

GAUTENG DEPARTMENT OF HEALTH

SUPPLY CHAIN MANAGEMENT

PROCEDURES

Presented by
Dave Selby

CPM (SA), CMILT (UK), FCIPS (UK), Chartered Procurement & Supply Professional
(UK),
MBA, PhD Candidate (UNISA)





GAUTENG PROVINCE

HEALTH
REPUBLIC OF SOUTH AFRICA

Together, Moving Gauteng City Region Forward



Contents

Contents

1. Concept of SCM
2. Legal Framework for SCM
3. Five Pillars
4. Elements of SCM
5. Demand Management
6. Acquisition Management
7. Logistics Management
8. Consignment Stock



Concept of Supply Chain Management (SCM)

Concept of Supply Chain Management (SCM)

SCM includes “the acquiring and disposing of all goods and services, construction and road works and immovable property of all government institutions.

The objective of SCM, inter alia, is to ensure that the resources required to fulfil the needs identified in the Strategic Plan of the Department are delivered at the correct time, price and place, and that the quantity and quality will satisfy those needs

Concept of Supply Chain Management (SCM)



Who are the links in Health's Supply Chain??????

- Patients
- Medical Practitioners
- End Users
- Department / Institution
- Suppliers
- National & Provincial Government



GAUTENG PROVINCE

HEALTH
REPUBLIC OF SOUTH AFRICA

Together, Moving Gauteng City Region Forward



Legal Framework for SCM

Pieces of Legislation applicable to SCM

- The Constitution of the Republic of South Africa, 1996 (Act No 108 of 1996);
- The Public Finance Management Act (Act 1 of 1999);
- Preferential Procurement Policy Framework Act (Act No 5 of 2000);
- Preferential Procurement Regulations of 2017;
- Broad-Based Black Economic Empowerment Act (Act No. 53 of 2003);
- National Treasury Regulations for departments, trading entities, constitutional institutions and public entities issued in terms of the PFMA;
- National Treasury General Procurement Guideline, 2009;
- National Small Business Act No. 102 of 1996;
- Promotion of Access to Information Act (Act 2 of 2000);



Pieces of Legislation applicable to SCM

- Policy to Guide Uniformity in Procurement Reform Processes in Government, 2003;
- Supply Chain Management – A Guide for Accounting Officers / Authorities, 2004;
- Promotion of Administrative Justice Act, (Act 3 of 2000);
- Prevention and Combating of Corrupt Activities Act (Act No. 12 of 2004);
- The Promotion of Equality and the Prevention of Unfair Discrimination Act (Act 4 of 2000);
- GPG SCM Framework;
- All SCM circulars, instruction notes and practice notes issued by National Treasury and Gauteng Provincial Treasury.
- Departmental SCM Policy and Circulars;
- Construction Industry Development Board Act (Act 38 of 2000).





GAUTENG PROVINCE

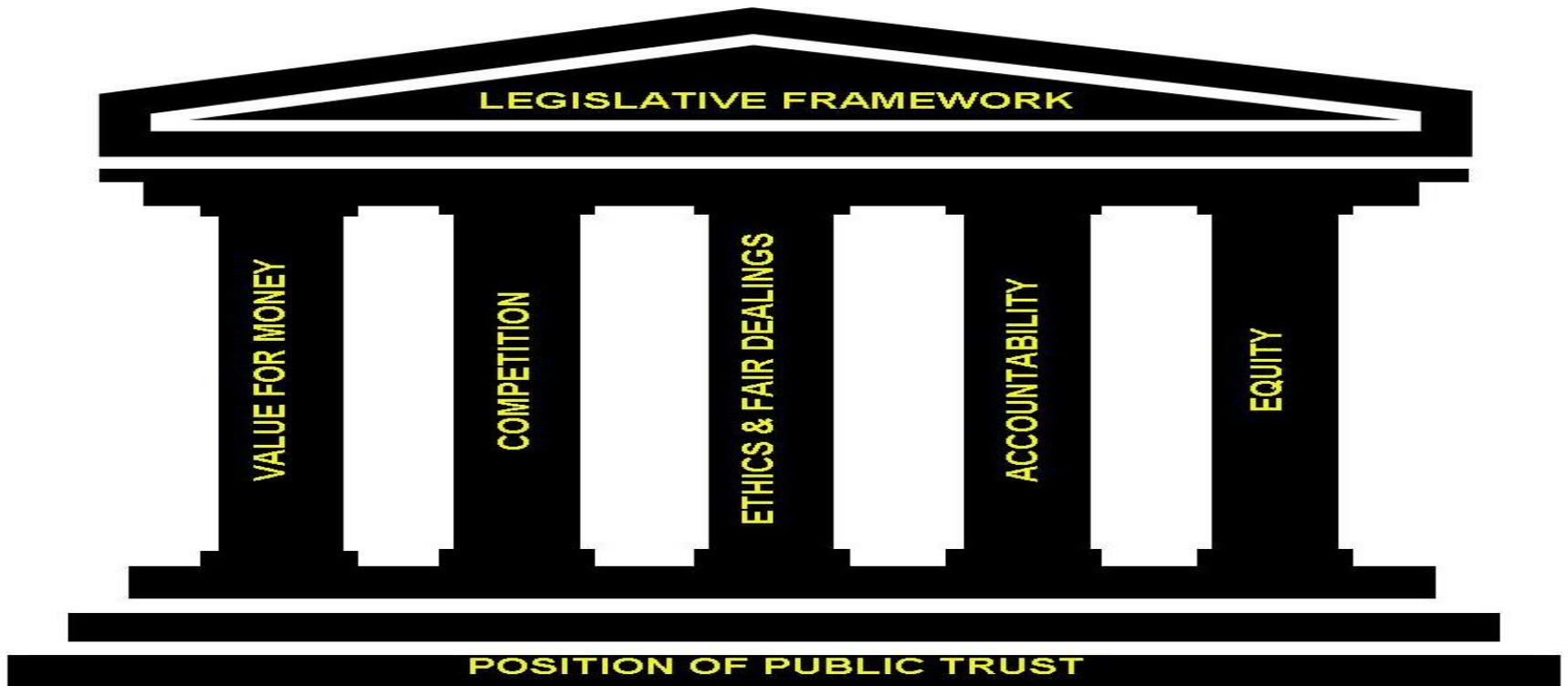
HEALTH
REPUBLIC OF SOUTH AFRICA

Together, Moving Gauteng City Region Forward



FIVE PILLARS

Legislative Framework



Five Pillars

Proper and successful government procurement rests upon certain core principles of behaviour – the Five Pillars of Procurement. They are best described as pillars because if any one of them is broken the procurement system falls down.

The Five Pillars are:

- Value for Money;
- Open and Effective Competition;
- Ethics and Fair Dealings;
- Accountability and Reporting;
- Equity.

Value for Money

- Test against which a department must justify a procurement outcome.
- Price alone is often not a reliable indicator and departments will not necessarily obtain the best value for money by accepting the lowest price offer that meets mandatory requirements.
- Best value for money means the best available outcome when all relevant costs and benefits over the procurement cycle are considered.

Open and Effective Competition

This requires:

- (a) A framework of procurement laws, policies, practices and procedures that is transparent, i.e. they must be readily accessible to all parties;
- (b) Openness in the procurement process;
- (c) Encouragement of effective competition through procurement methods suited to market circumstances; and
- (d) Observance of the provisions of the Preferential Procurement Policy Framework Act.

Ethics and Fair Dealings

All SCM officials, particularly those dealing directly with suppliers or potential suppliers, are required to :

- (a) Recognise and deal with conflict of interest or the potential thereof;
- (b) Deal with suppliers even-handedly;
- (c) Ensure that they do not compromise the standing of the state through acceptance of gift or hospitality;
- (d) Be scrupulous in their use of public property; and
- (e) Assist in the elimination of fraud and corruption.

Accountability and Reporting

This involves ensuring that individuals and organisations are answerable for their plans, actions and outcomes in the following manner:

- (a) The Accounting Officer is accountable to the MEC for the overall management of procurement activities;
- (b) The Chief Financial Officer is accountable to the Accounting Officer for various high-level management and co-ordination activities;
- (c) The Head of SCM and senior procurement officials are accountable to the Chief Financial Officer. In the case of health institutions the Head of SCM will be accountable to the CEO/Head of Institution;
- (d) All other procurement officials are accountable to the Head of SCM and to their clients, for the services they provide;
- (e) All people exercising procurement functions are accountable to the relevant line management.

Equity

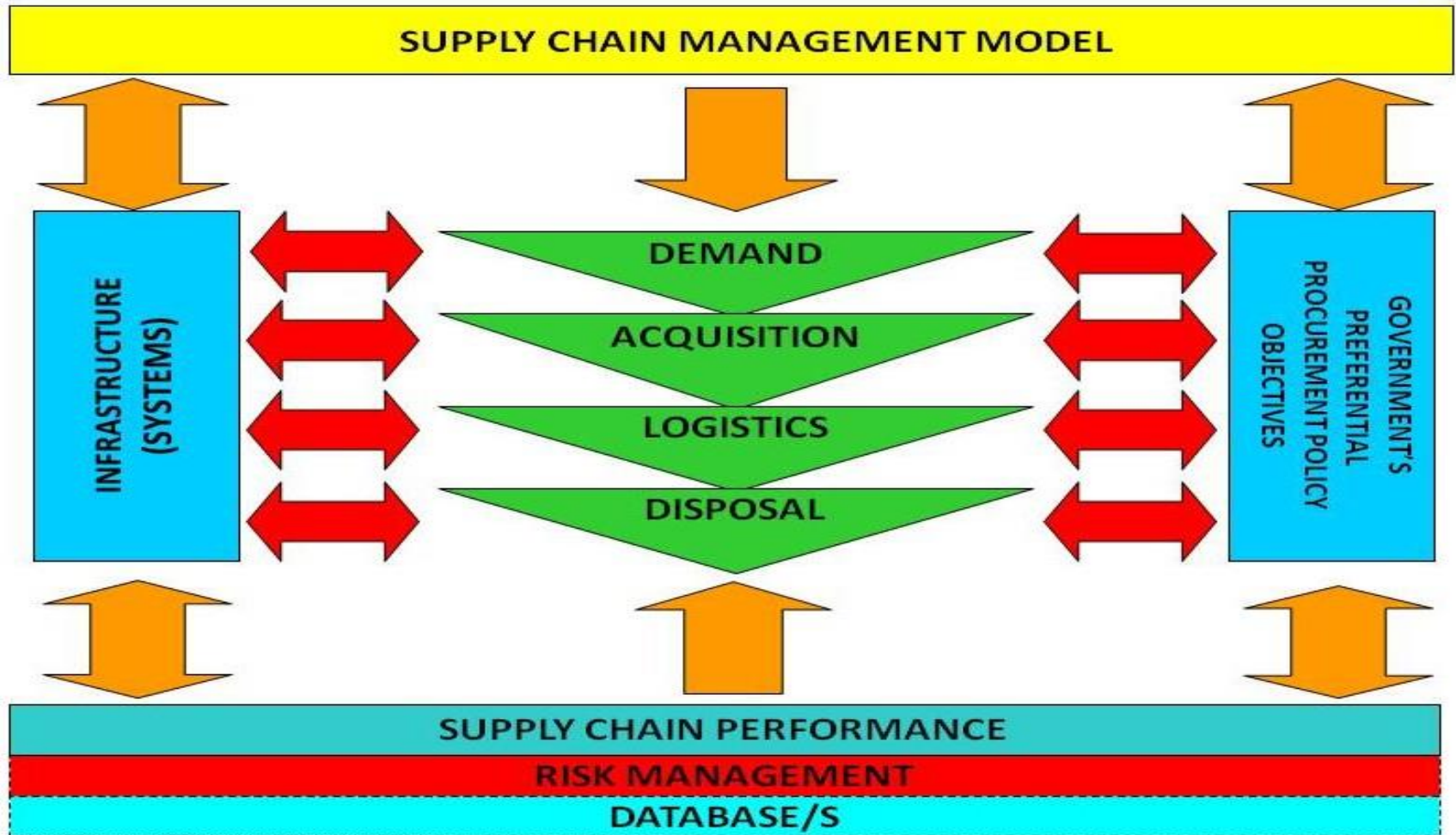
The word ‘equity’ in the context of these guidelines means the application and observance of government policies which are designed to advance persons or categories of persons disadvantaged by unfair discrimination.

This pillar ensures that the GDoH is committed to economic growth by implementing initiatives that support industry, especially to advance the development of SMMEs, and Preferential Procurement suppliers.



Elements of Supply Chain Management

Supply Chain Management Framework





- Demand Management

PROCESS BELOW THRESHOLD OF R500 000

- RLS 01 (Requisition) received from end user;
- End user provides cost estimate;
- Check if item is on contract;
- Check if item is on Demand Plan;
- Check budget availability, correct SCOA allocations and obtain budget management approval;
- Check if specification correct - material masters, generic;
- Forward to Acquisition Management for RFQ if item is not on contract.

PROCESS ABOVE THRESHOLD OF R500 000

Receive request from End User:

- Check Procurement Plan;
- Check budget availability, correct SCOA allocations and obtain budget management approval;
- Establish Bid Specification Committee (experts in the field);
- Conduct Bid Specification Committee meeting:
 - Check specification / TOR : SMART, technical experts
 - Establish evaluation criteria
 - Determine method/strategy – open tender, closed tender, participation in other contracts, sole supplier etc
- Obtain BAC for approval of specification;
- Forward to Acquisition Management for tender process (RFP).



- Acquisition Management



Threshold Values

R0 to R2 000 – petty cash

R2 000 – R10 000 – 3 or more written quotations. No preferential procurement.

R10 000 – R30 000 – 3 or more written quotations. No preferential procurement.

R30 000 – R500 000 – 3 or more written quotations. Preferential procurement 80/20.

Above R500 000 – R50 million. Formal tender process. Preferential Procurement - 80/20

Above R50 million. Preferential Procurement - 90/10

R2 000 – R10 000 – P Card for certain commodities to support SMME's.
(stationary, cleaning materials, catering etc)

ACQUISITION MANAGEMENT <R500 000

- Receive RLS01;
- If item on contract, generate contract call off purchase order;
- If not, invite written price quotations for requirements up to an estimated value of R500 000 from as many township based suppliers as possible, that are registered on the National Treasury's Central Database of Suppliers (CSD), ensuring a minimum of 3 is obtained;
- Receive and evaluate responses;
- Compile preferential procurement score sheet for above R30 000 (80/20 principle);
- Ensure prices obtained are market related;
- Head of SCM approves between the value of R2 000 to R30 000;
- Above the value of R30 001 Quotation Adjudication Committee (QAC) to recommend award for CEO approval.

ACQUISITION MANAGEMENT >R500 000

- Appoint Bid Evaluation Committee members;
- Determine bidding method and closing date (21 or 14 days);
- Prepare bid documentation ;
- Prepare advert;
- GPT advertises tender in tender bulletin and nominated local newspapers;
- GPT facilitates bid closing and opening process;
- GPT conducts compulsory information/briefing session;
- Bid Evaluation Committee Evaluates tender responses;
- Bid Evaluation Committee compiles recommendation to Bid Adjudication Committee for approval;
- Obtain approval from BAC and notify successful bidder;
- Conduct supplier negotiations;
- Compile letter of award, SLA and contract;
- Manage price escalations if applicable.

CONTRACT ADMINISTRATION

- Capture National, Provincial and Departmental contracts on SAP/SRM;
- Monitor supplier performance;
- Conduct spend analysis for contracts;
- Establish and maintain a departmental contract register;
- Monitor contract expiry and renewal dates;
- Manage price escalations;
- Ensure contract prices are market related.

CONTRACT MANAGEMENT

- Ensure contract is signed by both parties after award of contract;
- Ensure service level agreement is signed by both parties;
- Manage contract amendments;
- Monitor compliance with General Conditions of Contract;
- Manage performance of contractors;
- Administer termination of contracts;
- Manage contract risks;



- **Logistics Management**

RLS01 capturing

Receive RLS01

- Ensure budget management has verified SCOA allocations and budget availability;
- Ensure SBD 04, SBD6.1, SBD08 & SBD 09 are completed and attached;
- Ensure 3 or more valid written quotations obtained by SCM Officials for purchases below R500 000;
- Verify CSD printout to ensure the following:
 - Business registration, including the details of directorship and membership;
 - In the service of the state status (Govt employees);
 - Tax compliance status;
 - B-BBEE status level; and
 - Tender defaulting and restriction status;
- Ensure Comparative Schedule is approved by Head of SCM/CEO;
- BAC approval for purchases above R500 000;
- HOD approval for deviations from SCM procedures (Sole Suppliers & Emergency procurement);
- GPT approval for all other deviations;
- Capture and release shopping cart on SAP;
- Contract call off order.

Purchase Order Creation

- After RLS01 is captured and released by the institution, senior buyer at Head Office receives the shopping cart electronically in the inbox, for allocation per cluster;
- Shopping cart allocated to a buyer in the cluster;
- The buyer at Head Office checks for compliance against compliance checklist. If non-compliant, the request is non-conformed and referred back to the institution;
- Purchase order is created by buyer and released by senior buyer;
- Purchase order sent electronically to supplier.

EXPEDITING OUTSTANDING PURCHASE ORDERS

- Expedite outstanding purchase orders with suppliers, to ensure on time delivery of goods/ services;
- Advise end user of changes to delivery dates;
- Advise supplier of cancellation of purchase orders due to non-conformance to delivery dates;
- Communicate all non-conformances to Contract Administration;
- All outstanding purchase orders to be deleted after 3 months. (exception medical equipment and annual orders);
- Advise Logistics Management at Head Office to cancel purchase orders which are no longer required.

RECEIPT OF GOODS

- Verify goods received & delivery note against purchase order;
- Verify goods received for quality & quantity. Non-conformances or over deliveries are not accepted.
- If correct, sign delivery note;
- In the case of stock items, warehouse clerk packs the stock in the allocated bin location;
- When packing stock into warehouse ensure FIFO method is adhered to;
- For non-stock items, items to be dispatched immediately to end user.

CAPTURING OF GOODS RECEIVED VOUCHER (GRV)

- Expedite the completion of the RLS02 by the end user within 2 days of receipt of goods/service;
- Receive the signed RLS02 together with the delivery note;
- Capture RLS02 in SAP. (2 way match pending invoice);
- Monitor and clear MM work cycle report on a weekly basis.

NB: Main reason for invoices appearing on MM workcycle report is GRV Missing and Invalid PO.



- **Consignment Stock**

CONSIGNMENT STOCK PROCESS

- Consignment stock also referred to as loan sets are surgical items which are used frequently and kept on standby in theatres as their exact specifications can only be determined intra-operatively,
- Consignment stock items can therefore not be kept as stock items,
- The current consignment stock process greatly reduces payment delays to suppliers,

CONSIGNMENT STOCK PROCESS

- Supplier delivers consignment stock/loan set to theatre as a once off delivery. Institution to ensure the delivery date and quantity of consignment stock items received is confirmed and copies of signed delivery notes to be retained by the Theatre Clerk,
- The consignment stock needs to be locked up under the responsibility of the health institution (i.e. theatre clerk),
- The stock of the supplier is kept in theatre at all times and during intra-operative procedures the Surgeon utilises the consignment stock,

CONSIGNMENT STOCK PROCESS

- Ward sister receives completed Consent to Operation Form,
- After procedure Surgeon & Scrub Sister completes Consignment Stock Used Form,
- Theatre clerk provides supplier with patient and/or tracking number within 24 hours of operation,
- Theatre clerk forwards documentation to finance section within 3 working days post procedure,
- Supplier replenishes consignment stock used, invoices for consignment stock used and forwards original invoice via e-invoicing,
- Finance Manager performs reconciliation of consignment stock documentation and invoice on a weekly basis.

WAY FORWARD

- Roll-out of new consignment stock model,
- Department established consignment stock contract for orthopaedic items,
- Department in process of establishing contracts for cardio and nuclear medicine consignment stock items,
- Quotations to be obtained for consignment stock items not on contract,
- Official SAP purchase orders to be issued for all procurement of consignment stock items,
- Communicate changes to current consignment stock process.



GAUTENG PROVINCE

HEALTH
REPUBLIC OF SOUTH AFRICA

Together, Moving Gauteng City Region Forward

QUESTIONS

THANK YOU