

D/SM 4/25

DEVIATION: Adapt IT Holdings Ltd

CHECK BEFORE SUBMISSION	YES	NO
REGISTERED ON CSD DATABASE		
LETTER - SOLE SUPPLIER if applicable.		
QUOTE/INVOICE ATTACHED		
BUDGET (SAMRAS)		
CASHFLOW		
SIGNATURES		



MEMORANDUM

Financial Management Services Department

To Aan: MUNICIPAL MANAGER
From Van: MONIQUE STEYL
Job Title: SENIOR MANAGER: FINANCIAL MANAGEMENT SERVICES
Date Datum: 19 July 2024
Re Insake: DEVIATION: CaseWare Financial Reporting System

Municipality - Munisipaliteit
 Stellenbosch
 19 JUL 2024
 Office of the Municipal Manager
 Kantoor van die Munisipale Bestuurder

1. PURPOSE

To obtain approval in terms of Supply Chain Management Policy, to deviate from the official procurement process in terms of section 36 of the approved SCM Policy

REASON FOR DEVIATION: (Mark with x where applicable)		
1.	Emergency. "Emergency dispensation" means emergency as referred to in paragraph 36(1)(a)(i) of this policy under which one or more of the following is in existence that warrants an emergency dispensation;	
	a The possibility of human injury or death;	
	b The prevalence of human suffering or deprivation of rights;	
	c The possibility of damage to property, or suffering and death of livestock and animals;	
	d The interruption of essential services, including transportation and communication facilities or support services critical to the effective functioning of the municipality as a whole;	
	e The possibility of serious damage occurring to the natural environment;	
	f The possibility that failure to take necessary action may result in the municipality not being able to render an essential community service;	
	g The possibility that the security of the state could be compromised; or	
	h The prevailing situation, or imminent danger, should be of such a scale and nature that it could not readily be alleviated by interim measures, in order to allow time for the formal procurement process. Emergency dispensation shall not be granted in respect of circumstances other than those contemplated above.	
2.	Goods or services are produced or available from a single provider	
3.	Acquisition of special works of art or historical objects where specifications are difficult to compile.	
4.	Acquisition of animals for zoos and /or nature and game reserves	
5.	Exceptional case and it is impractical or impossible to follow the official procurement processes	X

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2. SUBSTANTIATE WHY SCM PROCESS COULD NOT BE FOLLOWED (TO BE REPORT TO COUNCIL)

The municipality requires CaseWare specialist support and licenses for the utilisation, design and customisation of notes to the annual financial statements. Due to the fact that a lot of custom work and time has already been invested in the current mSCOA template of the municipality to get it to its current state, it will be impractical to try and utilise a new financial reporting application/system.

3. BACKGROUND

CaseWare provides the municipality with the required application software to prepare both the interim and annual financial statements.

The municipal officials required to perform this duty is well equipped to utilise the CaseWare software through years of training and experience working with the software.

This will be the third year the Municipality fully implements the mSCOA template as prescribed by National Treasury. Through the prior year experience, the municipality has now become well acquainted with the prescribed template on the CaseWare platform.

In order for the Financial Management Services unit to perform this task, software licences as well as consultant service fees need to be procured in order to assist the Municipality in effectively implementing the mSCOA template as per National Treasury instruction.

As per Municipal Finance Management Act (MFMA) circular 107, the mSCOA template was supposed to be compulsory for implementation for the 2021-2022 financial year however, an exemption was temporarily granted. An updated circular is expected to enforce it during the upcoming financial years making it mandatory for all municipalities to utilise this prescribed mSCOA template. Municipalities are placed at big risk if they are non-compliant as the equitable share may be withheld in the event of non-compliance.

The municipality has also identified items that require specific attention due to findings raised by the Auditor General or technical updates in the GRAP (Generally Accepted Accounting Practice) in the prior audit cycle, the CaseWare consultant will be able to assist in this as well.

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There are also new GRAP accounting standards and new pronouncements that was made by the Minister the municipality and the municipality will be required to adopt the new accounting standards for the 2023/24 financial year as well as other items identified.

4. DISCUSSION

National Treasury require that all mSCOA enabling integrated financial systems should have the functionality to generate the AFS directly from the financial system. Currently the SAMRAS system is in the testing phase and prohibits the municipality on utilising this functionality. The municipality endeavours to utilise the SAMRAS module as soon as it is tested and ready for production.

It is therefore impractical to endeavour a new financial statement preparation system as it will place the municipality in a position where we will need to incur significant costs to onboard new software, while the financial systems service provider is already embarking on providing a solution in the core financial system which will not cost the municipality further funds.

The municipality requires CaseWare specialist support and licenses for the utilisation, design and customisation of notes to the annual financial statements. Due to the fact that a lot of custom work and time has already been invested in the current mSCOA template of the municipality to get it to its current state, it will be impractical to try and utilise a new financial reporting application/system.

The fact that the municipality has utilised this system for some time has aided the municipality to submit credible financial statements and moving over to a new system will significantly put that aspect at significant risk.

There will also be a lot of additional costs to onboard a new system as the custom elements that CaseWare has already built for the municipality will need to be rebuilt in a new system. This will also cost the municipality precious time and will put the municipality at risk of not being in a position to submit credible financial statements by the 31st of August 2024.

It is important to note that prior years' financial data is already embedded in the CaseWare file, which consequently makes it easier for the municipality to disclose and investigate comparative information. In the event a new system is utilised, the prior year files will need to be converted, if at all possible, in order to effectively utilise prior year data. This also further adds to the risk of the municipality not being able to submit financial statements on

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the 31st of August 2024 as additional time will need to be spent on that and most likely additional cost.

It is clear and apparent that the risks associated with utilising a new system and potential additional cost that may be associated with moving to a new system is impractical and may adversely affect the municipality. It is also not cost effective to try and utilise a new system as onboarding costs may need to be incurred.

The Caseware system is currently the only practical solution to the municipality as we have the required expertise and foundation set up to effectively prepare the annual financial statements and submit it with the legislated timeframe. It is also important to note that Caseware licences can only be procured from ADAPIT. They are therefore the sole distributors of this required license.

5. FINANCIAL IMPLICATIONS

The estimated financial implications are illustrated below:

Description	Quantity	Rate excl VAT
CaseWare specialist Support: PS Remote (per hour)	80	R 1,805.78

The estimated cost in relation to consulting is **R144 462.40** (Per annum) (VAT exclusive)

The estimated cost in relation to software licences renewals is **R120,999.01** (per annum) (VAT exclusive)

The estimated cost may increase by the yearly inflationary rate.

Ukey: 20220630077845 Available budget: **R4 008 389.00**

6. VALUE FOR MONEY (OTHER RATES/VALUES/...)

The officials in the financial statements and Reporting section are familiar with the CaseWare system and the system is mSCOA and GRAP compliant.

7. RECOMMENDATION

7.1 Adapt IT Holding limited be appointed for the updating of the municipality's CaseWare file including automation of disclosure notes per the GRAP and legislative requirements for a 3-year period (1 July 2024 – 30 June 2027) or the earlier of the implementation of a successful financial statements module within the core financial system.



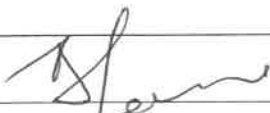


Monique Steyl
Financial Management Services

Date: 19/07/2024

7. SUPPLY CHAIN MANAGEMENT COMMENTS:

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8. APPROVAL:

REQUEST SUPPORTED / NOT SUPPORTED BY THE STELLENBOSCH MUNICIPAL BID ADJUDICATION COMMITTEE		
Name	Signature	Date
D. Sauls		19/07/2024
A van der Merwe		19/07/2024
A. Kannemeyer	Online	19/07/2024
S. Chandaka	Online	19/07/2024
A Barnes	Online	19/07/24
Comments:		
CHAIRPERSON: 		DATE: <u>19/7/2024</u>

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RECOMMENDATION FROM BID ADJUDICATION COMMITTEE APPROVED BY THE ACCOUNTING OFFICER

Comments:
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ACCOUNTING OFFICER..... 

DATE 22/7/2024