

Policy Manual

Procurement of goods and services

1. Purpose

This Policy establishes the directions that must be implemented relating to the procurement of goods and services by the Company. The Company is required to implement and maintain an effective internal control framework over procurement activities.

2. Scope

This Policy applies at all Company locations.

Policy Statement

Cane

The company has formed cane procurement committee comprising CEO, Executive Director, Resident Director, Chief Financial Officer, General Manager Cane and/or any other officer authorized by CEO or ED for this purpose. This committee will decide the quantity and quality of cane to be purchased and maximum subsidies to be paid for the coming season.

Molasses

The company has formed molasses procurement committee which includes CEO, Executive Director (ED), Chief Financial Officer and/or any other officer authorized by CEO or ED for this purpose. This committee will decides on best practice routes for the procurement of molasses in line with the approved budgets of the company.

Other purchases

The company has made responsible purchase department for all other purchase for the procurement of goods and services in line with their duties and responsibilities in order to achieve value for money and sustainable quality of supply.

Responsibility

The management is responsible for ensuring this policy is adhered to in respect to all procurement of goods and services made by the Company.

Implementation

The Procurement of Goods and Services Policy will be implemented throughout the Company.

3. Purchasing Procedure (for cane)

1. The Survey for ascertaining the quantity of cane available for the season is conducted thrice a year.
 - Acre survey, in March -April for area under cultivation.
 - Assessment survey started before one month of season and closed before one week of season.
 - Mid Survey, in order to reassess the position when the half season has passed.
2. A sector wise survey report is prepared by the sector officers and such survey report is prepared on the basis of expected yield.
3. The CEO, Executive Director or Company Secretary after analyzing the survey report may call a meeting of the resident director and general manager cane, if desired
4. The quantity to be purchase and government applicable rate / variation in rate is decided by the CEO, Executive Director or Company Secretary in this meeting or by giving any instruction.
5. The government specified rate is fed into the computer software for cane accounting as parameters.
6. At the start of the production season the sample of cane are collected by the field officers.
7. The samples collected are sent to the cane lab for recovery/yield testing.
8. Based on the lab test a “recovery report” is developed which contains the maximum ratio of recovery/yield that can be obtained from the sample of the cane so obtained categorically.
9. A code number is also assigned to each grower at the recovery report stage from whom the cane is to be purchased and whose recovery ratio is high.
10. A “KACHA INDENT” is issued to such growers by the cane department, which is authorized by the general manager cane. Computerized Indent may be issued considering the delivery of cane.
11. At the time of arrival of the cane at the mill, the vehicle carrying the cane is allotted a token.
12. Separate token registers are maintained for different modes of transportation.
13. On arrival of the vehicle inside the mill computerized indent is issued to the growers.
14. The security officer punches the indent with its serial number and time of arrival of the vehicle.
15. The cane quality staff checks the overall quality of cane in the vehicle and draws some sample for recovery testing.
16. After receiving recovery results, the decision of allowing the vehicle for unloading is taken.
17. The vehicle then goes to the weighbridge for first weight.
18. The vehicle goes to the cane carrier and unloads the cane where the indent is stamp unloaded UNLOADED by the cane carrier supervisor and duly signed by him.
19. After unloading the vehicle goes to the weight bridge for tare weight and net weight. The weighbridge slip is printed in duplicate.
20. One copy is retained by the weighbridge clerk and other is provided to the grower.
21. Shift wise report along with the indent received is made by the weighbridge supervisor and sent to the accounts department.

22. Accounts department verifies the weightage, deductions and indent details from the shift wise report.
23. Reports then sent to the auditors along with the supporting documents.
24. After verification the report is sent back to the accounts department.
25. The data is transferred from weighment to software checked before processing the bill.
26. Processing of bill is done and checked before final print.
27. Grower payment summary report is printed in accordance with bank order.
28. The distribution of the copies is as follows.
 - Bank copy sent to the bank in order to match it with the grower copy.
 - Mill copy also sent to the bank in order to return to the mill after payment has been made to the Grower.
 - Accounts copy is retained for the record.
 - Grower copy sent to the cane department where all are transferred to respective field officers with whom delivered to Growers and acknowledgement has been obtained.
29. The printed bill is matched with the grower payment summary report by the data officer.
30. Accounts department prepares the **GROWERS PAYMENT SUMMARY** which is based on the grower wise bills and is accompanied by the J.V.
31. The summary of the J.V. is prepared and verified by the Chief Accountant and send to head office for approval.
32. The mills after receiving the approved J.V prepare payment vouchers and send the bills raised by the bank.
33. The grower then goes to the bank with their bill copy and present in the bank, a copy of which is already sent to the bank.
34. Bank sent the mill copy after payment to the grower along with the bank debit advice to the Factory.
35. Audit department matched the mill copy with the Grower payment summary.
36. Accounts department matched the General ledger with the credit balance of the growers on daily basis.

4. Purchasing Procedure (for other purchases)

4.1. Definitions

a) Contract:

A written, legally binding agreement between the Company and an external supplier.

b) Goods:

Tangible property for sale, lease, or rental (also known as merchandise or commodity).

c) Purchase Order:

A legally binding contract for purchase between the Company and the vendor.

d) Service:

An activity in which labor is the major factor and not merely incidental to the production, acquisition, and/or delivery of a good.

e) Supplier:

An individual or organization that provides specified and agreed upon goods and/or services to the Company.

4.2. Purchase Requisition Authorization

Relevant department manager and resident director is authorized to approve purchase requisitions.

4.3. Acceptable Purchasing Methods

All the purchases are made through purchase order (other than for molasses and cane)

4.4. Supplier Selection (for all other purchases)

1. If an approved supplier exists for a required product or service, they should be considered as the first option.
2. New Suppliers are proposed by the person initiating a requisition by opening new supplier code in the accounting software.

4.5. Selection of Purchase Option

Determine the purchase option that will best suit the required acquisition in respect of process and value for money.

4.6. Requisition Information

The following information will be required before making a purchases:

- Supplier details
- Contact / Delivery details
- Price of goods or service
- Quantity
- GST included cost where applicable
- Timelines

4.7. Requisitions entered by department/section

An authorized staff of relevant department with access enters details of an authorized purchase requisition into the Oracle system.

If a procuring department instructs suppliers to provide goods or services by methods other than purchasing requisition, this may result in payment delays that could jeopardize future supplies of goods or services to the Company.

4.8. Purchasing steps

- Once the relevant authorized person has approved all details of expenditure, the Purchase Requisition is converted to a Purchase Order.
- Quotations should be obtained from more than one supplier.
- Contract is awarded to lowest bidding supplier. The contract may be awarded to suppliers with good credibility, capacity to meet the requirements or other qualitative factors which suites the company specification.
- The purchase order should be prepared on the name of supplier whom contract is awarded.
- The purchase order is forwarded to the supplier as confirmation of the order.
- Orders should state that goods be delivered direct to the purchase department or other agreed destination.
- Supplier invoices should be delivered directly to the accounts payable section of finance department.
- Receiving at Head office or factory side.
- Should be inspected and signed for upon delivery.
- Confirmation of receipt of goods or services in the oracle system.
- The person initiating the requisition or their nominated receiving officer has the responsibility to confirm that goods/services received conform to specified order requirements and are as detailed on the receiving note.

4.9. Completed Orders

Confirmation of the receipt of goods or services should be registered on the Inventory management module of Oracle to enable the payment of the Supplier account.

4.10. Incomplete Orders

When orders are only partially received only the component value of the received goods should be entered onto the Inventory Management system.

4.11. Authorization for Payment

Invoices are authorized for payment (net of advance payment) by the requester upon completion of the Receipting process and within agreed due date of payment as mentioned in the purchase order on the Inventory Management system. Advance payment may be made subject to approval of CEO, Executive Director (ED), Company Secretary or in their absence any other officer authorized by CEO or ED for this purpose. Failure to receipt will disallow payment or recovery of advance.

4.12. Responsibilities

1. The finance department has overall responsibility for ensuring that the following activities are performed:
 - Maintaining financial records.
 - Payments to suppliers.
2. The manager purchase has responsibility for the maintenance of this procedure.
3. Heads of relevant department are responsible for ensuring that the following activities are performed:
 - Approving expenditure from CEO, Executive Director or Company Secretary.
 - Details of expenditure are clearly recorded.
4. Distribution of purchase orders is the responsibility of supply chain.
5. The person receipting goods from carriers or supplier agents are responsible for checking and signing for number of items received.
6. Authorizing Invoices for payment by way of receipting goods received on the Inventory Management system is the responsibility of the person who initiates the requisition or their nominated receiving officer.