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PROVINCIAL GOVERNMENT
REPUBLIC OF SOUTH AFRICA

DEPARTMENT OF SAFETY, SECURITY AND LIAISON

SUPPLY CHAIN MANAGEMENT POLICY

1. INTRODUCTION

Supply chain management is an integral part of financial management, which intends to introduce international best practice. It seeks to breach the gap between traditional methods of procuring goods and services and the balance of the supply chain and at the same time addressing procurement related matters that are of strategic importance.

The framework for the Supply Chain Management (SCM) has been promulgated per Government Gazette no 25767 dated 05 December 2003 in terms of section 76 (4) © of the PFMA. The objective of such framework is to transform the procurement and provisioning system in government. The above regularity framework provides in section 3 (i) that the Accounting Officer (AO) or Accounting Authority of an institution must develop and implement an effective and efficient supply chain management system for acquisition of goods and services and for the disposal and letting of state assets.

2. DEFINITIONS

2.1. Acronyms

- SCM: Supply Chain Management
- DTC: Departmental Tender Committee
- PPPFA: Preferential Procurement Policy Framework Act
- PFMA: Public Finance Management Act
- CFO: Chief Financial Officer
- AO: Accounting Officer

2.2. Glossary:

- Accounting Officer: As defined in section 36 of the PFMA
- Bid: Refers to tender and the two are used interchangeably throughout this document
- Just In Time: Ordering level of stock at a time when is needed.
- Evaluation Committee: Committee that evaluates bids
- Adjudication Committee: Standing committee that adjudicate bids

3. SUPPLY CHAIN MANAGEMENT UNIT

The Department shall establish SCM unit within the office of the CFO. The unit shall provide for the following:

3.1. Demand Management

This is the beginning of the supply chain where:

- o a needs assessment to ensure that goods or service are acquired in order to deliver the agreed service.
- o specifications are precisely determined,
- o requirements are linked to the budget; and
- o the supplying industry has been analyzed.

3.2. Acquisition Management

- o To decide on the manner in which the market will be approached
- o To establish the total cost of ownership of a particular type of asset
- o To ensure that bid documentation is complete;
- o To evaluate bids in accordance with published criteria and
- o To ensure that proper contract documents are signed.

3.3. Logistic Management

- o The setting of inventory levels;
- o Receiving and distribution of materials
- o Stores, warehouse and transport management and
- o The review of vendor performance.

From these processes, the financial system should be activated to generate payments.

3.4. Disposal Management:

- Obsolescence planning
- Maintaining a data base of redundant material
- Inspecting material for potential re-use
- Determining a disposal strategy , and
- Executing the physical disposal process.

3.5. Supply Chain Performance

This is a monitoring process, undertaking a restrospective analysis to determine whether the proper processes have been followed and whether the desired objectives were achieved.

4. FUNCTIONS OF SUPPLY CHAIN MANAGEMENT

- Assist line function with drawing of specification
- Conduct industry and commodity analysis
- Invitation of bids
- Preparation of bid documents
- Check and verify recommendations from evaluation panel
- Publication of bids
- Contract management
- Maintain vendor database
- Maintain bid register
- Issue letter of acceptance
- Closing and opening of bids
- Assist on suitable methods for purchasing goods
- Determine inventory levels
- Maintain database for obsolete items
- Perform all disposal functions
- Render secretariat support to Departmental Tender Committee

5. DEPARTMENTAL BID/TENDER COMMITTEE

The Departmental Tender Committee (DTC) will be a departmental body making adjudication on procurement by the department up to the

departmental predetermined value.

The members of the DTC will be appointed by the Accounting Officer. Each member shall also have a formally appointed secundus to stand in for the member only in cases where the member is not available to attend for good reason.

The DTC shall consist of the following people:

- Chief Financial Officer (CFO) as chairperson
- Heads of all Branches, Head of the MEC's Office
- Co-opted technical experts in an advisory capacity only if required and approved by the Accounting Officer

The DTC will receive its powers from the Accounting Officer and will be accountable to the Accounting Officer.

5.1. EVALUATION PANEL

The evaluation panel shall consist of not more than five members nominated by the Accounting Officer. The five members shall functionally evaluate tenders/bids and make recommendations to the DTC.

5.2. OPEN BIDDING (COMPETITIVE BIDDING)

As a rule the open bidding process must be used. The Department's bidding process must adhere to the requirements of PFMA in terms of openness, fairness, equity, transparency, cost effectiveness and competitiveness.

In cases where the delivery of goods and services is of critical importance and the invitation of comparative bids are either impossible or impractical, approval to deviate from bidding must be sought from the Accounting Officer/his or her delegated person in terms of limits provided by procurement delegation.

5.3. BID DOCUMENTATION

The bid documentation must comprise the following:

- Bid conditions
- Specification, data sheet/drawing

- Preferential procurement certificates
- Original tax clearance certificates
- Declaration of interest
- A specific contract stipulating delivery standard
- Any specific condition applicable to the delivery of service/product.
- Evaluation criteria

5.4. INVITATION OF BIDS

Bids should be invited by the Supply Chain Management (SCM) Unit and shall be published in the Provincial bulletin or any print media when necessary.

Bids should as a rule be advertised for a period not less than 30 days, except in urgent cases. Bids shall not be advertised or closed during December/January unless critical service is needed and to be determined and approved by the AO.

5.5. RECEIPT AND OPENING OF BIDS

- All bids documents shall be deposited at the departmental tender box
- Bids shall be opened at 11H00 on the day indicated on the bid invitation.
- Upon receipt, bids must be recorded in the bid register.
- Bids shall be opened in public by two or more persons.
- Telegraphic, telexes , e-mails, facsimiles and copies of bids will summarily be rejected.
- Bids received after the time stipulated should be recorded in a separate register and should not be considered.

For bids to be valid only the following standard forms must be signed in ink:

- Declaration of interest and bid commitment
- Price schedule
- Non-firm prices
- Preference claim form

All bid documents must, as a rule be signed by a duly authorized person.

Information relating to evaluation process of the bids should not be disclosed to bidders or any person not officially concerned with the process.

Non submission of valid and original tax clearance certificate shall render bid invalid.

5.6. VALIDITY PERIOD

The validity period of bids should not exceed 90 days unless it is certain from the outset that a final decision would not be reached within such a timeframe.

The validity period for term contract will be longer than 90 days , but should not exceed 120 days.

5.7. CANCELLATION OF BIDS

- Bids may be cancelled if it is discovered that there are mistakes in the bid documents.
- In the event that offers are above/below rand value of the advertised point system e.g 80/20 or 90/10
- Due to changed circumstances, and unavailability of funds.
- In the event that no acceptable tenders are received.

5.8. CONSIDERATION, EVALUATION AND ADJUDICATION OF BIDS

5.8.1. All bids duly lodged must be taken into consideration and care must be taken that no prospective service provider is unduly prejudiced.

5.8.2. In considering bids the following tests must be applied.

- Compliance with conditions and other administrative requirements e.g Proof of registration with relevant body as required by a particular industry.
- Compliance with specification.
- Allocation of preference point for functionality

5.8.3. In the event of equal bids, the drawing of lots shall be considered as a last resort.

5.8.4. Regulation 12 of the PPPFA provides that if the applicable bids are after comparison equal in all respects, firstly it must be determined if one of the bidders has scored a higher number of points for specific socio – economic goals. If however the bids are equal in all respects, then only should the drawing of lots be considered.

5.8.5. All bid committee members must declare interest in all bids at each meeting by completing declaration form. Interested member/members shall recuse him/her self from the process.

5.9. ACCEPTANCE OF BIDS

Successful bidders must be notified at least by a registered mail. Acceptance letter shall not constitute a binding contract and therefore acceptance shall only take effect upon completion and signing of contract or service level agreement.

All contracts shall be approved and signed by the HOD

6. PUBLICATION OF INFORMATION

With the exception of period contract, the particulars of the successful bidder should be published in the Provincial Tender Bulletin.

Furthermore the above particulars must be forwarded SARS for tax purposes.

7. CONTRACT MANAGEMENT

7.1.1. This is the process where proactive management is required to ensure that suppliers deliver goods/service which are of high value to the department. The contract management shall entail the following:

- Monitoring performance of suppliers
- Ensuring that a supplier fulfills all terms of contract
- Consideration of request for price adjustments
- Requesting for the extension of contract
- Ensuring that expenditure does not exceed contract price
- Transfer of contract with the approval of the HOD

8. LOGISTIC MANAGEMENT

The purpose of the Logistic Management is to ensure sound and effective provisioning administration in the department. This refers to amongst others, placing of orders, recording, coding of items, setting inventory levels, receiving and distribution of items and also stores management.

9. RE - ORDERING LEVELS

9.1.1. The Department will use a JUST IN TIME system of ordering. All stationary items except cartridges must be replenished when the stock

level reaches (5).

- 9.1.2. The re – ordering of cartridges must be limited to two per printer.
All other expendable stores items must be replenished using just in time principle.

10. PLACING OF ORDERS

Where a contract exists, orders should be placed for the purchasing of item by using such contract. It must be verified that right item is purchased at right price from supplier on contract.

11. PRICE QUOTATION

- 11.1.1. Where no contract exists and the Rand value of goods to be purchased is less than R500 000.00, three price quotation must be invited.
- 11.1.2. The preferential point system shall be applied for goods/services of amount between R30 000.00 and R500 000.00.
- 11.1.3. The 80/20 point system shall be used for all purchases within the above threshold amount when using price quotation.
- 11.1.4. One quotation shall be permissible when purchasing goods costing less than R5000.00 and such supplier shall be chosen from the database on a roster system.
- 11.1.5. Where it is impractical / impossible to obtain goods through competitive bidding, an approval to deviate shall be obtained prior placing of an order. Such approval shall only be granted by the HOD or person with delegated authority.

12. REQUISITION MANAGEMENT

- 12.1.1. All purchases shall be made by use of requisition document,(external).
- 12.1.2. Request for orders shall be checked and verified for correctness and the following shall be tested:
- Contract exists for purchases
 - Correct allocation is used
 - Amount in terms of contract
 - Signature of delegated official

- Validity of the attached quotation
- Point schedule attached for purchases of rand value between R30 000.00 and R500 000.00.

13. APPROVAL OF REQUEST

The request must only be funded by officials with delegated financial authority within the financial system. The officer who funds the order must print and sign the order.

14. FRAUD AND CORRUPTION

- 14.1. Risk Management Unit in the department will be involved in all procurement activities to avoid corrupt and fraudulent practices.
- 14.2. The HOD must reject a proposal for award if he/she determines that the supplier/service provider recommended for award, has engaged in corrupt or fraudulent activities in competing for the contract in question.

15. STOCKTAKING

Stocktaking of all assets in stock or on distribution shall be conducted at least on quarterly basis. The procedure entails the comparison of stock counted with official records of what should be in stock, and the different should be accounted for.

16. TRANSPORT MANAGEMENT

Trip authority should be properly authorized and correctly utilized. Proper record should be kept. GG vehicles shall be inspected every Friday morning to ensure proper usage and road worthiness.

17. DISPOSAL MANAGEMENT

Disposal of movable assets should be done in accordance with paragraph 10.2 sub para 1 of the PFMA; Treasury Regulation published on 31 May 2000 which provides as follows: Disposal of movable assets must be at book value or by tender or auction, whichever is most advantageous to the State. The department has also adopted the Provincial Practice Note 05 of 2007, as a guide in the process of disposal of movable assets.

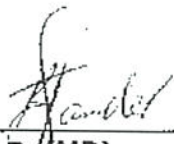
18. POLICY INCEPTION

- The inception date for the policy shall be the date of ratification by the Accounting Officer.
- The policy shall be in force upon approval.

19. POLICY REVIEW

The policy shall be reviewed annually or when necessary.

APPROVED / ~~NOT APPROVED~~



STANDER J.R. (MR)
ACTING HEAD OF DEPARTMENT

DATE: *2011/03/11*