



KZN PROVINCIAL TREASURY

SCM PROCESS

INTERNAL AUDIT AND COUNCILORS TRAINING

**EBANDLA HOTEL AND CONFERENCE CENTRE
08 MARCH 2024**



PRESENTATION OUTLINE

- Legislation and Regulations
- The Supply Chain Management Policy
- Role of the SCM Unit
- Training of SCM Practitioners
- Abuse of SCM Systems
- Demand Management
- Central Supplier Database
- Preferential Procurement Regulations, 2022
- Conclusion



LEGISLATION AND REGULATIONS

The Organs of state must comply with the provisions of the following Legislation:

- Municipal Financial Management Act
- MFMA SCM Regulations.
- Preferential Procurement Policy Framework (Act no 5 of 2000) and Regulations 2022 and other relevant Provincial and National SCM instruction notes, circulars, and guidelines
- MFMA Circulars (issued in terms of the Municipal Financial Management Act).
- Construction Industry Development Board Act, 2000 (Act No 38 of 2000).
- Prevention and Combating of Corrupt Activities Act (Act No 10 of 2004).
- Promotion of Access to Information Act (Act No.2 of 2000).



ROLE OF THE SCM UNIT

- Sourcing goods and services at competitive market prices taking into account the total cost of ownership (TCO) concept and value adding principles.
- The implementation and full compliance of Supply Chain Management policies and practices as envisaged by legislation, regulations, and best practice.
- Fair, equitable, transparent, and competitive Supply Chain Management practices and processes.
- Enhancing healthy and mutually beneficial relationships with suppliers of goods and services, based on integrity, honesty, professionalism, and ethics.
- Utilization of the organization's buying power as leverage to ensure effective implementation of specific goals.
- Economic development of local communities, small medium and micro enterprises, women-owned enterprises, youth-owned and disabled owned enterprises within the area of jurisdiction of the organization.
- Ethical business practices and conduct from supply chain management practitioners by implementing a code of conduct and expect the same of suppliers doing business with the organization.
- Confidential treatment of all information received.



SCM POLICY

The purpose of the SCM Policy is:-

- To regulate and promote consistency in respect of supply chain management practices.
- To give effect to the provisions of the Constitution of the Republic of South Africa (Act 108 of 1996);
- Giving effect to the provisions of the Municipal Financial Management Act, MFMA SCM Regulations and Treasury MFMA Circulars;
- Transforming the procurement and provisioning functions of the organization into an integrated supply chain management function;
- Creating common understanding and interpretation of preferential procurement policy objectives.



SCM POLICY CONT.....

The SCM policy applies to the demand management, acquiring of goods, services, construction as well as logistics management

The overall establishment and implementation of Supply Chain Management policy (SCM) consists of the following:

- Acquisition of goods or services
- Demand Management
- Logistics Management
- Supply Chain Risk Management
- Supplier Management and Development
- Assessment of Supply Chain Performance



TRAINING OF SUPPLY CHAIN MANAGEMENT PRACTITIONERS

- The Accounting Officer must ensure that supply chain management practitioners are trained.
- The training of employees involved in implementing this SCM Policy will be in accordance with the Framework for Minimum Training and Development issued by National Treasury, South African Qualification Act, Skills Development Act and best practices.



CONFIDENTIALITY OF SCM INFORMATION

All SCM sensitive information designed and prepared for the organization is deemed as proprietary.

No such information may be distributed, modified or customized for third parties without written permission from the Accounting Officer.

All supplier information shall be treated as confidential.

In an appropriate instance, the Accounting Officer may require security clearance and confidentiality agreements to be entered with supplier.

All SCM Administrators and other role players to sign SCM code of conduct.



ABUSE OF SCM SYSTEMS

- Abuse of Supply Chain Management is not acceptable, and the Accounting Officer may take stringent measures in dealing with any person found to have violated and abused SCM processes and systems.
- Employees found guilty of colluding with suppliers or contravened SCM policy may receive an appropriate penalty based on the organization's disciplinary code.
- The Accounting Officer can reserve the right not to register, do business with and or to cancel or not to award business to service providers found to have;
 - Unfairly influenced the process of award and have been found guilty of improper conduct.
 - Been convicted for fraud or corruption during the past 5 years.
 - Been listed in the list for tender defaulters in terms of section 29 of the prevention and combating of corrupt activities act no. 120 of 2004.

All employees are expected to assist the Accounting Officer in fighting corruption and to this extent are encouraged to report all suspicious acts.



OBJECTIVE OF DEMAND MANAGEMENT

- The objective of demand management is to ensure that the resources required to support the strategic and operational commitments are delivered at the correct time, at the right prices and at the right location, and that the quantity and quality satisfies organizational needs. This requires a total needs assessment.
- The objectives of Demand Management is to compile the Annual Procurement and Quarterly reports on the implementation thereof and submit the plan and quarterly to the KZN Provincial Treasury as per the agreed timeframes.



OBJECTIVE OF DEMAND MANAGEMENT CONT.....

The Supply Chain Management Unit and the User Department should ensure that:

- Future as well as current needs are understood;
- Requirements are linked to the budget;
- Specifications are determined;
- The frequency of the requirement is specified;
- The economic order quantity is calculated;
- Lead and delivery times are identified and;
- An industry and commodity analysis are conducted; and
- Managing demand will be a cross-functional exercise that brings the supply chain practitioner closer to the end user and ensures that Value for money is achieved.



DEMAND MANAGEMENT- PLANNING AND STIPULATION OF PREFERENCE POINT SYSTEM TO BE UTILIZED

The Organ of state must, prior to making an invitation for bids:

- **Properly** plan for and as far as possible; accurately estimate the costs of the provision of goods, services and /or works for which an invitation for bids is to be made;
- **Determine** and stipulate the appropriate preference point system to be utilized in the evaluation and adjudication of the bids;
- Stipulate the number of points that will be awarded for each specific goal and proof of claim for such specific goal.
- **Determine** the deliverables or performance indicators in terms of which a person awarded a contract will be assessed.



COMPLIANCE VERIFICATION OF SUPPLIERS

How does Government confirm the information provided by companies on **CSD**?

- Tax clearance verification of suppliers with **SARS**
- Business registration and business directorship verification of businesses registered with **CIPC**
- **Government employee** verification, by performing a real-time check to determine whether any director/member/owner of a supplier registered on the CSD, is employed by an Organ of State
- South African ID Numbers are checked against **Home Affairs** (DHA)
- **Bank account verification online with Banks**



PREFERENTIAL PROCUREMENT REGULATIONS 2022



REVISED PREFERENTIAL PROCUREMENT REGULATIONS

- Following a Constitutional Court Ruling , the Minister of Finance was found to have overstepped his authority in terms of defining and directing on preferential procurement.
- Preferential Procurement policy must be determined by EACH organ of state
- The Minister therefore issued new regulations in January 2023 which provides for a point system for preferences.
- For contracts below R50m **20 points** is dedicated for a specific preference goal
- For contracts above R50m **10 points** is dedicated for a specific preference goal
- The **preference goals**
 - (i) contracting with persons, or categories of persons, historically disadvantaged by unfair discrimination on the basis of **race, gender or disability**;
 - (ii) implementing the **RDP Goals** as per Gazette No. 16085 dated 23 November 1994;



WHAT ARE RDP GOALS?

The promotion of South African owned enterprises;	The promotion of enterprises located in a specific municipal area for work to be done or services to be rendered;
The promotion of export orientated production to create jobs;	The promotion of enterprises located in rural areas;
The promotion of SMMEs;	The empowerment of the work force by standardising the level of skill and knowledge of workers;
The creation of new jobs or the intensification of labour absorption;	The development of human resources, including by assisting in tertiary and other advanced training programmes, in line with key indicators such as percentage of wage bill spent on education and training and improvement of management skills;
The promotion of enterprises located in a specific province for work to be done or services to be rendered in that province;	The Upliftment of communities through, but not limited to, housing, transport, schools, infrastructure donations, and charity organisations
The promotion of enterprises located in a specific region for work to be done or services to be rendered in that region;	



An advertised tender must indicate how the preference points will be allocated. For example: A tender for the provision of security services in Zululand will indicate that all 20 points will be allocated to an SMME based in the Zululand District.



APPLICATION OF PREFERENCE POINTS SYSTEM: SAMPLE OF SBD OR MBD 6.1

Table 1: Specific goals for the tender and points claimed are indicated per the table below.

(Note to organs of state: Where either the 90/10 or 80/20 preference point system is applicable, corresponding points must also be indicated as such.)

(Note to tenderers: The tenderer must indicate how they claim points for each preference point system.)

The specific goals allocated points in terms of this tender	Number of points allocated (90/10 system) (To be completed by the organ of state)	Number of points allocated (80/20 system) (To be completed by the organ of state)	Number of points claimed (90/10 system) (To be completed by the tenderer)	Number of points claimed (80/20 system) (To be completed by the tenderer)



EXAMPLE OF THE DOCUMENTS REQUIRED TO ALLOCATE PREFERENCE POINTS

80/20 point system (50 million and less procurement)			90/10 point system (above 50 million procurement)	
Race (B-BBEE Certificate/ sworn affidavit/ CIPC/CSD)	10		Race (B-BBEE Certificate/ sworn affidavit/ CIPC/CSD)	5
Gender (B-BBEE Certificate/ sworn affidavit/ CIPC/CSD)	5	Or	Gender (B-BBEE Certificate/ sworn affidavit/ CIPC/CSD)	3
Disability (Proof Copy of the Dr's Note)	5		Disability (Proof Copy of the Dr's Note)	2
Total	20		Total	10



EXAMPLE OF THE DOCUMENTS REQUIRED TO ALLOCATE PREFERENCE POINTS

80/20 point system (50 million and less procurement)			90/10 point system (above 50 million procurement)	
Black Women (<i>B-BBEE Certificate/ sworn affidavit/ CIPC/CSD</i>)	10		Black Women (<i>B-BBEE Certificate/ sworn affidavit/ CIPC/CSD</i>)	5
The promotion of SMMEs (<i>bidder must subcontract SMME to claim points and provide subcontracting agreement as proof</i>)	5	Or	The promotion of SMMEs (<i>bidder must subcontract SMME to claim points and provide subcontracting agreement as proof</i>)	3
Bidders must be from a specific municipal area for work to be done. (<i>proof - municipal utility bill / proof of residence etc.</i>)	5		Bidders must be from a specific municipal area for work to be done. (<i>proof - municipal utility bill / proof of residence etc.</i>)	2
Total	20		Total	10



CENTRAL SUPPLIER DATABASE (CSD)

- The Central Supplier Database (CSD) is a single database that serves as the source of all supplier information for all organs of State.
- In order to do business with government you MUST be registered on the CSD and you need to have the following:
 - ✓ Valid Bank Account
 - ✓ Email Address
 - ✓ Company Details (Name & Registration Number)
 - ✓ Identity Number
 - ✓ Cellphone Number
 - ✓ SARS Income Tax Number
- Standardised and electronic verification of supplier information results in significant reduction in manual processes and paper copies.
- Provincial Treasury provides support to suppliers to register at our Pietermaritzburg offices:-
 - Address: 145 Chief Albert Luthuli Street, Treasury House, Pietermaritzburg, 3201
 - Toll Free: 080 020 1049
 - Email address: csd@treasury.gov.za or database@kzntreasury.gov.za
 - National treasury: 012 406 9222 / 012 315 5999



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THANK YOU

**GROWING
KWAZULU-NATAL
TOGETHER**





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**TO: ACCOUNTING OFFICERS OF MUNICIPALITIES;
ACCOUNTING AUTHORITIES OF MUNICIPAL ENTITIES;
CHIEF FINANCIAL OFFICERS; AND
HEADS OF SUPPLY CHAIN MANAGEMENT**

**KZN SCM CIRCULAR NO. 08 OF 2023-2024: AMENDMENT OF MUNICIPAL SUPPLY CHAIN
MANAGEMENT REGULATIONS**

1. PURPOSE

The purpose of this circular is to inform the Accounting Officers and the Accounting Authorities of the amendments to the Municipal Supply Chain Management Regulations dated 14 December 2023, attached hereto for ease of reference.

2. BACKGROUND

On the 14th of December 2023, the Minister of Finance has, acting with concurrence of the Minister of Cooperative Governance and Traditional Affairs, in terms of section 168(1) of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003), made amendments to the Regulations published under General Notice No. 868 of 30 May 2005, as amended by Government Notice No. R.31 of 20 January 2017, regarding supply chain management.

The following are the amendments to the regulations:

Prior to the amendment	After the amendment
1 (definitions) “written or verbal quotations” means quotations referred to in paragraph 12(1)(b) of this Policy.	1 deleted
12(1)(b) written or verbal quotations for procurements of a transaction value over R2 000 up to R10 000 (VAT included);	12(1)(b) deleted (no longer applicable)



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<p>12(1)(c) formal written price quotations for procurements of a transaction value over R10 000 up to R200 000 (VAT included); and</p>	<p>12(1)(c) formal written price quotations for procurement of a transaction value over— (i) R2000 up to R300 000 (VAT included), in the case of a local municipality; (ii) R2000 up to R200 000 (VAT included), in the case of a district municipality; (iii) R2000 up to R750 000 (VAT included), in the case of a metropolitan municipality;</p>
<p>12(1)(d) a competitive bidding process for— (i) procurements above a transaction value of R200 000 (VAT included); and (ii) the procurement of long term contracts.</p>	<p>12(1)(d) a competitive bidding process for— (i) procurement above a transaction value of R300 000 (VAT included), in the case of a local municipality; (ii) procurement above a transaction value of R200 000 (VAT included), in the case of a district municipality; and (iii) procurement above a transaction value of R750 000 (VAT included), in the case of a metropolitan municipality.”;</p>
<p>12(2)(b)(i) written or verbal quotations be obtained for any specific procurement of a transaction value lower than R2 000;.</p>	<p>12(2)(b)(i) deleted (no longer applicable)</p>
<p>12(2)(b)(iii) a competitive bidding process be followed for any specific procurement of a transaction value lower than R200 000</p>	<p>12(2)(b)(iii) a competitive bidding process be followed for any specific procurement of a transaction value lower than the competitive bidding thresholds specified in subregulation (1)(c)(i) to (iii).”.</p>
<p>14(1)(a)(i) keep a list of accredited prospective providers of goods and services that must be used for the procurement requirements through written or verbal quotations and formal written price quotations; and</p>	<p>14(1)(a)(i) to keep a list of accredited prospective providers of goods and services that must be used for the procurement requirements of the municipality or municipal entity through formal written price quotations.”</p>
<p>16 written or verbal quotations</p>	<p>16 deleted</p>
<p>18 Procedures for procuring goods or services through written or verbal quotations and formal written price quotations</p> <p>A supply chain management policy must determine the procedure for the procurement of goods or services through written or verbal quotations or formal written price quotations, must stipulate –</p> <p>(c) that the accounting officer must take all reasonable steps to ensure that the procurement of goods and services through written or verbal quotations or formal written price quotations is not abused;”; and</p>	<p>18 “Procedures for procuring goods or services through formal written price quotations”</p> <p>“A supply chain management policy must determine the procedure for the procurement of goods or services through formal written price quotations, and must stipulate—”;</p> <p>(c) that the accounting officer must take all reasonable steps to ensure that the procurement of goods and services through formal written price quotations is not abused;”; and</p>



<p>(d) that the accounting officer or chief financial officer must on a monthly basis be notified in writing of all written or verbal quotations and formal written price quotations accepted by an official acting in terms of a subdelegation; and</p>	<p>(d) that the accounting officer or chief financial officer must on a monthly basis be notified in writing of all formal written price quotations accepted by an official acting in terms of a subdelegation; and”.</p>
<p>19 A supply chain management policy must specify -</p> <p>(a) that goods or services above a transaction value of R200 000 (VAT included) and long term contracts may be procured by the municipality or municipal entity only through a competitive bidding process, subject to paragraph 11(2) of this Policy.</p> <p>(b) that no requirement for goods or services above an estimated transaction value of R200 000 (VAT included), may deliberately be split into parts or items of lesser value merely for the sake of procuring the goods or services otherwise than through a competitive bidding process.</p>	<p>19 A supply chain management policy must specify-</p> <p>(a) that goods or services above a transaction value of—</p> <p>(i) R300 000 (VAT included), in the case of a local municipality;</p> <p>(ii) R200 000 (VAT included), in the case of a district municipality; and</p> <p>(iii) R750 000 (VAT included), in the case of a metropolitan municipality,</p> <p>may be procured by the municipality or municipal entity only through a competitive bidding process, subject to regulation 11(2); and</p> <p>(b) that no requirement for goods or services above an estimated transaction value of—</p> <p>(i) R300 000 (VAT included), in the case of a local municipality;</p> <p>(ii) R200 000 (VAT included), in the case of a district municipality; and</p> <p>(iii) R750 000 (VAT included), in the case of a metropolitan municipality,</p> <p>may deliberately be split into parts or items of lesser value merely for the sake of procuring the goods or services otherwise than through a competitive bidding process.”.</p>
<p>35 (1) A supply chain management policy may allow the accounting officer to procure consulting services provided that any Treasury guidelines in respect of consulting services are taken into account when such procurements are made.</p> <p>(2) A contract for the for the provision of consultancy services to the municipality or municipal entity must be procured through competitive bids if -</p> <p>(a) the value of the contract exceeds R200 000 (VAT included); or</p> <p>(b) the duration period of the contract exceeds one year.</p>	<p>35 (1) A supply chain management policy may allow the accounting officer to procure consulting services provided that any Treasury guidelines in respect of consulting services are taken into account when such procurement is made.</p> <p>(2) A contract for the provision of consultancy services to a municipality or municipal entity must be procured through competitive bids if—</p> <p>(a) the value of the contract exceeds—</p> <p>(i) R300 000 (VAT included), in the case of a local municipality;</p> <p>(ii) R200 000 (VAT included), in the case of a district municipality; or</p> <p>(iii) R750 000 (VAT included), in the case of a metropolitan municipality; or (b) the period of the contract exceeds one year.”.</p>



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3. WAY FORWARD

The Provincial SCM Unit has gone through the amendments as indicated above and would also like to reiterate the following:

- (i) The petty cash threshold remained unchanged at R2000;
- (ii) The threshold for written or verbal quotations has been omitted;
- (iii) The threshold for formal written price quotations is above R2000 to R300 000 for local municipality, up to R200 000 for district municipality and up to R750 000 for metropolitan municipality
- (iv) Accounting officer / Authorities are required to review their procurement plans and align their requirements accordingly;
- (v) Accounting Officers / Authorities must amend their SCM policies and delegation framework; and
- (vi) Accounting Officers / Authorities to consider the establishment of the quotation committee to minimise risks and abuse of the system.

4. EFFECTIVE DATE

The amendments were effective from the date of publication, which was on 14 December 2023

5. CONTACT INFORMATION

All enquiries in respect of this circular must be directed to:

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MR SANTANU MOODLEY

ACTING HEAD OF DEPARTMENT: KZN TREASURY

DATE: 04/01/24