LEPHALALE
Lᴏᴄᴀʟ Municipality

SCM – PURCHASE AND PAYMENT STANDARD OPERATING PROCEDURE

2021/2022

1. Background

The Municipal Finance Management Act (No. 56 of 2003), (MFMA) requires that the resources of municipalities and municipal entities are used effectively, efficiently and economically.

The objective of this guide is to assist municipalities and municipal entities with the planning for the procurement of goods, service or infrastructure projects in a proactive manner and to move away from merely reacting to purchasing requests.

The **MFMA and SCM** regulations provide that effective Supply chain Process must be in place to render effective service delivery within the set legislative provisions.

Section 65(1) of the Municipal Finance Management Act (MFMA) gives effect to the Accounting officer to ensure management of the expenditure of the municipality.
(2) That the accounting officer must for the purpose of subsection (1) take all reasonable steps
 (a) to ensure that the municipality has and maintains an effective system of expenditure control, including procedures for the approval, authorisation, withdrawal and payment of funds.

(b) That the municipality has and maintains a management, accounting and information system which—
- recognises expenditure when it is incurred.
- accounts for creditors of the municipality; and
- accounts for payments made by the municipality.

(c) that the municipality has and maintains a system of internal control in respect of creditors and payments.
(d) that payments by the municipality are made—
   (i)   directly to the person to whom it is due unless agreed otherwise for reasons as may be prescribed.
   (ii)   And either electronically or by way of non-transferable cheques, provided that cash payments and payments by way of cash cheques may be made for exceptional reasons only, and only up to a prescribed limit

(e) that all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of expenditure
The expenditure section must ensure proper financial control, uphold the principle of effective administration and high standard of service level .The SCM unit assists the various departments in ensuring effective service delivery and ensuring the delivery of good quality products and services in the shortest possible turn-around time.

End user departments are required to submit their procurement plans to the Head Supply Chain Management in the municipality or municipal entity to improve planning and management of resources.

2. Definitions

In this policy, unless the context indicate otherwise. The following definitions are applied;

"**Accounting Officer**" Means the Municipal Manager for the municipality as contemplated in Section 60 of the local Government: Municipal Finance Management Act, 56 of 2003.

"**After-Hours**" Means from 16:01 to 07:29 Monday to Friday`s; 16:01 Friday after noon until 07:29 Monday morning.

"**CFO**" means the Chief Financial Officer designated in terms of section 80(2)(a) of the Local Government: Municipal Finance Management Act 56 of 2003.

"**Delegated authority**" Means the official who is given the authority for relevant functions in terms of the municipality's written delegations.

"**Emergency**" Means a serous, unexpected, and often dangerous situation requiring immediate action as set out in the MFMA SCM Regulations.

"**End user** "Means the Lephalale Local Municipality official who has requested the goods and services that will receive such and utilize for the purpose it is intended.

"**Official Order**" means a written request to order goods and services.

"**SANS**"Means South African National Standards.

"**Working Hours and Days** "Means office hours between 07:30 and 16:00 Monday to Friday excluding public holidays and weekends .

"**SLA**" Means Service Level Agreement

"**CSD**" Central Supplier Database as developed by South African National Treasury

3. Objectives of the Policy

3.1 **The aim of this policy is**:

(a) To ensure that goods and services are delivered in correct quantities at the correct location at the required SANS or acceptable level of quality as stipulated in the specifications within the relevant timeframes for the various Supply Chain Processes.

(b) To set standards on turn-around times for the various supply chain processes.

(c) To ensure cost effective and efficient usage of available resources in respect of purchases.

(d) To provide guidelines for the Council employees to follow in the management for the acquisition of goods and services.

(e) To eliminate any potential standing time in hampering effective service delivery.

   To implement process to improve operation l efficiency

THE TURNAROUND TIMES FOR VAROUS LEVELS OF THE PROCUREMENT PROCESS

N0	BID PROCESS INDICATORS	TURN AROUND INDICATOR
1	Three written quotations for goods and services with transaction value between R 200.00 and R 30 000.00 **Process flow** • Submit Specifications • Request for quotations • Evaluations, award and official order	5 working days from the receipt of correct specifications/ order request from end-user excluding delays. The goods or services will be received by SCM official together with delegated end-user official. The goods or service shall be received at the municipal workshop and or Civic Center or any convenience of the end user department (e.g site were the service will be rendered).
2	Seven (7) day process for goods and services with a transaction value between R 30 001.00 and R 200 000.00 **Process flow** 1. Submission of specifications/ approvals memo 2. Placing of 7 day notice advert on municipal website and notice boards. 3. Evaluation,**Internal Audit to conduct high-level review of the Evaluation Process** 4. Awards and issue of orders / appointment letters	20 working days or less from receipts of correct specifications / order request from end user departments. Excluding section 36 approvals.(deviations)
3	Turnaround time for the formal SCM bid process for goods and services above R 200 000.00. **Process flow** 1. Submission of specification to bid specification committee 2. Specification to be approved by the Accounting Officer 3. Placing of advert on municipal website, notice boards, national and local media 4. Bid closing and opening 5. Opening Register capturing, 6. Technical evaluation committee and Bid adjudication committee 7.**Internal Audit to conduct high-level review of the Evaluation Process** 8. Approval and issuing of appointment letters and Service Level Agreement	The SCM regulations emphasis the 90 days validity period however ,Lephalale local Municipal turnaround times will be as follows : ➢ For the bids above R10 million or long term contracts that are advertised for 30 days. ➢ The turnaround time shall be 45 days ➢ For the bids below R10 million and advertised for 14 days ➢ The turnaround time shall be 30 days

4	**BID Committees**	
	Bid Specification Committee	Notice minimum 2 working days in advance. Committee sits every Tuesdays.
	Bid Evaluation Committee	Notice minimum 2 working days in advance. Committee sits every Thursdays
	Bid Adjudication Committee	Notice minimum 2 working days in advance. Committee sits every Wednesdays.
5	Accredited Service Provider Database	The Lephalale Local Municipality Shall rely exclusively on Central Supplier Database (SA NATIONAL TREASURY DATABASE) to update expenditure and creditors database The quotations shall be sourced from the Service Providers Registered on CSD.

STRATEGIES TO MINIMISE UIFW'S DURING BID EVALAUTION PROCESS

| 6 | 1. Training of Committee members regularly and briefing on the checklist to members and end-user to minimize the errors during evaluation.

2. Each document to be evaluated by all members to do due diligent during evaluation.

3. BAC to do due diligence on Documents and evaluation recommendations.

4. Bid Specification – Clear specification Scope and clear bidding Criteria.

5. Composition of committees must be in line with SCM Regulations.

6. BEC /BAC chairperson and secretariat to ensure that the BEC /BAC reports meet the standard of the report and includes the following:

6.1 Purpose of the report

6.2 Bid information

6.3 Bids received with prices

6.4 Principle and methodology utilized

6.5 Compliance on administrative requirements /Bid evaluation Checklist

6.6 Reasons for rejections / disqualifications

6.7 Further evaluation of functionality | |

	6.8 Total estimated value of proposed contract 6.9 Disqualification on functionality and budget 6.10 Evaluation on price BBBEEE status level contributor 6.11 Conclusion 6.12 Recommendation to adjudication	

PURCHASE AND PAYMENT PROCESS

7.	1. Identification of the need 2. Preparation of Memo/Document with supporting Docs 3. Review and verification of Docs by the DM **4. Consultation, confirmation and verification by BTO** (Vote no ,GL Account alignment to IDP/Budget value/MSCOA Compliance.) 5. The end user (Administrator) Loading of PR 6. Approval by Executive Manager 7. SCM determines the Procurement Method (Petty Cash ,Po, Contract,) 8. SCM create order number /Contract & inform the supplier to deliver. 9. Supplier Deliver the Good/service directly to the Store/site 10. End user and supply chain practitioner receive the Goods and Services and sign invoice /delivery note 11. Administrator generates the GRN from the system. 12. EM approves the GRN. **13.** All the directorates to Receive the invoices from Service Provider by the **25TH of Every Month.** 14. Administrator /Contract manager/End user to process the transactions in EMS and submits the supporting documents and Invoice to Expenditure Division. (within 3 working days) and before the end of the month. **15.** Expenditure Division process and pay the Invoice **within 30 days.** 16. Expenditure division to keep an Invoice Register. **NB: All outstanding invoices over 30 days will be reported at the Executive Management for Consequence Management.**	

REQUEST OF ITEMS FROM STORES

7.	7. Identification of the need /Incident Report 8. User-department capture internal requisition on the system based on the works order, 9. BTO verify the Transaction in EMS. 10. Supervisor and HOD approval 11. User-department to present approved and signed requisition to store man for issuing stock/inventory 12. Both store man and end-user to sign stock issue report once processed on the system. 13. SCM buyer to approve issues to verify the quantity to be collected from stores. 14. Turnaround time for internal requisitions to be finalized should **be at least 3 working days**. **15.** In terms of emergencies, manual requisition book to be used and signed by requester, HOD of the user-department and SCM personnel on standby. **Transactions to be loaded by 10h00am.** 16. Emergency requisitions should be captured the following day on the system, failure to do so no stock item will be issued to that department or rather division. **All Internal requisitions not finalized by 25ᵗʰ each Month will be voided.**	

17. References

- MFMA Circular No. 62 Municipal Finance Management Act
- Supply Chain Management: Enhancing compliance and accountability
- Supply Chain Management Policy

COMPILED BY MANAGER:SCM   **: ORIA MOKOBANE**

SIGNATURE …………………………………..   DATE……………….

APPROVED BY CFO   **: LESEGO MATLWA**

SIGNATURE …………………………….   DATE……………………