

Province of the Eastern Cape

Supply Chain Management Procedures Manual

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1. INTRODUCTION

The Department Of Social Development's Supply Chain Management Systems and Procedures Manual deals with the procurement of all goods and services for Department. The objective of these systems and procedures is to ensure all procedures required to execute tasks are clearly outlined, while conforming to all relevant legislations as required by the government of South Africa: e.g. Public Finance Management Act (PFMA) and Preferential Procurement Policy Framework Act (PPPFMA). The Systems and Procedure Manual also ensures that the Agency's objective of supporting corporate and professional entities owned by historically disadvantaged persons (HDPs) and small and medium enterprises (SMMEs) is adhered to. Department Of Social Development therefore conforms to the Broad Based Black Economic Empowerment (BBBEE) Act. The Bid Committee, Supply Chain Management Department and the User Departments are jointly responsible for the successful implementation of these systems and procedures.

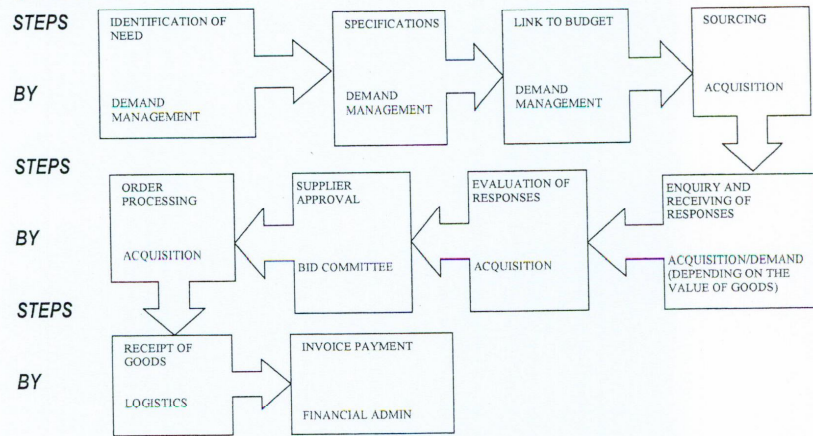
2. DELEGATION OF AUTHORITY

Section 44 and 56 of the PFMA empower the Accounting Authority (Accounting Officer) to delegate decision-making powers to officials. Although the Accounting Officer is empowered to delegate decision-making to subordinates who are officials, she/he cannot delegate her/his accountability. This includes the procurement of goods and services, procurement of fixed assets, as well as bids related to the sale of movable/immovable assets by means of a competitive bidding process.

The detailed information on who has been delegated what functions are contained in the Supply Chain Management Policy document.

3. SUPPLY CHAIN MANAGEMENT CYCLE

Below is a flow chart that reflects the major steps followed when acquiring goods and services known as the supply chain. Each activity is matched with the functionary responsible for the processing of that specific activity.



3.1 Demand Management

Demand Management is the first phase of Supply Chain Management where user needs are identified and linked to both the budget and the strategic plan.

The process is normally initiated by a user department communicating its requirement to the Procurement sub-unit by creating a Requisition on MIS or by means of a duly completed requisition with supporting documentation where necessary.

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The Requisition will then be authorised by the person with the delegated authority who is in control of the budget for the user department's cost centre prior to forwarding the request to Procurement. Such approval is the verification that funds are available from an approved budget, or if the latter is not the case, that funds have been approved by the necessary authority and also that there is a specific need in that unit.

Requests for work which has already been performed or goods which have already been delivered will not be considered by Procurement. This includes work/goods ordered and not yet delivered. It is regarded as irregular expenditure when an official procure goods and services without an official order. Such actions are regarded as financial misconduct.

3.2 Annual needs assessment

During the first month of the financial year, a questionnaire will be sent to Heads of Division requesting the following information which will be used to consolidate Agency needs and be disaggregated by month according to priorities.

- List of needs.
- Chief user.
- Budgeted amount.
- When required and for how long.
- Usage frequency.

The Demand Officer will then specify each requirement and analyse the supplying industry. Specifications from the industries are compared with those from the End-users. **This information will form part of the procurement plan which must be approved by the Bid Committee.**

3.3 Bi-Annual needs assessment review

- List of needs.
- Chief user.
- Budgeted amount.
- When required and for how long.
- Usage frequency.
- Needs procured.
- Variance analysis.
- Analysis of past expenditure.

3.4 Quarterly needs assessment

- Usage frequency.
- Needs procured.
- Analysis of past expenditure.
- Variance analysis.

3.5 Budget considerations with every need

The cost of the need, whether a commodity or a service should not exceed the budget allocation. It is the particular responsibility of each Chief User to ensure that funds are available in the budget of the relevant unit to finance the expenditure and Demand Management will verify it before proceeding with the request.

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3.6 Specifications are determined for quality assurance

It is the responsibility of each Chief User to ensure that goods and services applied for are necessary and essential to achieve the goals and objectives of the particular unit. The goods and services required must have a clear description that will enable the Procurement (SCM) practitioner to effectively communicate the need to the supplier. It must also adequately cover the information needs of the supplier, enabling the supplier to offer exact requirements.

The Demand Management Officer will then contact the relevant Industries for their specification of commodity. On receipt of the specification, the users must verify or accept the specification. If accepted the specification is submitted to the Bid Specification Committee for approval.

3.7 Lead times and delivery dates identification

Before orders are placed lead times must be established and after placing orders, delivery dates must be confirmed to ensure that the need will be accommodated at the right time.

3.8 Communication and interaction with End Users

Lines of communication must be open between Demand and the End Users. At least once a week the End Users may be informed of the progress on their requests. If the need does not conform to one or any of the plans of the institution, the End Users are informed immediately and the process ends.

3.9 Submissions to the Bid Specification Committee

With comparative schedules in place, recommendations are submitted to the Bid Specification Committee for approval.

3.10 Approved Specifications

On receipt of approval of specifications from the committee, specification standards are determined.

4. ACQUISITIONING MANAGEMENT

4.1. Introduction

This chapter should be read in conjunction with Chapter 4 of Department of Social Development's Supply Chain Management Policy Manual. The objective of these procedures is to provide guidelines entailing all the steps/activities involved when acquiring goods and services. The Bid Committees, Procurement sub-unit and all other Business Units are jointly responsible for the successful implementation of these procedures.

No goods and services may be obtained, contracted, acquired or purchased, hired, loaned, borrowed, transferred or accepted as a gift or any other such means without the intervention of Provisioning and Procurement Administration.

4.2. Urgent Transaction

To cater for urgent transactions, it is proposed that they be dealt with as follows: The transaction is referred to the Accounting Officer through the Chairperson of the Bid Adjudication Committee prior to conclusion of the transaction.

4.3. The Acquisition Process

Acquisition of goods and services start on receipt of a signed VAS2 or applicable memorandum accompanied by a Requisition containing a requisition number from the Demand Management unit.

To select the appropriate purchasing mechanism, the Procurement Practitioner must investigate the following criteria step by step. If the criterion for any mechanism does not fit, the next mechanism is considered. The preferred purchasing mechanism so selected shall then be applied in accordance with the provisions of this procedure.

4.4. Government Institutions

When utilizing the following sourcing strategies, the optimum method to satisfy the requirement must be considered. The following elements, amongst others, should be looked at carefully before choosing the best strategy:

- Best price;
- Conditions of delivery;
- Keeping pace with modern technology and development;
- Enabling newcomers/HDIs to supply the good/services
- **Printing and stationery from Government Printing Works for under R30 000(including VAT)**

Requests on VAS2 or memorandum under R30 000 must be forwarded through to the Procurement Department who will then obtain quotations from the database. Approval for acquisition is delegated to Procurement.

- **Printing and stationery from Government Printing Works for above R30 000(including VAT)**

In terms of the Supply Chain Management Framework, government agencies can procure or outsource printing services directly from the service provider.

- The Procurement Department may forward requests exceeding R30 000 through to Provisioning who will in turn forward a requisition to Government Printing Works.

- **Furniture from the Department of Correctional Services**

Although not mandatory, furniture can be procured from the Department of Correctional Services.

- **Computer related goods**

Information Technology (IT) and IT related functions would be executed by the State Information Technology Agency (SITA) but within the applicable legislation and regulations.

- Procurement of IT goods and services up to R 200 000.00 shall be procured using quotations.
- Procurement of IT goods and services above R 200 000.00 must be sent through to the Bid Committee (with the approval of the Accounting Officer) for approval of the terms of reference.
- The terms of reference (business case) are forwarded to SITA for advertising. The Accounting Officer can accept or reject the nomination of the successful bid by SITA.

- **Transversal term contracts**

These can be utilised when a contract has to be arranged for goods and services which do not form part of the normal line functions, and when there is no capacity to arrange a specific contract. The contracts

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are arranged by the National Treasury Department and information on these can be accessed on the Department's website.

- Procurement/Provisioning orders from the contract or contact Treasury if need be.

- **List of redundant/obsolete items from other institutions**

- This is the other source that can be investigated, should it be capable of satisfying the existing needs.
- Procurement contacts the relevant institution.
- Provisioning arranges the transfer of goods

4.5. Public/Private/Partnership

Whenever goods and services are procured by means of public private partnerships or part thereof, Treasury Regulation 16 should be adhered to.

4.6. Appointment of consultants

The procedures of appointing consultants to be followed must be in accordance with the Framework for Supply Chain Management (Section 76 (4) (c) of the PFMA and the related SCM Practice notes.

4.7. Goods stored in the warehouse

- Requests for goods available in the store/warehouse shall be forwarded through to Provisioning Administration;
- The Provisioning Administration keeps a catalogue of stores available in the storeroom/warehouse. Chief users are to submit internal requisitions for stores by means of form VAS2 (Internal Requisition).
- If items are not available in the warehouse the Chief User submits it to Procurement.

4.8. Existing valid contracts

Processing of orders of any value from existing contracts loaded on MIS/ LOGIS after being approved by the Bid Evaluation Committee is done by Provisioning as detailed in paragraph 5 below. The Procurement Manager draws a monthly report to ensure the optimum utilisation of current contracts in support of business initiatives and ensures that these contracts are utilised in the intended fashion.

4.9. Sourcing & Enquiry and receiving of Quotations

After exploring all the methods stipulated above, and the need still not being fulfilled, the external sourcing process is then followed.

- The VAS2 shall be completed and approved by the Chief User and forwarded to Procurement for execution;
- **Quotations**
 - On receipt, Procurement will assess the specification and will then obtain quotations from service providers registered on the Database. In the absence of the database, the end user must obtain quotations.
 - Procurement will as far as possible, be responsible to obtain quotations from suppliers on the database on a rotating system. If for some or other reason, end-users need to obtain

quotations themselves, Procurement must be consulted for the list of prospective suppliers. Quotations will not be considered if the company is utilised on a continuous basis.

- Under no circumstances must quoted prices be made known to potential service providers when obtaining quotations. In cases where End Users obtained the quotations, Procurement reserves the right to obtain additional quotations to determine reasonability of price or value for money.
- End Users requesting quotations must ensure that they are received in a sealed envelop and opened at Procurement.
- Only quotations with the supplies required, the period of validity, VAT registration number and the total price inclusive of VAT (if VAT is claimed) will be considered. Breakdown of supplies, where applicable, must clearly be distinguished on the quotation.

- **Values up to R10 000 (including VAT)**

At least 3 written quotations shall be obtained but an official order is placed on receipt of a written confirmation/ quotation from the selected supplier.

- **Values of R10 000 but not exceeding R200 000 (including VAT)**

A minimum of five suppliers (preferably from the database) are invited to submit written quotations. Where no suitable suppliers are available on the database, other possible suppliers may be used.

If it is not possible to obtain 3 quotations, the reasons should be recorded and approved by the Accounting Officer.

- On receipt of the quotations, Procurement prepares a comparative schedule. The comparison, especially for goods and services with a value above R30 000 (including VAT) will be based on the evaluation detailed below;
- An official order will then be generated and approved by the relevant delegated authority in the Department;
- The order will be issued to the successful supplier. Under no circumstance must any official commit the department without government order;
- Provisioning will give feedback to the end user in respect of the approval and expected date of delivery.

It is Government's policy not to award orders exceeding R30 000 to without a valid original tax clearance certificate.

- **Values exceeding R200 000 (including VAT)**

Competitive bids must be invited for all goods and services exceeding R200 000. Requests must be submitted at least two months prior to the acquisition of the goods/services. Planning, by Chief users, is therefore imperative for effective delivery of services.

- The user in conjunction with the Bid Specification Committee prepares **terms of reference** in which he/she communicates his/her needs, including special qualifications, as clearly as possible to the prospective suppliers;
- The terms of reference are submitted to the Bid Adjudication Committee through Procurement for approval;
- Procurement prepares an **invitation to bid/tender** advert and advertises in the Government Tender Bulletin and relevant media if necessary. The media used must be such that as broad an audience as possible can access the tender documents. The Accounting Officer must approve any closing date less than 21 days.

- Procurement compiles **bid documents** which include:

SBD 1 Invitation to Bid.

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SBD 2	Application for tax clearance certificate.
SBD 3.1 to 3.3	Pricing Schedules.
SBD 4	Declaration of Interest.
SBD 5	National Industrial Participation Programme.
SBD 6.1 to 6.12	Preferential Procurement Regulations.
SBD 7.1 to 7.3	Formal Contract.
	Terms of Reference.
	Evaluation Criteria.
	Special Conditions if any.

- **Issuing of tender documents**

Procurement issues a tender document to potential service providers. Should documents be charged for, they must be reasonable and reflect only the cost for their printing and delivery to prospective buyers. A tender collection register must be kept reflecting the names of suppliers to whom enquiry and tender documentation was issued to and if applicable the proof of receipt by suppliers.

- **Lodging of tenders**

Tenders must be addressed to the Department of Social Development's Procurement Unit and must be transmitted by the tenderer in sealed envelopes. The tender number, the subject and return date thereof must also be endorsed on the envelopes.

- **Tenders received by telegram or facsimile**

No tender received by telegram or facsimile will be considered unless the tender document specifically provides therefore.

- **Amendments by company before return dates**

The Department is entitled to amend any tender condition, validity period, specification, or extend the return date of such tender before the closing date, provided that such amendments or extensions be advertised and/or that all tenderers to whom tender documents have been issued are advised in writing of such amendment or of the extension. Employees issuing tenders must therefore keep a record of the names and addresses of persons and enterprises to whom tender documents have been issued.

Where the return date of a tender is extended, the notice which makes known such extension and shall also mention that tenders already received will be retained unopened in the tender box and be duly considered after the expiry of the extended period, unless tenderers request that such tenders be returned, or unless the tenderer cancels it by submitting another tender.

- **Tender closing**

The tender closes and Procurement collects tender responses on the exact closing time and date. This will be conducted by at least two officials who will not be participating in the evaluations or have any interest whatsoever in that tender. The officials open the technical proposals to record all tenders received in response to the enquiry in the tender register. The register should contain the following:

- Tender reference number.
- The short description of the requirement.
- The closing date of the tender.
- The date the tender is opened.

- **Late tenders**

Where a tender is not in the tender box at the time of the tender closing, such tender is a late tender. Late tenders are not assessed or evaluated. It is endorsed as a "Late Tender". The official ensures that all late tenders are recorded as such in the tender register by supplier name only, but returned unopened to the supplier, stamped or endorsed "Late Tender".

It must be ensured that the responses are stamped with Department of Social Development's date stamp.

- Procurement will then distribute the Technical proposal to the Technical Bid Evaluation Committee members for evaluation. The financial proposal will be kept in a safe place and will only be opened by Procurement for evaluation after the functional/technical evaluation has been completed.

- **Evaluation of tenders**

Technical capability /Functionality:

One person, or a team consisting of people, with the relevant technical or other expertise can evaluate this. Amongst other things the following can be examined:

- Experience (project team CVs).
- Qualifications.
- References.
- Capability to fulfill the requirement.
- Project management /understanding of the requirement.
- Proposed Service Level Agreements.
- Proposed work-plan and methodology, etc.

The technical team will on completion forward their evaluation results to Procurement with the scoring for each tender response and a summary on each tenderers strength and weaknesses. The recommendation on who the suitable supplier is must accompany this report.

- **Cost/Financial**

This function will be performed by Procurement as soon as the Functional evaluation is completed.

Cost comparisons, to a common base (same item), must always be done to determine whether the prices that are offered are reasonable compared to the price of similar previous purchases (if applicable). If the percentage increase is considered excessive, negotiations should be conducted to obtain equitable prices. The whole life costs and all other relevant factors such as future price adjustments, trade discounts and settlement discounts must be taken into account in calculating the evaluation price.

The Act requires that a **preference point system** be used when acquiring goods and services namely:-

- 80/20 preference point system for amounts of up to a Rand value of R500 000.00
- 90/10 preference point system for amounts exceeding R500 000.00

The Act also requires that points be allocated for the achievement of **specific goals**, hence points be allocated will depend on the preference point system used: for e.g. with the 80/20, the points for specific goals will be 20.

Specific goals are as follows:-

- Export oriented production.
- The promotion of SMMEs.

- Empowerment of the work force by standardizing the level of skills and knowledge of workers.
- Development of human resources and improvement of management skills.
- Enlistment of communities through, but not limited to, housing, transport, schools, infrastructure donations and charity organisations.
- Locally manufactured products.
- HDI status encompasses the following:-
 - Historically disadvantaged individuals.
 - Disabled persons.
 - Women.
- The promotion of South African owned enterprises.
- The promotion of export- orientated production to create jobs.
- The creation of new jobs or the intensification of labour absorption.
- The promotion of enterprises located in specific Province for work to be done or services to be rendered in that province.
- The promotion of enterprises located in a specific region for work to be done or services to be rendered in that region.
- The promotion of enterprises located in a specific municipal area for work to be done or services to be rendered in that municipal area.
- The promotion of enterprises located in rural areas.

4.11. Does a Sole Supplier Situation exist?

A sole supplier situation will be considered to exist under the following circumstances:

- Where the requirements can only be obtained from a supplier with proprietary rights (patents, licences, etc.), a sole agency or a sole manufacturer.
- Where practical circumstances make enquiries to other suppliers impractical.

5. **LOGISTICS MANAGEMENT**

5.1 Receiving of Goods

Goods are in the first instance received by Logistics. Upon receipt thereof, the official at the store notifies the pre-identified functionary or his/her alternative of the requesting department to make him/herself available to take receipt of the goods.

All goods so received must be inspected, checked, counted and compared to the relevant order and the supplier's delivery note for type, quality and quantity by the aforementioned functionary. The functionary referred to above should only sign the supplier's delivery note for acceptance of the goods delivered after this check has been performed. Such a functionary must thereafter ensure that the goods that have been delivered are removed from the stationery stores and taken to the relevant Department as soon as possible. If nobody in the Department is available to sign and take delivery of the goods then Stationery Store must take delivery of the goods. The relevant Department may, however, make arrangements for somebody not in the Department to sign and receive the goods on their behalf.

• **Receiving of goods**

Provisioning clerk receives all goods received.

Certify delivery notes.

- **Reporting of goods**

Report all incorrect deliveries to the supplier.

Report all damaged goods.

- **Documentations**

Verifies the details on the invoice and the order.

- **Distribution**

Determines whether goods are to be stored or used immediately.

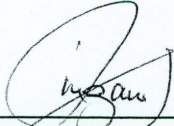
Indicates whether it is a consumable or an asset.

If it is a consumable:

It must be distributed to the users.

Records must be kept properly.

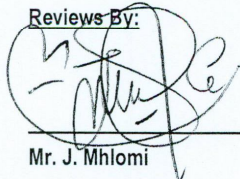
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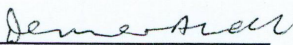
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