MEMORANDUM TO THE
BID SPECIFICATION AND TENDER EVALUATION COMMITTEE

SUBJECT: DEVIATION FROM COMPETITIVE BIDDING PROCESS

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1. PURPOSE

The purpose of this memo is to seek approval to deviate from the normal SCM processes by allowing for an extension and variation of contract with Advance-Net to continue providing Productivity SA with SAP support services.

2. BACKGROUND

Productivity SA entered into a contract with Advanced-Net for SAP Business One support services and licensing, with an approved contract value of R755,234.70. This amount covered both support hours and annual license fees. While the use of support hours has been managed within the allocation provided, a significant portion of the contract value has been absorbed by higher-than-anticipated licensing costs. Consequently, the value remaining under the contract is insufficient to cover the support still required from the service provider. In addition, the contract with Advanced Net is due to expire at the end of May 2026.

Approval is therefore sought to extend the contract until the end of October 2026, and to increase the contract value to accommodate this extension.

The proposed extension will ensure uninterrupted SAP support during this key period of the financial audit. Changing the service provider at this stage would negatively affect both the year-end and audit processes, as the current provider has been actively involved in executing year-end activities and is familiar with our systems and work completed to date. Furthermore, Productivity SA intends to utilise Advanced Net's services to assist with the implementation of the SAP budget module.

International Business Gateway, Cnr New and Sixth Roads, Midrand, South Africa
Private bag 235, Midrand, Gauteng, 1685
Telephone +27 (0) 11 848 5300 Facsimile +27 (0) 11 848 5555
Productivity SA
www.productivitysa.co.za

The SAP Business One system is a core financial system used by the organisation, and uninterrupted support and licensing are essential to maintaining business continuity.

3. COMMUNICATION IMPLICATIONS

Where the expansion or variation for goods and services has exceeded 15% or R15 million (whichever is less), PFMA SCM instruction note 3 of 2021/22 requires that the AO/AA must submit a report to the relevant Treasury and AGSA, including reasons for expansion.

The required reporting will be done in line with the above instruction note.

4. FINANCIAL IMPLICATIONS

Extension till the end of October 2026	
Original contract value	**755 234,70**
Additional SAP support value required	437 708,35
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Budget implementation	69 000,00
Total Extention Value	**506 708,35**
Percentage increase on initial contract value	**67%**

This represents an approximate 67% increase/variation relative to the original contract value.

Key considerations:

- SAP licensing is non-discretionary and required to maintain system operations.
- The current service provider has been closely involved in the activities building up to the financial year-end. It would have an adverse impact on the audit process if they were to be replaced during this time.

5. RECOMMENDATIONS

It is recommended that:

Approval be granted for a deviation from the normal RFQ process to approve continued use of the support services with Advance Net until the end of October 2026.

Compiled by:

Bongi Sigasa

12/05/2026

Bongi Sigasa

Date

Acting Senior Manager ICT & Facilities

This will be treated as deviation by other means in line with PFMA SCM instruction note 3 Of 2021/22

Recommended by:

12 May 2026

Mr. Josias Moloto

Date

Chief Financial Officer

Approved by:

New contract tender must go out as matter of urgency

18 May 2026

Ms. Amelia Naidoo

Date

Acting Chief Executive Officer

Evaluated and approved by:

Njabulo Khumalo

Date

Bid and Tender Specification and Evaluation Committee chairperson

Comments/ Further Instructions: