

## 7. SUPPLY CHAIN MANAGEMENT & POLICY

7.1 Introduction	7-8
7.2 .Supply Chain Management Practitioners and Teams	8-9
7.3 Demand Management	9-10
7.4 Acquisition Management	10-14
7.5 Logistics Management	14-15
7.6 Disposal Management	15
7.7 Supply Chain Performance	16
78. Asset Management	17-20

### 7. SCM

Treasury regulation

#### 7.1.1 Introduction

The Supply Chain Management policy is the government policy that applies to all constitutional institutions, Public Finance Management Act, No 1 of 1999 schedule 3A and 3C public entities, national and provincial departments, trading entities, municipalities and municipal entities as defined in the Municipal Finance Management Act and all school governing bodies, whether or not they have been assigned additional responsibilities in terms of Section 21 of the South African Schools Act. The FET colleges as part of the Provincial Department of Education are therefore bound to implement this policy as directed by the National Treasury (See Practice Note No. 8 of 2997/8).The policy's objectives as adopted by Cabinet are to:

- Transform government procurement and provisioning practices into an integrated SCM function;
- Introduce a systematic approach for the appointment of consultants;
- Create a common understanding and interpretation of the preferential procurement policy; and

Responsible	CEO, Deputy CEO, Finance Director, Campus Manager(s)
Document(s)	Regulations, practice notes

- Promote the consistent application of ‘the best practices’ throughout government’s supply chain.

As mandated by the National Treasury Regulation 16A3.1 I must develop and implement an effective and efficient supply chain management system in the college for the acquisition of goods and services and the disposal and letting of state assets, including disposal of goods no longer required. The SCM system for the college aims at implementing the government policy and as the government institution

Treasury regulations

Ensuring that delivery of services as enshrined in the Constitution of the country is achieved. The system seeks to direct all stakeholders of the college in addressing the education and training needs of the communities we serve. The system will start by defining the practitioners and teams that will execute the tasks involved and proceed to explain phases involved in the Supply Chain Management System and close

Responsible	CEO, Deputy CEO, Finance Director, Campus Manager(s)
Document(s)	Regulations and practice notes

by defining the control mechanisms to ensure quality, equitable, fairness, transparency, competitiveness and cost-effectiveness of the system.

**7.2 SUPPLY CHAIN MANAGEMENT PRACTITIONERS AND TEAMS**

**7.2.1 Supply Chain Management Practitioners**

All officials deployed in the Provisioning and Technical Administration of the college are supply chain management practitioners regardless of the site of operation, campuses or corporate centre.

**Responsibilities**

- SCM practitioners will be responsible for execution of the procurement and provisioning functions related to supply chain management
- Compile the prospective supplier lists for their site (supplier databases)
- Analyze the supplying industry and have information ready for use by the specification committee;
- Invite price quotations and competitive bids;
- Ensure that the proper contract documents are signed;
- Setting of inventory levels
- Receiving and distribution of materials;
- Take charge of stores, warehouses and transport management;
- Review vendor performance
- Maintain a data base of redundant materials and equipment;

- Inspect materials for potential re-use;
- Determine disposal strategy in consultation with the Chief Executive Officer;
- Execute physical disposal process

The Chief Executive Officer in addition to the supply chain practitioners shall appoint bid specification, evaluation and adjudication committees as directed by the National Treasury circular ref. no. 3/4/3/2/10 of 27 October 2004. The composition and responsibilities of these committees shall be as below:

Supply chain management (continues)

Responsible	CEO, Deputy CEO, Finance Director, Campus Manager(s)
Document(s)	Minutes, requisitions, quotations, orders, tender documents

## 7.2.2 Bid Specification Committee

### 7.2.2.1 Composition:

- Supply Chain Practitioner (chairperson)
- Appointee of Chief Executive Officer/ Campus Manager
- Ad hoc members (Officials of the department requiring goods or services)

### 7.2.2.2 Responsibilities

- Do needs assessment to ensure that goods or services or works are acquired in order to deliver the agreed service;
- Base the needs assessment on the analysis of the past expenditure where applicable;
- Compile specifications to address the identified need
- Ensure that the specification is written in an unbiased manner to allow all potential bidders to offer their goods, services or works;
- Establish the total cost of ownership of a particular type of asset;
- Decide on the manner in which the market will be approached- the optimum method to satisfy the need must be considered, including the possibility of procuring goods, works or services from other institutions, like Government Printer, Department of Correctional Services, Post Office or other colleges, or on transversal or ad hoc contracts
- Compile bid documentation including evaluation criteria;
- Submit the specifications and bid documentation to the Chief Executive Officer or his/her delegate for approval

### 7.2.2.3 The bid specification committee in setting specification must consider the following:

- The frequency of the requirement

- The economic order (must be calculated)
- Lead and delivery times specified
- Industry and commodity analysis is conducted;

Supply chain management (continues)

Responsible	CEO
Document(s)	Appointment letters

- As far as possible, ensure that specification of materials or equipment or workmanship comply with Standards South Africa, International Standard Organization or South African Bureau of Standards; and
- Specification should be based on relevant characteristics and/or performance requirement.

**7.2.2.4 Bid Evaluation Committee**

**7.2.2.4.1 Composition:**

- The committee should be cross-functional and should be composed of at least three members one being supply chain practitioner and
- Officials from user departments requiring the goods and/or services

**Responsibilities:**

- Evaluate price quotes and bids received against the specifications and criteria set by the bid specification committee;
- Use the preferential point system or any directive as provided from to time which must be clearly indicated in the bid documentation to evaluate bids
- Link requirements to budget and
- Compile a report and recommendations for consideration by the bid adjudication committee.

**7.2.2.5 Bid Adjudication Committee**

**7.2.2.5.1 Composition:**

- Should be cross-functional of whom at least one member should be a supply chain practitioner;
- When possible the chairperson of the committee should be college's financial manager and managers should be members of this committee.
- All campus managers should be members of this committee.

**Responsibilities:**

- Consider reports and recommendations made by the bid evaluation committee and
  - Either award the bid or make recommendations to the Chief Executive Officer depending on the delegation authority vested in the committee.
- Supply chain management (continues)

Responsible	CEO, Deputy CEO, Finance Director, Campus Manager(s)
Document(s)	Minutes, requisitions, quotations, orders, tender documents

The members of bid evaluation and adjudication committees should be different members to ensure transparent review of the evaluation undertaken. All college employees are to be involved in one or the other way in supply chain management. In order to accept accountability, monitoring and evaluation should be done throughout the process and risk management also forms an integral part of supply chain management.

The supply chain function is an integrated function with the following elements:

- Demand management
- Acquisition management
- Logistics management
- Disposal management
- Supply chain performance

### **7.3. Demand Management**

#### **7.3.1 Strategic planning**

The accounting officer or authority shall ensure that the needs assessment, identification and documentation of the resources required meeting such, forms part of the strategic plan.

#### **7.3.2. The strategic approach dealing with demand management should be in line with the process here below outlined:**

- Determining the existence of the real need for the goods or services
- Determining whether the fulfillment of the need is part of the college strategic objectives.
- Establishing whether the need existed in the past
- If the need existed in the past analyze the past experience in terms of costs, suppliers behavior etc.
- If the need did not exist determine the optimum method to fulfill the need procuring from other institution, or procuring in terms of transversal term contracts or in terms of ad hoc contracts.

Responsible	CEO, Deputy CEO, Finance Director, Campus Manager(s)
Document(s)	Minutes, requisitions, quotations, orders, tender documents

**7.3.3** The accounting officer must ensure that the demand management process is constantly and closely monitored in terms of frequency, lead and delivery forms, ware housing, storage, life span of commodities

**7.3.4** The college shall at all times adhere to the government policy on enhancing BEE and prompting HDI's as stipulated in the Preferential Procurement policy framework Act of 2000 and Broad Base Black Economic Empowerment Act and relevant regulations.

The college shall pay maximum premium of 25% and 11% for application of 80/20 and 90/10 preference point system respectively.

**7.3.5** Specification of goods/ work or services

**7.3.5.1** Standards and technical specification should be given to the prospective suppliers or service providers for quotations or bidding in writing, these must be congruent to standards used by Bureau of standards South Africa.

**7.3.5.2** Specification should be based on relevant characteristics and / or performance requirements. (Reference to brand names catalogue numbers, or similar classifications should be sided)

- In cases where brand name is necessary to quote the words " or equivalent" must be added
- The quality of goods/ services required should not be over specified to the exclusion of others

**7.4 Acquisition Management**

**7.4.1 Delegation, Database and Process**

The chief Executive Officer shall delegate officials in the college to deal with SCM processes  
The Chief Executive Officer shall establish specification, evaluation and adjudication committees.

Establishment of database of suppliers

SCM unit shall keep and maintain supplier database according to the commodities.  
The supplier database shall be updated regularly once every three months.

**Acquisition process**

Responsible	CEO, Deputy CEO, Finance Director, Campus Manager(s)
Document(s)	Minutes, requisitions, quotations, orders, tender documents

- The SCM practitioner or the end user must establish what is required to be procured – the specification of the required item should be written
- The specification shall be sent to prospective supplier listed on the database for price quotations for anything of the va

Supply chain management

- **The assessment of the market:** essential to establish a balanced approach when considering, among others, keeping pace with modern technology and development, enabling newcomers/HDI's to supply the goods/services/works, making use of lab our intensive methods and promoting BBBE.

- **Always consider the optimum method to satisfy the need-** this includes amongst others procuring from other institutions like Government Printers, Correctional Services or o transversal or ad hoc contracts  
**Consider the following:**
  - Benchmarking;
  - Total cost of ownership; (cost drivers)
  - Industry analysis;
  - Market characteristics (entry barriers, is the market buyer or supplier driven, market players, market behavior and expenditure analysis)

**Sourcing Strategy**

- o All possible methods of acquiring goods/services /works should be considered; e.g.
  - Utilizing transversal contracts
  - Local versus international sourcing;
  - Utilizing paper-based bidding system-obtaining quotations or inviting competitive bids or pre-qualification of bidders or two-stage bidding
  - Utilizing e-procurement; and
  - Negotiations.
- o Cognizance of the nature of goods/services/works required, conditions of delivery (just-in-time delivery), prospective supplier to meet requirements of PPPFA.

**7.4.2 College Sourcing Strategy**

**7.4.2.1** The college shall mainly utilize the paper-based bidding system which will include obtaining quotations, inviting competitive bids, pre-qualification of bidders and two-stage bidding. However this strategy may integrate other methods depending on the circumstances and the approval of the Chief Executive Officer.

Supply chain management (continues)

Responsible	CEO, Deputy CEO, Finance Director, Campus Manager(s)
Document(s)	Minutes, requisitions, quotations, orders, tender documents

- 7.4.2.2** Supply chain management practitioner on each site shall compile and maintain the **database of prospective suppliers** per each commodity to be used in implementing the above strategy. The database must be:
- Compiled after the invitation in the local paper for registering on the database had been advertised;
  - Updated on regular bases- every fourth month; and
  - Used for both verbal and written quotations on a rotation basis.

(It is recommended that at all instances three quotations may be obtained to avoid favoritism)

**7.4.2.3** The **threshold values** as stated in the National Treasury practice note dated 10 May 2005, for compliance the college sets the following procedures:

**7.4.2.3.1 Up to a value of R2 000 (VAT included)**

7.4.2.3.1.1 Petty cash float of **R2 000** shall be kept on monthly bases on each college site, managed by the **campus manager** or the **manager** in charge of the administration of the office at the Corporate Centre.

- 7.4.2.3.1.2 Maximum of **R200** shall be allowed to procure goods (**consumables only**) without inviting competitive bids or price quotations by means of petty cash.
- 7.4.2.3.1.3. Approved request by the section manager shall be forwarded to the clerk handling the petty cash for the issuing of the money requested. Petty cash voucher shall be completed and signed by recipient. Recipient shall return the cash slips to the petty cash clerk for attachment to the voucher.
- 7.4.2.3.1.4 Petty cash register shall be kept and maintained by petty cash clerk. Copy of this register accompanied by the vouchers and cash slips shall support the request to top up the petty cash at the end of the month. The threshold values will be amended in the QMS per correct practice note.
- 7.4.2.3.2.1 **Above the value of R2 000 but not exceeding R5000 (VAT included)**  
Obtain at least three (3) verbal or written quotations from **suppliers listed on the site's supplier database**. If it is not possible to obtain written quotations verbal quotations will be accepted provided the supplier to whom the written order has to be made to have confirmed the quotation in writing.

Supply chain management (continues)

Responsible	CEO, Deputy CEO, Finance Director, Campus Manager(s)
Document(s)	Minutes, requisitions, quotations, orders, tender documents

- 7.4.2.3.2.2 The supplier list must be exhausted before procuring from the same supplier as in the previous transaction. *Note that when the quotation was requested from three suppliers on the list those three suppliers, for the purpose of this, are regarded as having procurement transaction with the college and, cannot be considered for the next round of quotations until the whole list is exhausted.*  
**Risk:** Any item above **R5000**, specification committee should draw informed specifications and seek three quotations
- 7.4.2.3.3. **Above the value of R5 000 but not exceeding R500 000 (VAT included)**
  - 7.4.2.3.3.1 Invite and accept written price quotations for requirements up to an estimated value of **R500 000** from as many suppliers as possible, that are registered on the prospective college/campus supplier database.
  - 7.4.2.3.3.2 Where no suitable suppliers are available from the list of prospective suppliers, quotations may be obtained from other possible suppliers.
  - 7.4.2.3.3.3 In cases where it is impossible to obtain three quotations reasons must be recorded and approved by the Chief Executive Officer or his/her delegate.
  - 7.4.2.3.3.4 All price quotations with the value of **R30 000** and above shall be subjected to adjudication where the Preferential Procurement Policy Framework Act, Act No. 5 of 2000 and its associated Regulations shall be applied.
- 7.4.2.3.4. **Above the value of R500 000 (VAT included)**
  - 7.4.2.3.4.1 The function of procuring any goods or services of the value of **R500 000** and above shall be the responsibility of the Chief Executive Officer or his/her delegate.
  - 7.4.2.3.4.2 The Chief Executive Officer or his/her delegate shall invite competitive bids for all procurement above **R500 000**.



7.4.2.3.4.3 Should it be impractical to invite competitive bids for a specific procurement, the Chief Executive Officer may in terms of paragraph 4.4 of the National Treasury Practice Note Number SCM 2 of 2005 dated 10/05/2005 procure by other means such as price quotations or negotiations in accordance with treasury regulation 16A6.4.

Supply chain management (continues)

Responsible	CEO, Deputy CEO, Finance Director, Campus Manager(s)
Document(s)	Minutes, requisitions, quotations, orders, tender documents

#### 7.4.2.4 Urgent and Emergency Cases

##### 7.4.2.4.1 Definition:

“Urgent cases” are cases where early delivery is of critical importance and invitation of competitive bids is either impossible or impractical.

“Emergency cases” are cases where immediate action is necessary in order to avoid a dangerous or risky situation or misery.

7.4.2.4.2 In urgent and emergency cases the college may dispense with the invitation of competitive bids and obtain quotations using the prospective supplier database on rotational basis or in any manner approved by the Chief Executive Officer in the interest of the college and the State.

7.4.2.4.3 The reasons for the urgency or emergency must be clearly recorded and approved by the Chief Executive Officer or his/her delegate.

##### **NB! TAX CLEARANCE CERTIFICATE OBLIGATION**

All bids or price quotations of above R15 000.00 must be accompanied by valid tax clearance certificate. *(It is therefore recommended that all suppliers who wish to be listed on the college database should submit valid (current year) tax clearance certificate that would be valid for a year as prescribed by Practice Note Number 1 of 2006 dated 23/01/2006).*

#### 7.4.3 Acquisition Procedure for Price Quotations

##### 7.4.3.1 Specification of the requirement

- End user submits the requirement in terms of the need identified during strategic planning and hence budgeted for with detailed specifications;
- Bid specification committee define specification in terms of approved standards;

Supply chain management (continues)

Responsible	CEO, Deputy CEO, Finance Director, Campus Manager(s)
-------------	--

Document(s)	Minutes, requisitions, quotations, orders, tender documents

- Bid specification committee define criteria for evaluation of price quotations or competitive bids;
- Supply chain management practitioner obtains at least three telephonic or written price quotations –starting with the first on the database of prospective providers (suppliers) or starts competitive bidding processes in line with the threshold values as defined in 4.2.3 above
- If minimum of three quotations cannot be obtained record reasons and submit to the Chief Executive Officer or his/her delegate for approval.
- The quotations with the specifications are forwarded to bid evaluation committee for evaluation and recommendations to the upper authority.

**7.4.3.2 Evaluation of price quotations**

- For the price quotations less than **R30 000** the supply chain management practitioner may evaluate the price quotations and complete requisition to purchase which shall be approved by the Chief Executive Officer or his/her delegate;
- For the price quotations of **R30 000** and above but less than R500 000, the bid evaluation committee shall evaluate the quotations against the set criteria and recommend to the Bid Adjudication Committee;
- The supply chain management practitioner shall prepare submission to the bid adjudication committee and present the same to the committee.

**7.4.3.3 Adjudication of price quotations above R30 000 but less than R500 000**

- The Committee considers the recommendations of the evaluation committee and make a decision from which supplier to purchase based on the PPPFA requirements.
- The committee recommends to the Chief executive Officer for approval.
- The Chief Executive Officer shall approve the recommendation of the Bid Adjudication Committee or advance reasons for disapproval

Supply chain management (continues)

Responsible	CEO, Deputy CEO, Finance Director, Campus Manager(s)
Document(s)	Minutes, requisitions, quotations, orders, tender documents

**7.4.4 Acquisition Procedure for Competitive Bidding**

The college should always aim at providing all prospective bidders timely and adequate notification of the requirements and an equal opportunity to bid for the goods or services or works. The following procedure should be followed after the bid specification and evaluation committees have performed their tasks as specified above:

**7.4.4.1** Establish the estimated value of the goods or services or works required. If less than **R500 000.00** then follow normal price quotation procedures to acquire the goods or services or works; if **R500 000.00** and above establish if there are sufficient suppliers in the market to bid for the contract.

**7.4.4.2** If there are enough suppliers in the market advertise an official bid in the Government Tender Bulletin or news paper that is accessible to targeted market.

**7.4.4.3** Make available the bid documentation that meets at least the minimum requirements clearly stating the type of contract to be entered into.

**7.4.4.4** Bid documents must have enough information for prospective bidder to prepare a bid for the goods, works or services to be provided

**7.4.4.5** To ensure this a checklist for bidding document must be compiled to include:

- Invitation to bid
- Application for tax clearance certificate
- Pricing schedule
- Declaration of interest
- Relevant preference claim forms
- NIPP form
- Technical specifications
- General conditions of contract

7.4.4.6 Special conditions determined by the commodity

The language of bid documents must be English and be clear and precise on

- work to be carried out
- location of the work
- goods to be supplied
- place of delivery

Supply chain management

Responsible	CEO, Deputy CEO, Finance Director, Campus Manager(s)
Document(s)	Minutes, requisitions, quotations, orders, tender documents

- Place of installation
- Delivery schedule

- Date of completion
- Minimum performance requirements
- Warranty requirements
- Maintenance requirements
- Any other pertinent terms and conditions

7.4.4.7 The bid documents must define: tests, standards, methods employed to judge conformity of equipment delivered; works as performed.

**7.4.5 Acquisition procedure for appointment of Consultants**

The acquisition procedures described above apply for selecting, contracting, and monitoring consultants. Consultants include amongst others, consulting firms, engineering firms, construction managers, management firms, procurement agents, inspection agents, auditors, other multinational organizations, investment and merchant banks, universities, research agencies, government agencies, non-governmental organizations and individuals.

- 7.4.5.1.1 Below are peculiarities relating to appointing consultants that have to be adhered to:
- 7.4.5.1.2 Identify the approach
- 7.4.5.1.3 Invite bids/proposals
- 7.4.5.1.4 Receive responses
- 7.4.5.1.5 Evaluate responses

**7.4.5.2 Establishment of a list of approved service providers**

- 7.4.5.1.6 Identify the area where consultancy services are required on a recurring basis;
- 7.4.5.1.7 Only services that are of a routine or simple nature where the scope and content of the work to be done can be described in detail should be considered for the listing
- 7.4.5.1.8 The competitive bidding process should be based on the specifications as outlined in the strategic planning needs assessment.

Responsible	CEO, Deputy CEO, Finance Director, Campus Manager(s)
Document(s)	Minutes, requisitions, quotations, orders, tender documents

7.4.5.1.9 The intention to establish list of approved service providers should be published in the Government Tender Bulletin or News paper that meets the target market.

- 7.4.5.1.10 For the purpose of the above a questionnaire that that make provision of the details listed below should be made available:
  - Composition of the firm in terms of shareholding
  - Personnel compliment;
  - Representation of expertise in respect of the disciplines required;
  - National acceptability of experts in the various professions;
  - Experience as reflected in projects already dealt with; and

- Financial position.

7.4.5.2.6 Requirements for admission to the list and criteria should be linked to the numeric value in terms of which applicants will be measured – a pre-determined standard method of awarding points should be followed.

7.4.5.2.7 The applications received should be evaluated and any rejection of applicants should be motivated and recorded

7.4.5.2.8 Approach only the successful applicants depending on the circumstances for obtaining price quotations on a rotation basis or according to bid procedure when services are required, with the exception that the requirement is not advertised in the Government Tender Bulletin or News paper again.

7.4.5.2.9 Update the list every semester.

## 7.5 LOGISTICS MANAGEMENT

7.5.1 Logistics management is concerned with coding of items, setting of inventory levels, placing of orders, receiving and distribution, stores/warehouse management, expediting orders, transport management and vendor performance. Logistics management processes activate financial system to generate payments.

7.5.2 Codification procedures that are current in all sites of the college shall be maintained until Treasury directs otherwise.

### 7.5.3 Supply chain management

Responsible	CEO, Deputy CEO, Finance Director, Campus Manager(s)
Document(s)	Minutes, requisitions, quotations, orders, tender documents

## 7.5.4 Stock levels

7.5.4.1 The campuses warehouses should prepare stock/inventory for the training programmes at least a month before the implementation of the programme. Thus it is imperative that the educators prepare their request well in advance to enable the procurement process to unfold smoothly without pressure. The Campus management should direct:

- which specific items of the learning materials and inventory are to be kept in stock
- minimum or maximum levels to be kept in stock based on consumption figures or inputs from end users and
- allow for a safety margin ( $\pm 20\%$ ) to be added to the minimum level to cover unforeseen circumstances.

7.5.4.2 Placing orders or preparation to that effect should be started when a pre-determined stock level is reached or when a request is received from end user for an item which is not held in stock.

### 7.5.4.3 Ordering process

- 7.5.4.3.1 Contract purchases: orders must be for items on the contract.
- 7.5.4.3.2 Price quotation/competitive bidding method
- 7.5.4.3.3 Normal procedures as in the college policy to be adhered to which involves specifying the requirement (specification) on the Memorandum of goods and services required form
- 7.5.4.3.4 The following delegation to apply:

- **Up to R4999.99:** minimum of three verbal or written price quotations without the specification committee having to meet. The end user and the supply chain management practitioner will set specification to inform the process of getting quotations; the finance manager shall approve the order.
- **R5000.00** and above: specification committee to meet and determine specification and set criteria for evaluating the price quotations as stated in 2.2 above and the process of ordering taken forward as in the policy. The finance manager or delegated person shall authorize the order up to R29 999.99

Supply chain management

Responsible	CEO, Deputy CEO, Finance Director, Campus Manager(s)
Document(s)	Minutes, requisitions, quotations, orders, tender documents

- **R30 000.00** and above: evaluation committee makes recommendation to the adjudication committee to adjudicate the price quotations and recommend to the Chief Executive Officer for approval.
- **R500 000.00** and above: the competitive bidding method for procuring goods, services or works shall be followed.
- The Chief Executive Officer shall authorize acceptance of the bid in the case where the decision to award a bid is delegated.

## 7.5.5 Stores/warehouse management

### 7.5.5.1 Expediting of orders

- Continuous follow-up should be made for the delivery to be done as per pre-specified conditions stated on the order form. Orders that are not honored 30 days after the delivery period has elapsed should be cancelled and the supplier notified.

### 7.5.5.2 Receiving of Items

- The supply chain management practitioners must monitor the reliability of the supplier on receiving the order in terms of the promised delivery date, the quantity and quality of items ordered.
- Incomplete delivery should be discouraged. If it happens payment should be done when all items are delivered. Receipt voucher (certificate by the accounting officer or delegated person) must be completed and submitted for payment with the invoice

### 7.5.5.3 Storage

- The safety regulations must always be adhered to when storing goods in the stores or warehouse. Shelf life of items should be recorded and be considered when issuing.
- Items should be arranged orderly for easy access and checking.
- Asset register must be kept and maintained by all sites with the values of the items stipulated
- All campuses shall submit asset registers to the central office for consolidation.

### 7.5.5.4 Issuing/distribution of items

- Issue voucher shall be used to issue all items
- Consumable items should not be recorded after issue

- Non-consumable items should be recorded from receipt to disposal
- Transit officials should ensure that the bulk stock is distributed and delivered to the campuses promptly.

Supply chain management (continues)

Responsible	CEO, Deputy CEO, Finance Director, Campus Manager(s)
Document(s)	Minutes, requisitions, quotations, orders, tender documents

**7.5.5.5 Stock taking**

- Each quarter/trimester stock counting should be done in line with the inventory or asset counting procedures of the college.
- The stock counted should be compared with the records of what should be in the stock. The differences should be accounted for to the Chief Executive officer in writing indicating how the stock will be replaced or reasons why it should not be replaced.
- **Transport management**
- All sites should comply with the provincial transport policy at all costs.
- Trip authority should be properly authorized and correctly utilized.
- Proper records should be maintained. Returns shall be done and submitted two days after the month end by all sites.

**7.6 Disposal management**

- 7.6.1** Items classified as unserviceable, redundant or obsolete should be returned to central stores/warehouse with the service record where applicable.
  - 7.6.2** Supply Chain Management Practitioner at stores/warehouse should compile a list of such assets which among others should include date of acquisition, purchase price, depreciation rate, costs incurred on maintenance, and the current value of the asset.
  - 7.6.3** The list should be submitted to disposal committee for assessment of the items and recommendation to the Chief Executive Officer for method of disposal approval.
  - 7.6.4** The Chief Executive Officer may approve disposal of such assets through one of the methods but not limited to the list below:
    - 7.6.4.1** Transfer to another campus or institution in terms of section 42 of the PFMA or
    - 7.6.4.2** Transfer to another institution at market related value or
    - 7.6.4.3** Transfer to another institution free of charge with the approval of the Head Office of such institution or
    - 7.6.4.4** Selling per price quotation, competitive bidding, or auction, whichever is the most advantageous to the college or
    - 7.6.4.5** Destroying such assets
    - 7.6.5** All assets transferred to other institutions should be by means of issue voucher.
    - 7.6.6** Computer equipment to be disposed should be transferred to Department of Education institution e.g. schools for free of charge.
- Supply chain management

Responsible	CEO, Deputy CEO, Finance Director, Campus Manager(s)
Document(s)	Minutes, requisitions, quotations, orders, tender documents

## **7.7 SUPPLY CHAIN PERFORMANCE**

**7.7.1** The Chief Executive Officer shall appoint in writing an official to monitor supply chain management processes, undertake retrospective analysis to determine whether the proper processes and procedures are being followed and whether the desired objectives are achieved.

**7.7.2** This official shall assess the system on the following issues:

- Achievement of goals;
- Compliance to the norms and standards;
- Savings generated;
- Stores efficiency;
- Cost variance per item;
- Contract breach;
- Cost efficiency of procurement process (the cost of the process itself);
- Whether supply chain objectives are consistent with Government's broader policy focus;
- That the material construction standards become increasingly aligned with those standards that support international best practice;
- That the principles of co-operative governance as expounded in the Constitution are observed; and
- That the reduction of regional economic disparities is promoted.

**7.7.3** The Chief Executive Officer shall require of the monitoring official to undertake assessment of the supplier/service provider (including consultant) on completion of the project. This assessment report shall be used in future as reference.

**7.7.4** The Chief Executive Officer shall keep record of communicated non-performance incidence of the contractor and this shall be used against such contractor in the future bids.



Supply chain management

Responsible	CEO, Deputy CEO, Finance Director, Campus Manager(s)
Document(s)	Minutes, requisitions, quotations, orders, tender documents

## 7.8. TENDERING: GENERAL

### 7.8.1 Principles

- Tendering process of services/goods above R500 000.00 should be specified under Supply chain management.
- The bid documents for big infrastructure projects should compel the winning bidder to sub-contract the local emerging companies in the construction industry to capacitate them and also to promote SMME's.
- The bid documents for big companies should compel the winning bidder to absorb a certain number of college students in the Engineering department for experiential training.
- Overall maintenance of new and existing infrastructure should take place every 2 years.
- Maintenance of equipments used at workshops for learning should be maintained annually.
- At least one industrial machine per workshop should be purchased per year in an attempt to equip our workshops to meet industry standards.

## 8. ASSET MANAGEMENT POLICY

### 8.1. Introduction

Section 38 (1) (d) of the PFMA prescribes that the Accounting Officer is responsible for the management, including the safeguarding and maintenance of the assets, as well as for the management of the liabilities of the college, trading entity or constitutional institution. In addition, Treasury Regulation No. 10.1.2. Dictates that the Accounting Officer must ensure that processes and procedures are in place for the effective, efficient, economical and transparent use of the institutions assets.

### 8.1.2 Background

The introduction of Accrual Accounting, Supply Chain Management (SCM) and the Asset Management Improvement Plan (AMIP) has necessitated the review of the Asset Management function. This policy, therefore, seeks to enable the college employees to implement the principles of Accrual accounting, SCM and strategies of AMIP in the management and utilization of college assets

### 8.1.3 Objectives

The objective of the policy is to ensure the following:

- All assets are transparently, economically, effectively and efficiently managed, safeguarded, utilized and maintained.
- All managers are aware of their responsibilities with regard to asset management.

- The prime objective of the college of service delivery is achieved at the optimum level of investment.

#### **8.1.4 Mandatory prescripts**

- Public Finance Management Act, 1999 (Act NO.1 of 1999)
- Treasury Regulations
- Practice Note Number 006-Issued by Provincial Treasury
- Supply Chain Management (SCM) Principles

#### **8.1.5. Capitalization**

All college assets will be recorded in a fixed asset register or an inventory register. To assess the classification of the items in the fixed asset register, the following will be considered:

- The asset price, acquisition date, the asset's economic life span, the service centre in which the assets will be utilized (Sir Val Duncan campus, Phalaborwa campus or corporate Office) and whether the asset is owned or leased.
- All assets with a cost price (vat exclusive) of more than R25000.00 and/on economic life span of more than three years will be included in the college fixed asset register. The latter is subject to the judgment of the CEO and college council
- All other assets should be included in the inventory register
- A clear distinction will be made between capital expenditure and maintenance cost of assets. Only capital expenditure must be capitalized as part of the original cost of the assets.

#### **8.1.6. Additions**

The yearly budget will include a list of projects or capital expenditure to be undertaken during

##### **The next financial year.**

The approval of the budget will serve as authorization for all capital

##### **Expenses of the college.**

All additions to fixed assets must be recorded at the original cost price (excluding vat)

#### **8.1.7. Revaluations**

- Land and building will be revalued. The revaluation will be based on the market value of the property. All the college valuations will be done by valuers registered as a Valuer or Association Valuer in terms of the Valuers's act of 1982.
- When buildings are valued at a price higher than cost price an annual depreciation charge will be made against such buildings.

### **8.1.8 Depreciations**

- All assets, other than land and heritage assets must be depreciated. These assets will be depreciated over their expected useful life. The straight-line method of depreciation is the method selected and approved for use in the entire department.
- Fixed assets should be disclosed in the financial statements at the net book value.
- Represents historical cost (plus any revaluations or capital expenditure) less accumulated depreciation.
- Assets will be depreciated according to their asset types. Depreciation will be effected in the assets register.
- Whenever assets are not maintained or serviced properly a higher depreciation rate should be used since the useful life of asset will be shorter than expected. Minimum depreciation rates as prescribed by National Treasury will be adhered to.
  
- All fixed assets, moveable assets and inventory must be insured. The college management must insure that adequate preventative mechanisms are in place to eliminate theft, losses, wastage and misuse of college assets.

### **8.1.9 Asset management: supply chain Managers.**

- Development, consolidation and implementation of asset management strategic plan
- Report on a monthly basis on the implementation of asset management plan to the council
- Resolve problems with regard to the Asset Management and request assistance from Provincial treasury where no solutions can be identified.
- Manage the asset team within the college
- Continuous assessment and development of required skills for the Asset Management Teams
- Monthly reconciliation of assets.

### **8.1.10 Service Centres Asset Controller: Campuses**

- Responsible for all assets within the campus.
- Report on monthly basis on the assets within the campus for financial support service.
- Capture all new assets on DB2000 upon receiving them
- Label all assets at their centers
- Render all asset management functions from the recording of the acquisition and bar-coding through to the maintenance and disposal of the asset
- Safeguard assets and ensure their effective utilization and maintenance.
- Ensure that asset delivery, installation, movement and transfer are accounted for and reported to management of the college.

### **8.1.11 Terms on exclusion list**

Certain items are not captured on the asset register, when it is considered that the amount is immaterial and the cost of gathering the data exceeds the benefit. In addition confusion arises as to when an item is an asset. E.g. a stapler is not an asset as it is unlikely to benefit the college for more than a year. It is that the college may have the benefit of more than a year but it is unlikely. It is for this reason that an exclusion list be prepared to confirm items not to be captured on the asset.

### **8.1.12, Management of asset losses and damages.**

- Losses and or damages to the college assets will be dealt with in the manner prescribed in the thefts and losses policy.
- Asset management will up-date the asset register in respect to the loss or damage of an asset.

#### **8.1.13 Documentation**

The implementation of the asset register requires the use of a number of standard documents. These documents include:

- Fixed asset Forms for addition, transfer and disposal
- Loss and theft register
- Handing over certificate
- Donation register
- Asset count and compliance certificate
- Asset count schedule
- Asset list register
- Asset exclusion list

These documents contain the minimum information required to control college assets. All records must be checked regularly by the CEO and his/her delegates. They must be filed in a secured environment and will be disposed as per government policy on document retention.

#### **8.1.14. Classification of assets**

Assets vary considerably in their size and nature, and it is useful to classify them into logical groupings for management control and financial treatment.

From the various accounting standards, the following are the broad categories of assets:

- Current assets and non-current
- Tangible and non-tangible assets;
- Movable and immovable
- Financial and non-financial; and
- Primary and Secondary assets

#### **8.1.15 Current and non-current assets**

These assets are generally referred to as “current” in accounting terms, as they can be consumed or converted into something else within the next twelve months after the reporting date. E.g. deposits, investment, raw materials or inventory and debtors.

Non-current (fixed) assets have an extended useful life greater than one year and it is usually expected these assets will be used during more than one reporting period. This may reflect their physical life in the case of tangible assets or their legal life (e.g. patent) in the case of intangible assets.

### **Tangible (physical) or intangible**

Tangible assets are physical in nature. These are assets that one can touch and feel, intangible assets are trademarks, licenses and/or the legally enforceable rights associated with copyright and patents.

### **Moveable and Immovable assets**

Movable assets are assets that can be moved e.g. machinery, equipments, vehicles and all inventories and valuable and most fixed belonging to these categories:

Immovable assets

Rental of facilities:

An immovable asset consists of:

All non-produced, non financial tangible assets, land, subsoil, non-cultivated biological resources and water resources

Fixed structure such as bridges, houses and roads or

Tangible-movable or immovable e.g. water, land and intangible e.g. patents, leases and goodwill.

#### Examples of fixed tangible assets are:

- Land
- Subsoil
- Non-cultivated biological resources
- Water resources
- Fixed structures e.g. Bridges, house and roads
- Machinery and equipments e.g. computers, sewing machines
- Transportation equipments e.g. cars, trucks, aircrafts and boats
- Engines and motors
- Cultivated assets e.g,mango trees and livestock

#### Examples of intangible assets:

- Computer software;
- Entertainment, literacy or artistic originals;
- Leases and other transferable contracts
- Purchased goodwill; and
- Mineral exploration rights

### **Financial and Non-financial Assets**

Assets may be classified as financial assets, such as cash, treasury billboards etc, or they may also be in-tangible such as trademarks, licenses or patents.  
System & Policy.

#### **8.1.16. Procedure: Management of physical resources**

##### **Selling or writing off of assets.**

- Should a decision be made on the sale of an asset, a written motivation must be submitted to the College Council by the Assets Committee and must be approved by the College Council. All sales must be approved by the College Council. CEO may approve disposal of such assets.
- The selling price of an asset must be determined at the highest possible price. If such sales do not take place through a recognized trader, the asset must be sold to the highest tender on a tender basis. Selling per price quotations, competitive bidding, or auction, whichever is the most advantageous to the college
- When such sales take place, the asset must be removed from the class inventory as well as from the Assets register at the original cost price of the item.
- The proceeds of the sale of the asset must be registered, in order to calculate the profit or loss by the sale of the asset.
- All documents with regard to the transaction must be filed properly.
- All information on the asset must be submitted to the Senior Accounting Clerk in writing so that the necessary ledger entry can be made.
- Should an asset be destroyed, stolen or not be operational any more, permission from the College Council must be obtained for writing it off. Written motivation regarding the writing off of the asset must be submitted. Obsolete assets must also be removed.
- The asset must be removed from the classroom inventory as well as the assets register.
- As with the sales, all approvals, documentation and the asset number must be properly filed for record purposes.
- Information regarding the writing off of an item must once again be submitted to the Senior Accounting Clerk in writing, so that the necessary entries could be made in the ledger.

##### **Inventory lists:**

- Each classroom must be in possession of an inventory list with all the assets in the room. The facilitator or staff member whose office it is, is primarily responsible for the assets in the room.
- It must be controlled and verified that all the assets are still in the room. Heads of Departments must check these lists.
- Should an asset be removed from an office, it should be indicated on the inventory list.
- It stands to reason that the asset will again appear on the next inventory list. In the case of an asset being under repair, the factotum and responsible person must keep record of it, to whom it was sent, when, as well as a full description of the asset. The prescribed form must be completed.
- The inventory is an easy means of asset control and it facilitates stocktaking.