109/R0333/001/27- Public Safety O0001/IE00698/F1190/X115/R0333/001/270 Rapid Road Transport	R10 180 333.54 And R3 008 702.76
16	Office of the municipal manager (OMM)	Tlhabane water AC Replacement pipe	C0198-12/IA064433/F0791/X146/R3513/001/340	R 8 000 000.00

5. 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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This item served before the Portfolio Committee: Budget and Treasury on 05 May 2022 and the following recommendations were made:-

RECOMMENDED:

ACTION

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| 1. | Council notes the late submission of the report on deviations; | CC |
| 2. | Council condones the late submission of the report on deviations; | CC |
| 3. | The list of deviations approved by the accounting officer on grounds as specified by Regulation 36(1) of the MFMA Regulations and/or the SCM policy be noted; | CC |
| 4. | Council note that a possibility exists that the following deviations from the list of deviations approved by the accounting officer on grounds as specified by Regulation 36 (1) of the MFMA Regulations and / or the SCM Policy do not qualify as deviations; | CC |

14	Corporate Support Services	Accredited Registered Service Provider to Provide an Employee Assistance Programme	O0001/IE00635/F2496/X046/R0333/001/035	R416 400.00
15	Public Safety And Rapid Road Transport	Accredited Service Provider for Security Services	O0001/IE00698/F2496/X109/R0333/001/27- Public Safety O0001/IE00698/F1190/X115/R0333/001/270 Rapid Road Transport	R10180333.54 And R3008 702.76
16	Office of the municipal manager (OMM)	Tlhabane water AC Replacement pipe	C0198- 12/IA064433/F0791/X146/R3513/001/340	R 8 000 000.00

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| 5. | The above mentioned three procurements be referred to the Municipal Public Accounts Committee ("MPAC") for further determination of whether the said procurements qualify as deviations as defined; | CC |
| 6. | The report be submitted to the Provincial and National Treasuries; | BTO |
| 7. | The report be made public in compliance with SCM Regulation 6(4) and in a manner prescribed in Section 21(a) of the Municipal Systems Act, Act No 32 of 2000. | BTO |