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Department:
Public Works; Roads and Transport
North West Provincial Government
Republic of South Africa

**SUPPLY CHAIN MANAGEMENT
POLICY**

POLICY NO. : SCM2008/003
NAME OF POLICY : MANAGEMENT OF SUPPLY CHAIN LOGISTICS

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PREAMBLE

Since the Department uses public funds to finance its procurement of goods and services, it is obliged to ensure that the best interest of the public is served when these funds are spent. "Best interest" includes satisfying requirements at the most favourable conditions, including price; ensuring that business and industries are afforded the best possible opportunity to satisfy such requirements on a competitive basis; and adhering to National Government's medium-term policy initiatives, including Broad-Based Black Empowerment (BBBEE) and the Preferential Procurement Policy Framework Act.

1. DEFINITIONS AND ABBREVIATIONS

For the purposes of this policy, the following definitions apply:

Accounting Officer: the Accounting Officer of the North West Department of Public Works Roads and Transport, as defined in Section 36 of the PFMA.

2. PURPOSE AND OBJECTIVES

The purpose of this policy is to articulate the departmental guidelines regarding the requisitioning, purchasing, receipting and issuing of goods and services to ensure that:

- the Department orders and receives only those goods and services that it requires and has budgeted for.
- goods and services delivered/received are of a suitable quality and price.
- effective store management procedures are in place.
- goods and services are delivered promptly.
- valid goods are issued promptly to the correct end-user.

3. PRINCIPLES

The onus of responsibility for supply chain management is placed on the Accounting Officer, thereby giving effect to Section 38 (1)(a)(iii) of the PFMA. The supply chain management policy is strengthened by the issuing by National Treasury of the Framework for Supply Chain Management as published in Gazette 25767 dated 5 December 2003 in terms of Section 76(4)(c) of the PFMA.

The framework serves as a formal requirement to accounting officers to ensure the implementation of the supply chain management process as an integral part of their financial systems.

The Preferential Procurement Policy Framework Act (5 of 2000) and Preferential Procurement Regulations (2001) are applicable to all procurement above the value of R 30 000.

In terms of Treasury Regulation 8.2:

- (a) an employee of the Department may not spend or commit funds except with the approval (either in writing or by duly authorised means) of the Accounting Officer.
- (b) before approving expenditure or incurring a commitment to spend, the delegated or authorised employee must ensure compliance with any limitations or conditions attached to the delegation of authority.

- (c) unless determined otherwise in a contract or other agreement, all payments due to creditors must be settled within 30 days from receipt of an invoice or, in the case of civil claims, from the date of settlement or court judgement.
- (d) all payments in excess of R2 000 must be effected electronically. Payments may not be split to circumvent this regulation and any non-compliance with this regulation constitutes financial misconduct.
- (e) all the transactions must be supported by authentic and verifiable source documents, clearly indicating the approved accounting allocation.
- (f) cost centre managers shall not delegate their responsibilities to officials other than those appointed, in writing, to act in their absence.

4. LEGISLATIVE FRAMEWORK

4.1 Legislation

- (a) Public Finance Management Act, Act 1 of 1999 (as amended by Act 29 of 1999)
- (b) Treasury Regulations (March 2005)
- (c) Preferential Procurement Policy Framework Act, 5 of 2000
- (d) Preferential Procurement Regulations, 2001
- (e) Broad Based Black Economic Empowerment Act, 53 of 2003
- (f) National Treasury Supply Chain Management Guidelines

4.2 Departmental

- (a) Financial Management Delegations of Authority
- (b) Supply Chain Management Delegations of Authority

5. SCOPE OF APPLICATION

This policy applies to all departmental employees, learnership participants, interns and duly appointed cost centre managers in particular.

6. PROCEDURAL GUIDELINES

6.1 Requisitioning

An order for goods not held in stock or services shall be placed when a request is received from an end user. In the case of items held in stock, an order shall be placed when a pre-determined stock level is reached.

When the need arises for goods or services, the end-user shall request the Supply Chain Management Directorate to procure the required goods or services by completing a requisition form. A requisition form is a document used to convey to the Supply Chain Management Directorate, that goods are required. The cost centre manager or his /her delegate initiating the request should authorise all requisitions originating from his/her cost centre.

The relevant store manager shall place requisitions for items held in stock. The store manager determines the timing of the requisition based on pre-determined re-order levels. The Supply Chain Management Directorate is responsible for determining the re-order level and a re-order quantity for each item per store. These re-order levels and quantities shall be based on the

outcomes of the demand management phase, reviewed at least annually (at the start of each financial year) and be approved by the Chief Financial Officer.

The Supply Chain Management Directorate is responsible for the communication of re-order levels and re-order quantity specifications to each store.

The CFO or his/her delegate authorising the request shall satisfy himself/herself that the goods or services requested are included in the needs assessment and that sufficient funds are available for the purchase of the goods or services before any request is authorised.

The following table shows the responsibility for each activity for goods not held in stock; or services and goods held in stock:

Activity	Goods or Services	Goods held in stock
Initiating a request	End-user	As per re-order levels and re-order quantity specifications approved by the CFO
Approving the request (under R100 000)	Cost centre manager	Store manager
Checking for budget availability	SCM Directorate	SCM Directorate
Checking if included in needs assessment	SCM Directorate	N/a
Checking if in accordance with re-order levels and re-order quantity specifications	N/a	SCM Directorate
Approving the requisition	Cost centre manager	SCM Directorate

6.2 Ordering

The purpose of this function is to place approved orders with suppliers, for goods required by the Department and in accordance with the departmental policy on the Acquisition of Goods and Services.

Individual cost centre managers are responsible for ordering goods and services under the value of R100 000 while the Supply Chain Management Directorate is responsible for ordering goods and services based on requisitions received from the different cost centres for values above R100 000.

The order shall be cross-referenced with the requisition and checked for accuracy and authority. Performance specifications shall be communicated to suppliers as part of the ordering process.

Specifications to be included are:

- (a) Delivery periods
- (b) Quality
- (c) Quantity.

Where a contract exists, orders shall be placed for the item from the contract. Where there is no contract, the price quotation or competitive bidding method of ordering shall be applied within the delegated authority.

It is the responsibility of the Supply Chain Management Directorate to inform the end-user/store manager requiring the goods or services of the order and to send a copy of the approved order to the designated receiving bay. The end-user/store manager should use the approved order to check against the delivery note and complete the goods received note.

The responsibility for vendor performance management is shared between the Supply Chain Management Directorate and the end-user/store manager. The Supply Chain Management Directorate is responsible for monitoring the performance of the supplier against pre-determined specifications. The end-user/store manager is required to provide the Supply Chain Management Directorate with the relevant information. If the delivery conditions (delivery period, quality and quantity) are not complied with, the Supply Chain Management Directorate shall follow-up with the supplier immediately.

The supplier database shall be updated by the Supply Chain Management Directorate with any information gathered during the process.

No service shall be provided by a service provider without an official order. Any manager found to have initiated such a service without an official order shall face disciplinary action.

6.3 Receiving

The role of the receiving function is to accept goods from suppliers and acknowledge receipt thereof. The receiving function is the responsibility of the cost centre manager of the cost centre requesting the goods/services.

The cost centre manager is responsible for the establishment of receiving bays in strategically placed geographical areas where the centre has a presence. Information relating to the receiving bay: address, contact numbers, contact person, etc. shall be documented and communicated to the Supply Chain Management Directorate.

To ensure only goods for which valid orders have been placed are accepted, the cost centre manager or his/her delegate shall match the goods delivered to the delivery note and the order form. Deliveries shall be carefully examined before any delivery note is signed. Any evidence of damage or short delivery should be investigated immediately and particulars shall be endorsed on the delivery and goods received notes. At a minimum, the goods shall be counted and a superficial check of the quality of goods performed. It is usually not practical to quality check the contents of boxes, but obviously damaged or wet boxes shall be rejected. The cost centre manager or his/her delegate shall complete a goods received note for the goods actually received, cross-referencing it to the purchase order and delivery note.

The completed goods received note and signed delivery note shall be sent, together with the invoice, to the Supply Chain Management Directorate for verification and onward submission to the Financial Management Directorate for payment.

A register shall be kept at each receiving bay to record incoming goods. The register shall make provision for at least the following:

- (a) Date
- (b) Order number
- (c) Supplier details
- (d) Description of goods
- (e) Delivery note number/reference
- (f) Goods received number.

In the case of assets, a copy of the order shall be sent to the Asset Manager to complete the registration process.

6.4 Issuing / Distributing Items

From the receiving bay, goods are issued or transferred to either the end-user or the storeroom, depending on where the request initiated. An issue voucher shall be generated for all goods issued from the receiving bay.

A register must be kept at each receiving bay to record outgoing goods. The register should make provision for at least the following:

- (a) Date
- (b) Order number
- (c) Supplier details
- (d) Description of goods
- (e) Delivery note number/reference
- (f) Goods received number
- (g) Issue voucher number.

The register for incoming and outgoing goods may be combined into one register.

The receiving bay shall not be treated as a warehouse. Stores items received in the receiving bay may not be left there for longer than 48 hours.

Consumable items shall not be recorded after issue to the end-user. Non-consumable items shall be recorded from receipt to disposal.

6.5 Documentation Design and Safeguarding

Documents used during the requisition, purchase, receipt and issue of goods and services shall be properly designed so as to achieve the objectives of internal control.

The following are minimum guidelines for document design:

- (a) They should be pre-printed in a format that requires the minimum amount of information to be manually filled in.
- (b) They should be designed in a manner that is logical to complete.
- (c) They should be pre-numbered.
- (d) They should be multi-copied, carbonised and designed for multiple use. In addition, each copy should be of a different colour for easy identification.
- (e) They should contain blank blocks or grids that can be used for authorising or approving the document.

7. RESPONSIBILITIES AND OBLIGATIONS

Overall responsibility for the implementation of this policy rests with the duly delegated Director: Supply Chain Management. Further responsibilities assigned to the cost centre managers and the Supply Chain Management Directorate are outlined in Clause 6 above.

8. COMMENCEMENT OF THE POLICY

This policy is effective from the signature date below.

APPROVED



**PJ N VAN STADEN
DEPUTY DIRECTOR GENERAL**

1 September 2009
Date