



UMGENI WATER

FINANCE DIVISION	FIN/SCM/POL/01
Supply Chain Management Policy	Rev.: 6

SUPPLY CHAIN MANAGEMENT POLICY

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1. PREAMBLE

1.1 According to Section 217 of the South African Constitution,

1. *“When an organ of state in the national, provincial or local sphere of government or any other institution identified in national legislation, contracts for goods or services, it must do so in accordance with a system which is fair, equitable, transparent, competitive and cost effective”*
2. *“Subsection (1) does not prevent the organ of state or institution referred to in the subsection from implementing a procurement policy providing for;
(a) Categories of preference in the allocation of contracts and
(b) The protection or advancement of persons, or categories of persons disadvantaged by unfair discrimination;”*
3. *“National legislature must prescribe a framework within which the policy referred to in subsection (2) must be implemented”*

Umgeni Water (UW) shall apply section 217 of the Constitution of the Republic of South Africa, (Act no 108 of 1996, as amended) by contracting for goods and services in accordance with a system which is fair, equitable, transparent, competitive and cost effective.

Umgeni Water shall conduct its procurement activities in order to align with relevant legislation that enforces the goals and relevant governmental supply chain management approaches that are cost effective. Umgeni Water will provide for a preferential procurement system in line with the constitution and the National Treasury guidelines.

2.1 The purpose of this Policy is to make provision for a system of procurement and disposal of goods and services and of assets that:

- Is fair, equitable, transparent, competitive and cost effective;
- Promotes the objectives of the BBBEE
- Facilitate an efficient and cost effective sourcing of the goods and services for delivery to UW customers thereby contributing to the national development agenda.

Implementation of the policy must therefore result in the following outcomes:-

- A constant supply of goods and services that Umgeni Water requires to fulfil its mandate. and
- Reduction in economic imbalances that have been caused by unfair discrimination of certain persons or group of persons in South Africa.

2. SCOPE

This policy applies to all elements of procurement at Umgeni Water .Processes and mechanisms are detailed in the SCM procedure manual.

The policy does not apply in case of the following instances:

- Provision of goods and services by UW

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- Procurement done with another organ of state
- The procurement of goods and services under contracts secured by the organ of state, provided that the supplier involved has agreed to such procurement.

In the instances mentioned, UW conducts direct negotiations with the state organ concerned then agrees on terms of that particular contract in line with Treasury Regulations and PFMA.

3. PROCUREMENT PRINCIPLES

The following principles are deemed best practice and Umgeni Water has adopted them. UW will implement procurement activities in line with these principles:-

- Fairness and Transparency
 - ✓ Equal treatment of bidders
 - ✓ Openness and accountability
 - ✓ Ethical conduct
- Social Equity
 - ✓ Broad Based Black Economic Empowerment and preferential procurement
 - ✓ Preferential procurement
 - ✓ Other economic transformation initiatives that Umgeni Water may adopt in accordance as per section 217 (b) of the constitution.
- Value for money
 - ✓ Competiveness
 - ✓ Quality
 - ✓ Cost effectiveness
 - ✓ UW minimum production standards(taking into account Health, Environmental etc)

4. POLICY STATEMENTS

4.1 Umgeni Water as a state owned entity

Umgeni Water commits itself to the prescripts of section 217 of the Constitution and shall undertake all its procurement activities in a manner that protects and advances persons. or categories of persons disadvantaged by unfair discrimination, whilst at the same time procuring in a fair, equitable ,transparent ,competitive and cost effective manner.

4.2 Value for money

Umgeni Water commits to procuring goods and services which are fit for the intended purpose, of prescribed quality and are competitively priced based on total cost of ownership.

4.3 Relevant Legislation

Umgeni Water commits to full compliance with all legislations as amended that is relevant in the procurement of good and services as detailed in paragraph 11 of this policy.

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4.4 Transformation and Empowerment

Umgeni Water commits itself to implementation of the BBEEE as developed by the government of South Africa to address economic imbalances.

The following principles underpin the Black Economic Empowerment strategy

- It is broad based
- It is an inclusive process
- It is associated with good governance
- It is part of the country's growth strategy

A balance score card is used by the government as a mechanism in achieving BBBEE objectives.

Umgeni Water commits itself to support the objective of the BBBEE.

When evaluating and awarding tenders for procurement of goods and services, Umgeni Water shall award preferential points with regards to the contribution that a supplier makes towards achievement of BBBEE objectives namely:-

- Ownership and control
- Management
- Skills development
- Employment Equity
- Preferential Procurement
- Enterprise Development
- Socio-economic Development

All domestic suppliers shall be required to submit a BBBEE certificate approved by an accredited BBBEE rating agency showing the supplier's level of contribution towards BBBEE objectives.

4.5 Economic growth and development initiatives

4.5.1 In order to align with Section 217 2(b) of the South African constitution, UW will implement economic transformation initiatives approved by the UW Board which seek to protect and advance enterprises that were previously disadvantaged by unfair discrimination.

The Economic transformation initiatives within Umgeni Water seek to achieve the following:-

- a) To bring about meaningful economic transformation in the built environment and the economic sectors through:
 - Meaningful economic participation
 - Transfer of technical, management and entrepreneurial skills
 - Creation of sustainable black enterprise
- b) To facilitate access to UW's procurement activities by BBBEE Compliant Suppliers.
- c) To encourage the establishment of value adding partnerships between established and targeted enterprises, thus giving targeted enterprises access to technology, skills and knowledge.
- d) To contribute to skills development and job creation through targeted procurement

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- e) To ensure that previously disadvantaged enterprises achieve full participation and involvement in businesses that support UW in the supply of water services
- f) Implementation of all UW economic transformation initiatives will be detailed in the SCM procedure manual

5. IMPLEMENTATION OF POLICY

Umgeni Water Management shall develop a procedure manual that will detail the implementation of this policy. The procedure Manual shall include the following aspects:-

- Demand Management
- Acquisition Management
- Disposal Management
- Risk Management
- Infrastructure Development Management Systems (IDMS)

The procedure manual will also detail all aspects of the value chain from the identification of need to sourcing, receiving and payment of the good required, this is termed as Procure to Pay (P2P) or Source to Pay circle

UW shall develop a strategy which will assist in the implementation of this policy together with an awareness programme for all Umgeni Water end users.

6. MONITORING AND EVALUATION

Treasury Regulation 29.2.2 prescribes that “The shareholder compact must document the mandated key procedures for quarterly reporting to the Executive Authority in order to facilitate effective performance monitoring evaluation and corrective action. Furthermore the National Treasury has issued a Framework for Managing Program Performance Information of 2007 to guide all government entities in the process of monitoring and evaluation.

UW shall follow the reporting process as prescribed in the approved shareholder compact.

7. SCM ETHICS

UW commits itself to a policy of fair dealing and integrity in conducting its SCM activities. All officials rendering in the procurement process and role players in UW are required to promote mutual trust and respect, an environment where business is conducted in a fair and reasonable manner and with integrity and to ensure that officials perform their duties efficiently, and effectively, in accordance with legislation and regulations. UW has developed a code of ethics and non-compliance shall be subject to appropriate action. A breach of the code of conduct shall be dealt with in accordance with UW's disciplinary procedures.

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8. DELEGATION OF SCM POWERS AND FUNCTIONS

Delegation of Authority

All procurement activities shall be executed in accordance with pre-established levels of authority through delegations to ensure control and division of responsibility. The approved UW Delegations of Authority (DOA) applies to all procurement activities executed by UW officials.

Refer to link for the approved delegation of authority

<\\Uwpmb0031\livesys\Intranet\CPPF\Finance\Policy\GovDOAAnnex1.pdf>

9. ROLES AND RESPONSIBILITIES

The finance division is responsible for the developing the Supply Chain Policy. The Executive committee supports and recommends to Board for approval. The Board of UW approves the policies. Divisional General Managers with SCM ensure implementation and compliance to the policy. CM will define and review procedure manuals which compliment this policy with approval of EXCO.

Responsibilities of UW Officials

Each UW official shall carry out their activities within their area of responsibility. Each official shall take appropriate steps to prevent any unauthorised, irregular, fruitless and wasteful expenditure in their area of responsibility through adherence to the UW polices and legislation.

10. DEVIATION FROM POLICY

Only the Accounting Officer has the authority to approve any deviations from the policy.

Any unauthorised deviations from policy will be subjected to disciplinary actions in terms of the applicable disciplinary processes and procedures.

11. REFERENCES

The policy is based on the requirements embodied in the following legislation/regulations:

- The Constitution of the Republic of South Africa, Act 108 of 1996, section 217 (1) to 217(3).
- Public Finance Management Act, 1999 (PFMA), Act 1 of 1999 as amended by Act 29 of 1999;
- Framework in terms of the Public Finance Management Act, 1999: Framework for Supply Chain management;
- Treasury Regulations for departments, constitutional institutions and public entities issued in March 2005 in terms of the PFMA;
- The National Treasury Instruction No.4 of 2015/16;
- Standard for infrastructure Procurement and Delivery Management;
- Preferential Procurement Policy Framework Act No. 5 of 2000
- Preferential Procurement Regulations of 2011
- Broad-Based Black Economic Empowerment Act No. 53 of 2003;
- Supply Chain Management – A Guide for Accounting Officer's/Accounting Authorities (February 2004);

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- Construction Industry Development Board Act 38 of 2000
- Any SCM norms and standards that may be prescribed
- Managing Programme Performance Information
- The Co-operatives Act, 2005 (Act No. 14 of 2005)
- UW Enterprise and Supplier Development Policy Act, 2019

12. CROSS REFERENCE TO OTHER POLICIES AND PROCEDURES

All these documents are available on the intranet under Corporate Policies, Procedures and Forms.

- Delegation of Authority
- Fixed Asset Policy
- Terms of Reference for the Bid Committees
- UW Archiving Policy
- Declaration of interest procedure
- Enterprise Development Strategy
- Enterprise Development Policy
- UW code of ethics