

MEMORANDUM

Request for Deviation in terms of Treasury Regulations 16A.6.4

TO	Acting Head: Government Technical Advisory Centre					
REQUESTING BUSINESS UNIT	Municipal Finance Improvement Programme (MFIP)					
HEAD OF BUSINESS UNIT	Ndanduleni Makhari (Acting)					
DATE	26 June 2026					
SUBJECT	Request for Deviation to Appoint Exponent (Pty) Ltd to provide a Microsoft Licenses					
NAME OF SUPPLIER	Exponent Pty Ltd.					
TERM REQUESTED	Month to Month effective 1 July 2026 (Period not to exceed 2 Months)					
AMOUNT REQUESTED	R275 866,6 for two months					
REASON FOR DEVIATION FROM TR 16A.6.4	SOLE SUPPLIER:		CASE OF EMERGENCY:		OTHER (IMPRACTICAL):	x

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- ☒ **Approval**
☐ **Verification**
☐ **For Your Records**
☐ **Information**
☐ **Action as required**

1. PURPOSE

The purpose of this memorandum is to request approval for a deviation from normal procurement processes to allow the appointment of the current Microsoft Licensing Provider, Exponent Pty Ltd, on a month-to-month basis, effective 1 July 2026 for a period not exceeding 2 months, in order to ensure continuity of services while the formal procurement process is being finalised for the Microsoft renewal.

2. BUSINESS REQUIREMENT BACKGROUND

- 2.1 The Municipal Financial Improvement Programme (MFIP) is a strategically driven programme of technical assistance aligned to the six LGFM gamechangers. It is designed to build the institutional and technical financial management capacity of National Treasury (NT), Provincial Treasuries (PTs), and municipalities. This is mainly achieved through the placement of Technical Advisors (TAs) within the MFMA support units of provincial treasuries and the Budget and Treasury Office (BTO) of municipalities.
- 2.2 The Director-General approved a few extensions of the MFIP III, called MFIP IIIx, which since 1 April 2020, saw the introduction of several modifications that were made to the operating modalities of the MFIP during Phase III, intending to bolster the program's overall effectiveness and efficiency.
- 2.3 Another extension has since been granted until June 2027, necessitating the renewal of critical licenses that support MFIP operations.
- 2.4 Current Microsoft 365 E3 licenses are set to expire in June 2026; This necessitates the renewal of licenses that MFIP officials and Technical Advisors (TAs) rely on to perform their work. Currently, the MFIP IIIx Programme Management Unit (PMU) consists of officials in the PMU structure who support and oversee the TAs. The advisors are geographically dispersed, increasing the risk and operational complexity of the programme. Administration, communication, coordination, and collaboration have become too complex to manage via email and telephone alone.
- 2.5 The nature of the programme is highly standardized and governed. For this reason, the programme prioritized the automation of its Standard Operating Procedures (SOPs). Internalizing and institutionalizing its functions through automated SOPs allow the programme to protect and ensure the quality of data and information assets while also preventing audit findings. Efficient, consistent, and automated governance leads to cost savings and forms the foundation for continual service improvement initiatives, particularly as most organizations have now adopted telecommuting policies.

- 2.6 The processes included strengthening the institutionalization of the modified MFIP business model; ongoing elucidation and advocacy of the revised governance and management arrangements with programme stakeholders; sourcing of technical advisors to implement the full spectrum of MFIP technical support to programme beneficiaries in NT, PTs, and municipalities; and implementing the MFIP Knowledge and Information Management strategy to ensure increased efficiency in programme administration and enhanced knowledge sharing and collaborative learning across project workstreams.
- 2.7 Microsoft 365 E5 licenses/subscriptions offer an MS suite that includes web and mobile versions of Microsoft Word, Excel, PowerPoint, OneDrive, MS Outlook, MS Teams, an Azure SQL database license and consultation, a Visio license, etc. This is the core application that assists everyone at MFIP to perform their work, including email communications and collaborative meetings via MS Teams. The Azure SQL database is critical for programme data management, and the associated automated backup service is essential for data integrity, disaster recovery, and business continuity.
- 2.8 The need for enhanced security, compliance, and advanced functionality drives the decision to upgrade from Microsoft 365 E3 to E5. Microsoft 365 E5 provides additional capabilities, including advanced threat protection, identity and access management, information protection and governance, and advanced analytics. These features are critical to safeguarding the program's sensitive data and ensuring compliance with evolving cybersecurity standards, especially in a geographically dispersed and increasingly remote working environment. Furthermore, this is to align with NT, who is already on the E5 package.

3. REASON FOR DEVIATION

- 3.1 MFIP is requesting a deviation from the normal procurement procedures due to delayed procurement processes which may not be concluded by 30th of June 2026; should the deviation process not be granted, the following will be affected:
- 3.1.1 Loss of access to emails, systems, and critical data
- 3.1.2 Disruption of all MFIP operations, in essence, MFIP officials especially Technical Advisors will not be able to access services (Exchange, Teams, SharePoint) due to loss of login capability. Since many MFIP processes are automated through K2, any workflows that rely on Microsoft services may fail or become unstable, further impacting operations
- 3.2 Exponent Pty Ltd offers the current Microsoft 365 licences and are due to expire on 30 June 2026.

- 3.3 Procurement processes were initiated on time and in line with required procedures. Engagement with Finance commenced in February 2026.
- 3.4 Several unforeseen events were experienced, which resulted in a possible risk of not appointing the service provider as per initially estimated time frames.
- 3.5 The process is also dependent on SITA enterprise agreements; although the engagement model provides steps to be followed when engaging in the market, it has limitations in terms of specifying timelines with regard to the reviewal/verification process to be conducted by SITA prior to award. Upon engagement with SITA, it has been uncovered that the verification process is greater than the ten days anticipated and communicated by SITA and will unfortunately have an impact on the initially estimated timelines.
- 3.6 The bid was advertised through a competitive process on 26 May 2026, with a closing date of 17 June 2026
- 3.7 Initial engagements with SITA, it was communicated that verification process was likely to take at least 10 working days and it later was confirmed that the timelines depend on the responsible official schedules and other work commitments, unfortunately, this information was not availed as part of the SITA Microsoft engagement model. The verification will only be conducted once all received proposals have been evaluated, with the recommended bidder having to be requested to submit a final customer price sheet. The turnaround time was not considered at initiation of the process as it was unknown.
- 3.8 It will therefore not be possible to finalise the procurement process before 30 June 2026, which is the current contract's expiry date. It should also be noted that Microsoft does not provide a grace period; upon expiry, access to services is terminated immediately without temporary continuation, and such will negatively affect the business unit carrying out their duties or responsibilities, thus affecting business continuity.
- 3.9 Overall, the delays experienced were primarily due to governance processes, stakeholder dependencies, and system-related constraints, rather than shortcomings in planning or execution.

4. SCOPE OF GOODS AND/ OR SERVICES

The key activities per focus area over the duration of the project will include, but are not limited to, the areas highlighted below:

4.1 Provision of Microsoft 365 E5 Licenses:

- Supply, management, and governance of 136 Microsoft 365 E5 licenses (Microsoft Word, Excel, PowerPoint, OneDrive, MS Outlook, MS Teams, Power BI Pro), including but not limited to web and mobile versions.

- 5 Teams Premium licenses
- 1 Vision Plan One license
- Ensure licenses are activated and maintained for the duration of the contract.
- Provide support for license allocation, user management, and troubleshooting, whilst ensuring that the right license mix is recommended based on business needs.
- Helps avoid over-licensing or non-compliance.
- Help to plan for license renewals for the next cycle renewals including changes and cost optimisation.

4.2 Provision of Azure SQL Database:

- Supply of a 250GB Azure SQL database.
- Provision of associated automated backup services essential for data integrity, disaster recovery, and business continuity.
- Include Azure database services consultation as required.
- Generate Azure monthly usage report.

4.3 Support and Maintenance:

- Provide basic technical support for the Microsoft environment as it relates to the provisioned services.
- Provide 6 (six) hours for advanced support and troubleshooting services as and when required.
- Ensure high availability and performance of the Azure SQL database.
- Assist with security and compliance configurations aligned with National Treasury standards.
- Advanced support services (as required, billed per hour)

5. FINANCIAL IMPLICATIONS

- 5.1 The cost for the proposed two-month extension, inclusive of the 20% month-to-month premium, is R275 866,6. The quotation is indicative at this stage, as Microsoft has not yet released the updated pricing, which may impact the final pricing.
- 5.2 Provision for this expenditure will be accommodated within the existing MFIP operational budget
- 5.3 All costs remain subject to exchange rate fluctuations at the time of invoicing, in line with Microsoft pricing policies.

6. LEGAL IMPLICATIONS

- 6.1 Paragraph 4 of the PFMA SCM Instruction No 03 Of 2021/22 on Enhancing Compliance Transparency and Accountability in SCM states that:

"If in a specific case it is impractical to invite competitive bids, the AO/AA may procure the required goods or services by other means, provided that the reasons for deviating from inviting competitive bids must be recorded and approved by the AO/AA."

7. CONCLUSION

7.1 In terms of paragraph 7 above, this request is permissible within the SCM prescripts and is supported.

8. RECOMMENDATION

8.1 Approval be granted for a procurement deviation to appoint the current Microsoft service provider on a month-to-month basis for a period of two months, effective 1 July 2026, at a cost of is R275 866,6 to exchange rate fluctuations at the time of invoicing, in line with Microsoft pricing policies.

8.2 The deviation is processed on an urgent basis to prevent interruption of services.

8.3 MFIP, PSP, and relevant stakeholders expedite the finalisation of the procurement process to ensure that a long-term contract is in place from September 2026.



Compiled by: Doris Segoale

8.1. Recommended / ~~Recommended with Comments~~ / ~~Not Recommended~~

8.2 Recommended / ~~Recommended with Comments~~ / ~~Not Recommended~~

8.3 Recommended / ~~Recommended with Comments~~ / ~~Not Recommended~~



NDANDULENI MAKHARI

ACTING CHIEF DIRECTOR: MFIP

Date: 26 June 2026

REQUEST FOR DEVIATION TO APPOINT A SERVICE PROVIDER TO PROVIDE MICROSOFT LICENSES

8.1. Recommended / ~~Recommended with Comments~~ / Not Recommended

8.2 Recommended / ~~Recommended with Comments~~ / Not Recommended

8.3 Recommended / ~~Recommended with Comments~~ / Not Recommended



TUMELO KWINANA

DIRECTOR: PROFESSIONAL SERVICES PROCUREMENT

Date: 29/06/2026

8.1. Recommended / ~~Recommended with Comments~~ / Not Recommended

8.2 Recommended / ~~Recommended with Comments~~ / Not Recommended

8.3 Recommended / ~~Recommended with Comments~~ / Not Recommended



NTUTHUZELO GOBOZI

CHIEF DIRECTOR: PROFESSIONAL SERVICES PROCUREMENT

Date: 29.06.2026

8.1. Recommended / ~~Recommended with Comments~~ / Not Recommended

8.2 Recommended / ~~Recommended with Comments~~ / Not Recommended

8.3 Recommended / ~~Recommended with Comments~~ / Not Recommended



P.P MARKUS RAUTENBACH

CHIEF DIRECTOR: FINANCIAL MANAGEMENT

Date: 29/06/2026

8.1 Approved / ~~Approved with Comments~~ / Not Approved

8.2 Approved / ~~Approved with Comments~~ / Not Approved

8.3 Approved / ~~Approved with Comments~~ / Not Approved



RONETTE ENGELA

ACTING GTAC HEAD

Date: 30/06/2026

REQUEST FOR DEVIATION TO APPOINT A SERVICE PROVIDER TO PROVIDE MICROSOFT LICENSES

CHECKLIST - SUBMISSION TO CHIEF DIRECTOR: PSP (REQUESTING BUSINESS UNIT TO COMPLETE)					
Tick the applicable box:		N/A	Yes	No	Comments
1.	Current deviation submission				
1.1	• Is the submission completed in full and correctly signed off?		X		
1.2	• Does the submission articulate the Purpose, Background, Scope, Sourcing Strategy, Stakeholders, Legal & Financial Implications, Recommendations and Signatures?		X		
2.	Sole supplier				
2.1	• Is the sole supplier certificate attached?			N/A	
3.	Impractical				
3.1	• Is the National Treasury approval attached?			N/A	
4.	Memo of previous approval				
4.1	• Are the memos of the previous approval(s) attached?	X			
4.2	• Were the previous approved memo, action plans and recommendations considered in this submission?	X			
5.	Approved business case				
5.1	• Is the approved business case attached?		X		See background of the memo
6.	Confirmation of budget availability				
6.1	• Is a signed confirmation from Finance of budget availability attached?	x			
6.2	• Is the request (including VAT) within the approved budget?	x			

REQUEST FOR DEVIATION TO APPOINT A SERVICE PROVIDER TO PROVIDE MICROSOFT LICENSES

7.	Demand plan				
7.1	Was the project registered on the approved demand plan?		x		
8.	Supplier(s) proposal, quotation and/or pricing schedule				
8.1	Is the supplier's proposal, quotation and/or pricing schedule attached?		x		
8.2	Does the financial implication in the submission agree to the supplier's pricing?		x		

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CHECKLIST PSP - SUBMISSION TO HEAD OF GTAC (PSP TO COMPLETE)					
Tick the applicable box:		N/A	Yes	No	Comments
1.	Due diligence				
1.1	• If the supplier is a foreign supplier, is the supplier's SBD 1 attached?				
1.2	• Is the supplier's CSD registration report attached?				
1.3	• Is the supplier's tax compliance status verification in order?				
1.4	• Is the supplier's SBD 4 attached?				
1.5	• Are the responses provided by the supplier on the SBD 4 verified, and the directorship(s) on the SBD 4 confirmed against the CSD report?				
1.6	• Is it confirmed that the supplier is not blacklisted and not on the NT list of restricted suppliers?				
2.	SPECIFIC GOALS				
2.1	• Is the supplier(s)' tax compliant? If yes attach the CSD report as a proof before letter of award send to service provider.				
3.	Other documents attached				
3.1	•				
3.2	•				
(For Professional Services Procurement Use):					
Deviation number:					