



LIMPOPO
PROVINCIAL GOVERNMENT
REPUBLIC OF SOUTH AFRICA

DEPARTMENT OF PUBLIC WORKS

BUSINESS PROCESSES OF LOGISTICS AND INVENTORY MANAGEMENT

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1 PART 1 AS-IS BUSINESS PROCESSES

1.1 Purchasing Sub-program

1.1.1 Background and introduction

Purchasing section deals with the purchasing of goods and services for the department and its functions are: to manage FINEST and BAS, to issue purchase requisitions/orders, to do procurement reconciliation and to monitor vendor performance whether they deliver goods and services: On time, with the required quantity and good quality according to specification.

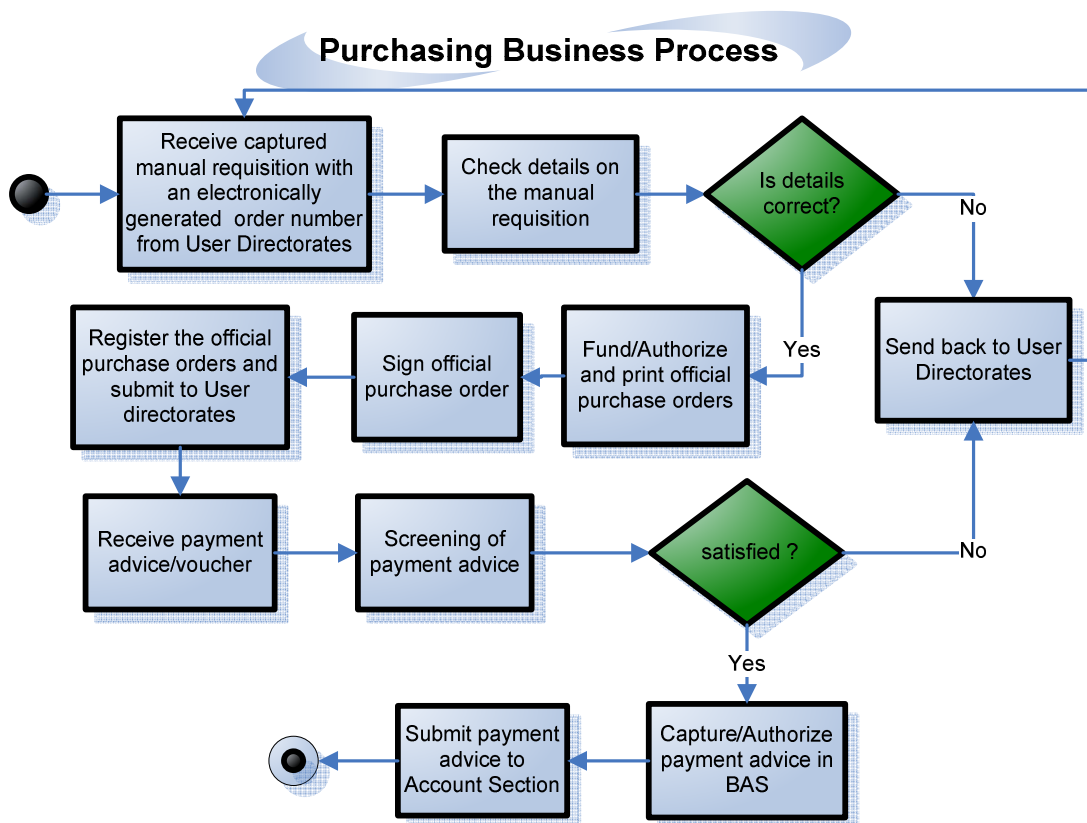
1.1.2 Purpose

To manage purchasing of goods and services for the department

1.1.3 Process initiation

User directorates's needs of goods and services trigger business processes of purchasing sub program.

1.1.4 As - Is Business process



1.1.5 Resource used

- FINEST (Financial Procurement system)
- Spreadsheet, Ms Word.
- BAS (Basic Accounting System)

1.1.6 Risks

- Purchase requisition may not be properly authorized
- Misallocation of procurement expenditure.
- Suppliers not approved may be used to procure goods and services.
- Suppliers of goods and services may not exist.
- Quotations may not be genuine and sufficient.
- Wrong annual general exemption may be used.
- Purchasing order may not be properly authorized.
- Goods not received or services not rendered may be paid for.
- Late payment of goods and services may result in additional costs.
- Fictitious invoices or copies of the original may be used.
- Excess purchasing of goods and service.

1.2 Inventory and Disposal Management Sub-program.

1.2.1 Background and introduction

The purpose of disposal and inventory management is to manage inventories and to render disposal management services. This section is responsible for the management of stores and warehousing, manage the distribution of stores, do quality control of stock, , co-ordinate assets stocktaking ,manage the disposal of obsolete/redundant/unserviceable assets and stores, co-ordinate inspections of assets and inventories and do database administration.

1.2.2 Goal

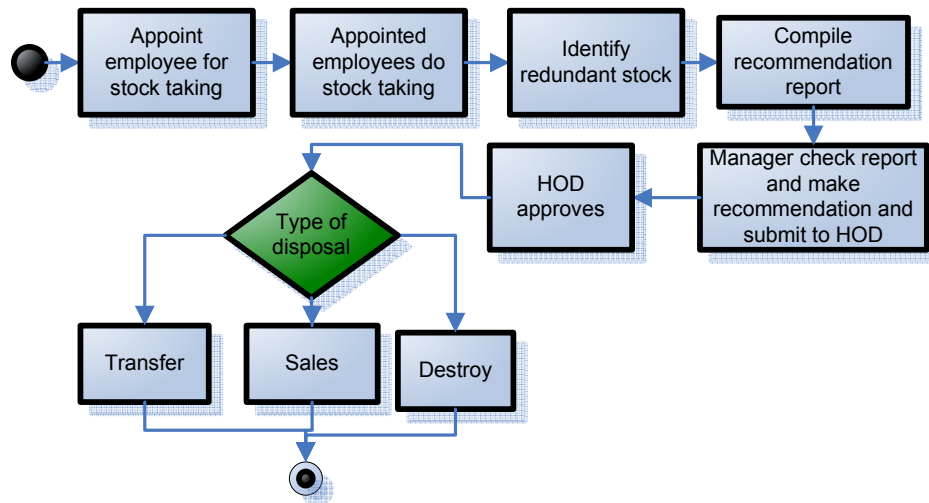
To make sure that they get desired services out of the budget and stock is used efficiently.

1.2.3 Process initiation

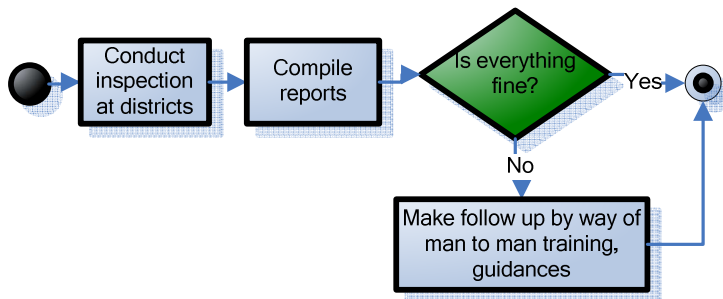
User directorates's needs/spending triggers business process of Inventory and disposal Management.

1.2.4 As - Is Business process

Disposal management Process



Inventory Management Process



1.2.5 Resource used

- Vehicle
- Protective clothing
- Excel to capture stock taking
- Stationery

1.2.6 Challenges

- Working Manually
- Delivery problem.
- Lack of cooperation.

- Over stocking resulting in items not properly packed.

1.2.7 Risks

- Car Accident.
- Theft of Stock.
- Risk Environmental Risks, elements like rain, blazing sun, dry hot air, cold weather and dust.
- Crime.

1.3 Assets Management Sub-program.

1.3.1 Background and Introduction

Assets management section is responsible to ensure that all assets of the department are registered and that register is managed efficiently and effectively.

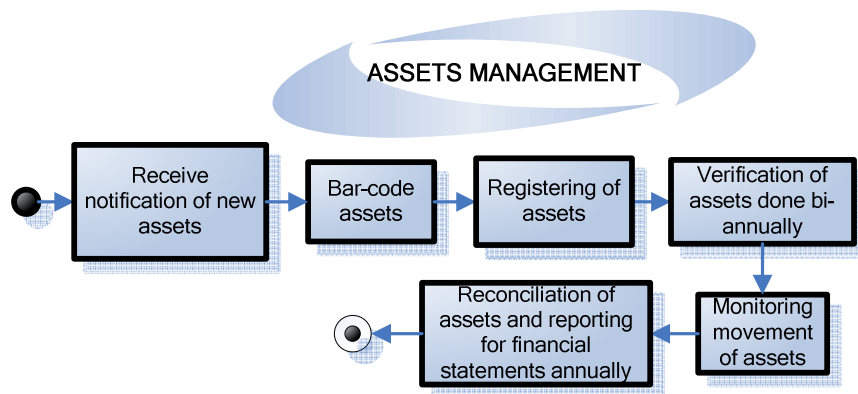
1.3.2 Goal

To maintain the departmental assets registry.

1.3.2 Process Initiation

Request from user directorates triggered business process of Assets Management.

1.3.3 As - Is Business processes



1.3.4 Challenges

- Lack of support from management
- Distribution of assets to districts without informing assets Management.
- Buying assets randomly.

1.3.5 Risks

- Lost of Assets
- Damage of Assets

2 PART 2 REDESIGNED BUSINESS PROCESSES

2.1 Purchasing Sub-program

2.1.1 Gap Analysis

Purchasing section creates purchase order after receiving requisition from end user. Problems that sometimes cause them not to create order on time are: purchase requisition not filled correctly and if the budget of user directorate concern is finished meaning some of them creates and send purchase requisition without checking their commitment register. The department has a way in which purchase requisition should be completed; this means User directorates do not follow the rule. This end up as if purchasing unit takes time to respond to their request where as user directorates are the ones who do not do the right things.

This unit also receives payment voucher from user directorate after suppliers delivered goods and services. Payment voucher is then checked and authorized so that it can be forwarded to account payable for the payment to be done. Some of user directorates send a copy of payment voucher but the rule requires them to send an original payment voucher thus there is a bridge of the rule. This also prolonged purchasing process.

2.1.2 Propose ways to bridge the gap

Law enforcement by top management at different directorates is required .Purchasing unit's processes are not efficient and effective because of non compliance by user directorates. If enforcement of law can be done successfully, purchasing unit's expertise will be seen fully.

2.1.3 To - be Business Process

The flow of activities need no change, the required thing is to enforce the law for user directorates to comply.

2.1.4 Benefits

- Purchasing unit's process will end on time.
- Purchasing unit will start receiving appropriate purchase requisition and payment voucher.

2.2 Inventory and Disposal Management Sub-program.

2.2.1 Gap Analysis

Inventory and disposal management unit has responsibility to buy inventory when there is a need. The challenge they sometimes face is the official who is responsible to buy the stock over-stock. This is non compliance of business rule which regulate them on when should they buy the stock. The items end up not packed properly. This affects the whole management activities negatively. It is going to be difficult to do stock taking and the report compiled after wards may not contains the truth information, meaning that the report/deliverable will not be of the required quality .The risk of redundant stock will be high because of stock which are not packed properly and that will increase cost. The purpose is to eradicate challenges that threaten the effectiveness and efficiency of Inventory and disposal management unit's business processes.

2.2.2 Propose ways to bridge the gap

Top management is required to ensure that officials do things in compliance with the rule. If non-compliance is found, appropriate steps must be taken to eradicate that completely. If top management can manage that successfully, the following will be fine: it will be easy to do stock taking; the deliverables will reflect the truth information and the redundant stock will be reduced. In general, management activities will run effortlessly.

2.2.3 To - be Business Process

The flow of activities need no change, the required thing is to enforce the law for responsible official to buy in accordance with the business rule.

2.2.4 Benefits

- Generate quality report always.
- Reduce redundant stock.
- Manage the space at stores properly.
- It will be easy to do stock taking.

2.3 Assets Management Sub-program.

2.3.1 Gap Analysis

Assets Management unit is responsible to manage all assets of the department. The challenge is programs do not support this unit because they distribute assets to different districts without informing assets Management unit and they buy assets randomly. This shows that the rule that says every matter pertaining to assets should be communicated to assets management unit is not followed. This unit will end up delivering poor/wrong information. The purpose of doing this is to solve challenges that affect efficiency and effectiveness of assets management unit's processes negatively.

2.3.2 Propose ways to bridge the gap

Top management's intervention is required to enforce the law, so that programs follow the right procedure/rule when distributing and buying assets.

2.3.3 To - be Business Process

The process require no change, the thing required is to enforce the business rule.

2.3.4 Benefits

- The unit will deliver quality report.
- The cost will be reduced.

3. CONCLUSION

Logistics and Inventory management program's processes are generally challenged by non-compliance of business rule. Purchasing unit receives purchase requisitions that are not completed correctly and copy not an original of payment vouchers; official who is responsible to buy the stock in Inventory and disposal management unit over-stock and programs distribute assets to different districts without informing assets Management unit. This shows that the business rule is not followed here and this will eventually destroy the effectiveness and efficiency of business processes of this program.

4. RECOMMENDATION

Business rule is also affect the functioning of business processes so the need to consider it is also necessary .It may need an amendment or development or enforcement in fever of effectiveness and efficiency of business processes. In this program what is required is enforcement. It will be advisable if the rules are enforced within the department for the sake of business processes.