

20. Rev. 1. PROCUREMENT PROCEDURES

Bilnor Projects is a Small Medium and Micro Enterprise South African Company that seeks to align itself with Government Procurement Policy and Procedures. These Guidelines are issued by the Company not only as a prescription of standards of behaviour, ethics and accountability which it requires of its employees(including consultants), but also as a statement of the Company's commitment to a procurement system which enables the emergence of sustainable small, medium and micro businesses which will add to the common wealth of our country and the achievement of enhanced economic and social well-being of all South Africans.

1. Introduction

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

- The Six Pillars are:
- Value for Money
- Open and Effective Competition
- Ethics and Fair Dealing
- Accountability and Reporting
- Equity
- Support to the Local Business (Especially SMME)

These Guidelines address those Six Pillars and prescribe a minimum set of standards that are to be observed. The Guidelines is being supplemented by the Company Chief Executive Officer and it must be clear understood by individual employee and or Consultant. It must be clear understood that the responsible buying person at Bilnor's workshop is the administrative department (admin person) under the supervision of the Bilnor Administration Manager. Only in the absence of the administration structure will the workshop manager (consultant) acquire services from suppliers by himself, after obtaining approval from Bilnor Managing Director.

2. Value for Money

This is an essential 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. Factors such as; BEE rating, SMME Support, Local support, availability, prices, must be highly considered when buying (that means the proof of compliance must be obtain by the person buying).

The procurement (Administration Structure) function itself must also provide value for money and must be carried out in a cost-effective way. Procurement (Administration Structure) should:

Ensure that the company benefit from all products acquired. Enhance fairness by obtaining at least 3 quotations when buying any product for the value of R5 000 and up.

Seek to avoid cash on delivery (COD) by opening a 30 days account;

Negotiate a discount on all earlier payment. The Administration manager is obliged to provide proof of discount (especial on earlier payment) obtained before payment is released.

Avoid any unnecessary costs and delays for themselves or suppliers;

monitor the supply arrangements and reconsider them if they cease to provide the expected benefits; and ensure continuous improvement in the efficiency of internal processes and systems.

3. Open and Effective Competition

This requires:

(a) a framework of procurement 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.

Departments need to apply effort and research to get the best possible outcome from the market by ensuring that:

(a) potential suppliers have reasonable access to procurement opportunities and that available opportunities are notified at least by means of Request For Quote (RFQ). The buying person will send the

RFQ to as many suppliers as possible, that contain amongst other information; product required, date generated, closing date and time. The supplier will send a quote to the buyer

- (b) where market circumstances limit competition departments recognise that fact and use procurement methods that take account; of it;
- (c) adequate and timely information is provided to suppliers to enable them to bid;
- (d) bias and favouritism are eliminated;
- (e) the costs of bidding for opportunities do not deter competent suppliers; and
- (f) costs incurred in promoting competition are at least commensurate with the benefits received.

4. Ethics and Fair Dealing

In procurement, if all parties comply with ethical standards they can:

- (a) deal with each other on a basis of mutual trust and respect; and
- (b) conduct their business in a fair and reasonable manner and with integrity.

All Company's staff associated with procurement, particularly those dealing direct with suppliers or potential suppliers, are required:

- (a) to recognise and deal with conflicts of interest or the potential therefor;
- (b) to deal with suppliers even-handedly;
- (c) to ensure they do not compromise the standing of Bilnor through acceptance of gifts or hospitality;
- (d) to be scrupulous in their use of Company's property; and
- (e) to provide all assistance in the elimination of fraud and corruption.

5. Accountability and Reporting

Any person employed by Bilnor in position of buying will follow these necessary procedures (guidelines) and use practical judgement when purchasing any product for the company. The person in position of buying will amongst other things follow these reasonable and practical procedures; generate and send an Request For Quote (RFQ) to as many suppliers as possible; select at least 3 suppliers and liaise with the end user about the suppliers and their product; raise the order number against the preferred supply; ensure that the product is delivered; and the buying person will sign and acknowledge that correct product is delivered (should the buying person be absent, the storeman may sign on his absence). The storeman must ensure that the product is registered onto company's book. All acknowledgement receipts documents must be filed for audit purposes. After 3 months the acknowledgement receipts will be archived. Under no circumstances may the end user or anyone in the company, influence or pose undue pressure to the buying person.

This involves ensuring that individuals and organisations are answerable for their plans, actions and outcomes.

Openness and transparency in administration, by external scrutiny through public reporting, is an essential element of accountability.

Within the procurement framework:

- (a) heads of departments are accountable to their department for the overall management of procurement activities;

- (b) Heads of Administration are accountable to their department for various high-level management and co-ordination activities;
- (c) individual Administration officers are accountable to their clients, for the services they provide; and
- (d) all people exercising procurement functions must have regard to these guidelines and are accountable to management.

6. 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 is vital to Companies in South Africa that endeavour to comply with government policies and procedures. It ensures that Bilnor is committed to economic growth by implementing measures to support industry generally, and especially to advance the development of Small, Medium and Micro Enterprises and Historically Disadvantaged Individuals.

In accordance with the Reconstruction and Development Programme, SMMEs and HDIs need to play a bigger role in the economy. Greater participation in the economy and more diversified representation of blacks and gender in ownership is essential.

The Company has implemented the Preferential Procurement Policy Framework as the foundation on which all procurement activities are to be based. Its aim is to:

- (a) advance the development of SMMEs and HDIs
- (b) promote women and physically handicapped people;
- (c) create new jobs;

7. Support to the Local Business (Especial SMME)

The company recognises that its operations affects the local communities, therefore;

The company seeks to give preferential to its local communities when buying. The company is committed to promote and support local product that complies with the company requirements.

No Bilnor procurement system should be operated if it is not founded on this pillar. The company Chief Executive Officer may review this document when deemed necessary.

8. Implementation of the Procurement policy and Procedures

This documented procedures are effective immediately to all Bilnor employees. The company Managing Director will (himself) or may elect any senior employee or outside firm to audit the company (Procurement Audit) every 3 months. Any person found deliberately deviating from these procedures will face the company disciplinary proceedings and it may lead to a summary dismissal.

Chief Executive Officer

Eric Gerald Khoza