

Board Paper No 2023/580/10/O

Board Paper No 66

Date 27th October 2023



PROCUREMENTS POLICY & PROCEDURES MANUAL

Version II

Owner – Administration Department

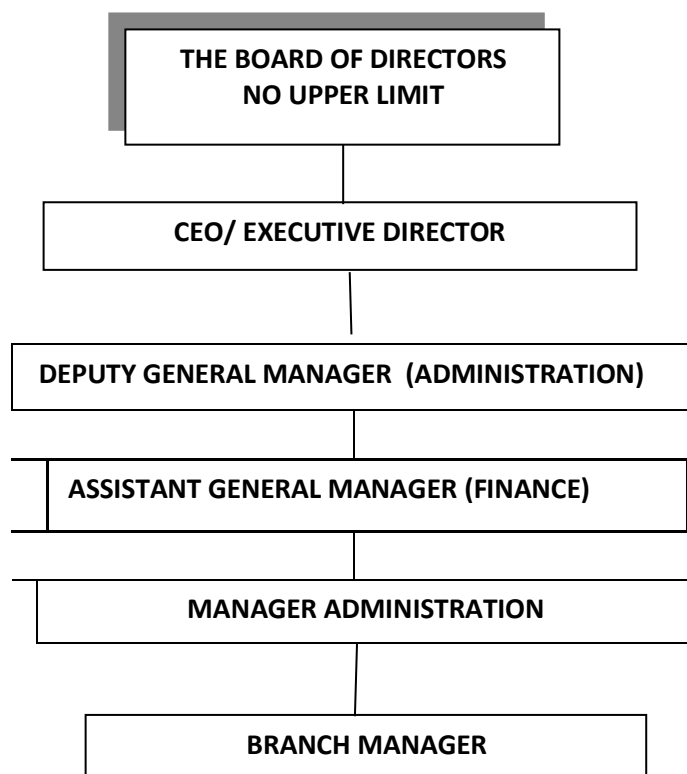
Approval Board of Directors

Date of Approval 27th October 2023

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1. Organizational Structure for Procurements and Delegated authority



DELGATED AUTHORITY

The Authorization Limits

Expenditure category	CEO Executive Director	Deputy General Manager Administration	Assistant General Manager Finance	Branch Manager
Within the Budget	Rs 10 M	Rs 5 M	Rs 2 M	Rs 25,000/
Not Budgeted	Rs 5 M	Rs 1.M	Rs 0.5 M	Nil

Note

PLEASE REFER ANNEX FOR RELATED PARTY TRANCACTIONS DIRECTION OF CBSL (Page 14)

2. PROCUREMENT POLICY

- (a) All related activities should be conducted maintaining transparency
- (b) Purchasing should be based on at least three complete bids received from suppliers / service providers
- (c) Dealing with suppliers' officers should be fair and consistent
- (d) Procurement should meet the specific requirements of the in-house end user or customer service needs
- (e) All activities should be in accordance with the regulatory and statutory requirements
- (f) The executives exercising delegated authority for procurements, are accountable to the Board of Directors for conducting their related activities in a prudent and a cost-effective manner in relation to the related requirement
- (g) When establishing registered suppliers / service providers either individuals or business establishments a due diligence test shall be carried out to establish identity, legal status, backed by a visit to the place of business to gain an insight into the capabilities / activities of the supplier
- (h) Quality should not be compromised for price. (*Refer Paragraph 15 below*)
- (i) All procurement activities should be conducted in compliance with the regulatory requirements of the Central Bank of Sri Lanka and in-house circulars & instructions where applicable
- (j) The requirements in this manual shall apply when outsourcing business operation of the company in general and calling for quotations/ tenders to outsource in particular, subject to the requirements in the "Outsourcing of Business Operations Manual"

3. CODE OF ETHICS

- (a) Procurement activities should always be conducted with a view to protecting the interest of the company in relation to its objectives and goals.
- (b) Employees should not create any relationships with existing suppliers and those who intend to be suppliers, which may influence the decision-making process by accepting gifts/ gratification/ or demanding their services to meet personal requirements that of family members and friends at preferred rates / discounts etc.,

- (c) Ensure equal opportunities to suppliers and service providers in tendering their bids/quotations in a competitive manner to meet our procurement needs.
- (d) Maintain strict confidentiality on quotations / bids and other information of bidders and prevent such information from reaching their competitors until the award of contract is officially notified to the successful supplier / service provider.
- (e) Ensure that the needs of the company are met with the least possible delay and ensure supply of quality goods and services.

4. CONFLICT OF INTEREST

Transactions with either Related Parties or Connected parties should be referred to the Board Related Party Transactions Review Committee to deal with as per their Terms of Reference of the co., ittee

Conflict of interest is a situation that has the potential to undermine the impartiality of an employee of the company, because of the possibility of a clash between the company's interest against person's self-interest, or professional interest or financial interest.

Therefore, it is the responsibility of an employee involved in procurement activities to declare such interest and avoid the company from encountering a conflict of interest situation in its procuring commitments

5. DEFINITION –ASSETS

A fixed asset procured is an item with a useful life greater than one reporting period. A fixed asset is procured for the productive use within the company. The following are examples of general categories of fixed assets: *-Buildings, Machinery fixed to the ground and fixtures Intangible assets, Land, Leasehold improvements, Vehicles)*

6. ANNUAL BUDGET

Heads of Departments and Branch Managers should plan out their capital expenditure requirements for the ensuing year by the end of November each year and forward the related details to the Head of Finance to finalize the annual budget of the company for the consideration of the Management and onward submission to the Board of Directors for their approval.

7. DISTRUCTION / DISPOSAL / WRITE OF AN ASSET – (Authority)

Sale /disposal / Write off of an assert in unusable condition (Uneconomical to repair / beyond repair), should be under the prior approval of the CEO / Executive Director duly recommended by either a Branch Manager or a Head of a Department jointly with the Head of Finance and Manager Administration taking into confederation the net book value.

Manager administration should make the necessary adjustments in the books of the company. (The branch inventory records accordingly)

8. REQUEST FOR PROCUREMENT OF AN ASSET

If it becomes necessary to procure an asset not budgeted for to meet a specific need of a Branch or a Department such request should be directed to the Head of Administration. The requesting branch / department should justify the need for such asset in relations to improvement of customer service or overall cost savings or better capabilities where appropriate.

If the request is justified, The Head of Administration shall proceed to meet the requirement by obtaining the required approval as per limits delegated for non-budgeted procurement (refer section 1 above and 9 below)

Approval of the CEO/Executive Director or DGM (Administration) is required to decline a request made by a Branch Manager or a Head of

Procurements shall be based on minimum of three bids / quotations made by suppliers / service providers subject to exemptions herein.

Where ever possible due inquiries should be made to ensure that related companies / group of companies do not bid / quote inflated prices to mislead our selection process. If detected such parties should be black listed.

Limits (Sealed Tender/ Sealed quotation)

- (a) For procurement of assets above the amount of Rs 1,000,000/- should be by calling for tenders.
- (b) The above will not apply to procure an item (s) costing Rs 100,000/- or less subject to the prior approval of the CEO/ executive Director to meet a contingency

9. CONDITIONS IN A TENDERS NOTICE / INVITATION FOR SEALED QUOTATION

- (a) The Identification / Reference number of the Tender
- (b) Date, Time and Place at which the tender shall be closed / opened
- (c) The place to which the related items be delivered
- (d) The mode of submitting the tender – By Registered post/ deposit in the tender Box- location of tender box and that the documents should reach the company before closing time stipulated under (b) above. (Keeping the time requirement is the responsibility of the tenderer.
- (e) Date for Delivery / completion of work or service
- (f) Penalty for delayed delivery / performance
- (g) Terms of Payment - performance / Advance payment
- (h) Terms of the required after sale services / service agreements
- (i) Requirement of Nonrefundable deposits and related value / tender deposits /bid bonds/ performance bonds with related conditions where applicable
- (j) Disclose companies' absolute right of Interpretation of conditions / reject any or all tenders / right to accept any portion of a tender / the right to procure a lesser quantity/ such other condition to safeguard the interest of the company

10. ACCEPTING TENDERS / QUOTATIONS

- a) All envelopes / packets containing tenders / quotations received via post / courier should be “receipt date stamped” received by the receiving executive and deposited in the Tender Box
- b) Late tenders/ quotations shall not be accepted
- c) Late tender / quotations received by Registered post should be Received Date stamped and recorded in the “Late Tenders / Quotations Received by Registered Post Register.”
- d) Tender submitted (other than by process described in (a) above) which may consists of a large parcel of documents such documents may be accepted by an authorized executive recording the date and time received on the parcel and place signature affixing the seal of the company
- e) The tender box shall be located in the premises / office mentioned in the notice
- f) All tenders. / Quotations should be opened in the presence of the three executives nominated by the CEO/Executive director, inclusive of the Head of Administration. Head of Internal audit or his nominee’s presence is mandatory as an observer. One representative of each tender should be allowed to participate when opening sealed tenders

11. SECURITY OF THE TENDER BOX

- (a) The Original and the duplicate keys to the tender box shall be placed in a sealed cover and kept in a safe at the office where the tender boxed is to be opened
- (b) At the time of opening of the tender, the sealed cover containing the original keys shall be opened in the presence of those participating in the opening of tenders.
- (c) Documents relating to tenders other than the tender to be opened should be deposited in the tender box and sealed in the presence of the afore said officials
- (d) After the above process the keys should be dealt with as per (a) above

- (e) The movement of Keys in and out of the safe should be recorded in the securities in / out register maintained by the officer in charge of the safe.

12. BANK GUARANTEES (If recommended decided by the Procurement Committee)

Type of Bond	Value of Tender	Bond Value & validity
Bid Bond	Over Rs 500,000/-	1% of the value quoted valid till one month after the date of the bid
Performance Bond	Over Rs 500,000/- -	10 % of the awarded value valid till the agreed date of delivery.
Advance payment / mobilization Bonds	Over Rs 500,000/-	100 % of the value of the advance payment

13. PROCUREMENT AND TENDER EVALUATION COMMITTEE

The committee shall consist of the following

REPORTING AUTHORITY - CEO/ Executive Director

- a. Deputy General Manager (Administration) - Chairman
- b. Deputy General Manager (Information Technology)
- c. Deputy General Manager (Business Development and Fund Mobilization)
- d. Head of Administration (Secretary shall maintain minutes)
- e. AGM (Finance) or Head of Finance
- f. On invitation an appropriate External professional if specialized technical expertise is required
- g. On invitation a Representative from user Branch /. department

Internal Auditor - Observer

Quorum shall be 4 Members with the Chairman

Meetings - Need Based

14. SELECTION CRITERIA`

Although accepting the lowest bid is the norm, the required quality / standards relating to the asset should not be sacrificed when accepting a bid to procure vital assets. If the Technical Evaluation Committee (Referred to above) recommends acceptance of an offer over the lowest bid which justifiable grounds such recommendations should be given due recognition, when deciding on best offer to accept, which may even lead to accepting a bid greater than the lowest bid in the best interest of the company.

15. ADDITIONS TO A TENDER

If it becomes necessary to increase the quantity which has not been identified when original quotations was called and if it is observed that following the tender procedure is not economical or time consuming to procure such quantity and that market value of such item will not decline in the near future CEO / Executive Director shall approve additional purchase of such item up to 50% of the total value quoted in the accepted tenders subject to limitations in Paragraph 1 above

16. NEGOTIATION WITH TENDERERS

The evaluation committees referred to under Paragraph 14 above CEO/ Executive Director may if necessary negotiate with the tenderers with a view to :-

- Clarifying identified issues / doubts
- Improving benefits
- Identifying new alternatives
- Achieving more favorable terms / services

17. EXCEPTION FROM TENDER PROCEDURES / CALLING QUOTATIONS

The following activities are exempted:

- (a) Utility payments (Electricity/ Water supply/ Water
- (b) Specialized Professional services (Valuers / Lawyers)
- (c) Specialized promotional events (One Off)
- (d) Purchase of one or more items at once the total value of which is less than Rs 50,000/-

Entering into Agreements and Contracts for the following shall be approved by CEO/ Executive Director having called for the quotations under his authority

- a. Security**
- b. Cleaning & Janitorial services**
- c. Hiring of Vehicles.**
- d. Printing Advertising Materials (subject CBSL Directives the contents therein)**
- e. Lease agreements on premises for the use of Company**

The Head of Administration shall arrange to renew the above agreements / contracts by calling for fresh quotation as above every two years and change the suppliers / service providers where appropriate.

18.REPAIRS / MAINTENANCE

Repairs and maintenance of assets not covered by after sale service agreements (Vehicles. Fittings) shall be carried out under the direction and supervision of Head of Administration having obtained the approval of the CEO/ Executive Directors to meet the cost involved.

19.REGISTRATION OF SUPPLIERS

- a) The Head of Administration with the approval of CEO/ Executive Director and DGM (Administration) shall at an interval of two years publish a press notification in newspapers in Sinhala Tamil and English calling for applications to register as suppliers & contractors of the Company for supply of Goods and services specified therein.**
- b) The Head of Administration and Head of Finance together shall evaluate the applications received subject to the Due Diligence Requirements, (Refer - Customer Due Diligence rule No 01 of 2011) credibility, financial stability and past performance with the company.**
- c) The Head of Administration shall recommend with justification to CEO/ Executive Director for approval a supplier as a “Registered Supplier / Contractor”**

- d) **Head of Administration shall notify the selected suppliers that they have been registered as suppliers to the company and convey the related terms and conditions where appropriate.**
- e) **Head of Administration shall maintain a register of the“: Registered Supplier and Contractors” duly classified to facilitate easy identification of the suppliers in relation to required goods and services.**
- f) **Head of Administration with the concurrence of CEO/ Executive Director shall remove a supplier due to noncompliance with our term and conditions within the specified time period**

20. STATIONARY

Subject to the “Tender / calling for quotations” procedures and limitations stated above; all stationery should be procured centrally at the head office by the Head of Administration in economic quantities depending on the usage and lead time required to fulfill new orders by the supplier (formats, letter heads, printed matter ,etc.,)

Formats used by customers to open accounts, applications for credit facilities etc., could be placed in web site of the company with provision to down loaded by customers and branch employees reducing the cost and the need to carry stocks of such stationery.

21. PAYMENTS

Head of administration shall forward the following documents as applicable to the AGM or Head of Finance to execute payment to suppliers

- (a) The Document relating to the approval of the purchase Order and related payment details (Indicate source of approval “Approved by..... On.....”)**
- (b) The Quotation with related reference numbers**
- (c) Supplier’s Invoice with purchase order No**
- (d) Goods Received Note (GRN) with related reference numbers, conditions etc.,**
- (e) Any other document required by the AGM / Head of Finance**

The Head of Finance having satisfied himself with the documents submitted to him requesting payment (Authenticity and compliance with the requirements stipulated herein) shall make the payment by Cheque drawn in favour of the supplier crossed "Account Payee" and obtain receipt from the supplier for his records.

If the supplier is maintaining a savings account with the company arrangements could be made to credit the proceeds to his savings account under advice to the supplier.

22. Review

This manual will be reviewed in relation to escalation of cost of goods equipment and services required for the conduct business operations of the company and to meet any applicable regulatory requirements

Recommended for adoption

Signed
CEO/ Executive Director
Date 27th October2023

Annex 1

23.RELATED PART TRANCACTIONS CBSL DIRECTION**Quote****“FINANCE COMPANIES (BUSINESS TRANSACTIONS WITH DIRECTORS AND THEIR RELATIVES) DIRECTION NO. 2 OF 2007 1/**

1. This Direction may be cited as the Finance Companies (Business Transactions with Directors and their Relatives) Direction No. 2 of 2007 and shall apply to every finance company registered in terms of section 2 of the Finance Companies Act, No. 78 of 1988, and shall come into operation with immediate effect.
2. A finance company shall not, without the approval of the Director, conduct any business transaction with a director of the company or a relative of a director of the company where the total value of transaction/s exceeds Rs.50,000/- per month or Rs.500,000/- for a financial year. Conducting of any business transaction by a finance company with a director of the company or a relative of a director of the company shall be subject to the Finance Companies (Lending) Direction, No. 01 of 2007.
3. The provisions of paragraph 2 hereof, shall not apply to accepting of time and savings deposits from a director of the finance company or a relative/s of a director of the finance company in conformity with the Finance Companies (Deposits) Direction, No. 01 of 2005 and the Finance Companies (Interest) Direction, No. 02 of 2005 and on terms and conditions that are, for the time being, applicable to the other depositors of the finance company, and to payment of interest on similar deposits.
4. For the purpose of this Direction,
 - (a) “relative” shall mean the spouse and/or dependent child of an individual.
 - (b) “the Director” shall mean the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.
5. The Finance Companies (Business Transactions with Directors and their Relatives) Direction No. 6 of 2006 is hereby revoked.

This Direction was made by the Monetary Board on 29 June 2007 under the Finance Companies Act, No.78 of 1988 and published in the Government Gazette (Extraordinary) No. 1503/24 dated 29 June 2007. “