



Policies and Procedures

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Subject: PURCHASING POLICY	Date Issued: 01/06/2021	Supersedes:

POLICY/ PURPOSE:

The purpose of this policy is to communicate the Company's policies and procedures relating to the proper accounting of its Purchasing Policy.

SCOPE:

The scope of this subject includes the accounting treatment and functions of securing (and qualifying) sources of supply, initiating requests for materials equipment, supplies or services; obtaining information as to availability and pricing from approved suppliers; raising purchase requisitions and placing orders for goods or services; receiving and inspecting or otherwise accepting the material or goods. Accounting for the proper amounts due to suppliers and processing payments in a secure and controlled manner..

This policy applies to all of the Company's subsidiaries and business units.

POLICY AND PROCEDURES:

The policy and procedures will cover the following specific functions within the purchasing process.

- 1.0 Supplier selection and evaluation
- 2.0 Purchasing process
- 3.0 Receiving Goods in
- 4.0 Returns of Goods
- 5.0 Accounts payable
- 6.0 Appendix

1.0 SUPPLIER SELECTION AND EVALUATION:

- 1.1** A new supplier request form is raised by the branch or project manager and submitted to the purchasing manager for evaluation (and HSQE manger where input is required) as to ensure the supplier complies with the requirement of JEH.
- 1.2** Once the form is approved by the purchasing manager (signed) it is then passed to finance for final set-up, with supporting documentation, which includes bank details on supplier headed paper, ISO certification and any training/license documentation where required.
- 1.3** The supplier is registered on the companies ERP system (form is signed). A different person within finance confirms the supplier bank details and follows this up with a verbal confirmation by the supplier. Once confirmed the form is signed.
- 1.4** The setting of the supplier bank details is a segregated duty within finance, the form is then signed as conformation.
- 1.5** Finally the FC or FD will review the above processes and confirm by signing the form allowing the supplier to become active on the system.
- 1.6** Supplier evaluation is conducted annually by the purchasing department to ensure suppliers are continuing to comply. This includes audits where required.
- 1.7** Suppliers that are inactive for 2 years are automatically closed via the JEH ERP system and to be re-opened approval has to be given by the purchasing manager with same documentation to be re supplied and the process above from 1.2 – 1.5 is completed.

2.0 PURCHASING PROCESS:

2.1 Purchase requisition:

Purchase requisitions are generated by Administrators where there is a need to purchase parts or services which form part of overhead spend.

Where the requirement is for a part or service where there is more than one supplier able to fulfill the requirement; then a minimum of two quotes

should be provided to guarantee competitive pricing. The administrator enters details onto the ERP system and the authorization then falls in line with the JEH Levels of Authority. These levels are set by the Managing Director and the Director of Finance.

Once the Purchase requisition has been authorized , it is then converted through to a Purchase Order.

Where parts are required for stock, the Purchase requisitions are generated by the JEH ERP system and are checked by the Buyer, prior to converting to a Purchase Order.

2.2 Purchase Orders

The requirements for a purchase order are generated the same as 2.1 above. The value of the Purchase order also falls in line with JEH Levels of Authority.

For off the shelf product, the buyer will obtain competitive pricing. If it's limited source supply then delivery times will take precedence.

Once the Purchase Order has been authorized it is then sent to the supplier. Any amendments above the buyers LOA will automatically go to the next authorized level for approval.

3.0 RECEIVING GOODS IN:

3.1 All incoming Goods must be processed by the designated Goods In location. The Goods that arrive are checked against the delivery paperwork and cross referenced against the Purchase Order raised on the JEH ERP system.

3.2 The details that require checking are the supplier part number on the part itself vs the delivery paperwork. These are then verified and matched against the part number listed on the JEH purchase order. All parts should be visually checked for any damage.

3.3 Should the Goods arrive without any paperwork, then they shall stay in Goods In until resolved. The Goods will not be booked into stock until accepted.

3.4 Should the Goods be in discrepancy; ie: more or less Goods arrive than ordered, the following should apply:-

- i. Goods received less than ordered – Book all into stock and raise a discrepancy with the supplier.

3.0 RECEIVING GOODS IN continued:

- ii. Goods received greater than ordered – Book value into stock per the Purchase Order, book the remaining into stock as a miscellaneous item.
- iii. Should the invoice state the higher quantity than the JEH Purchase order, then the purchase order will be amended and approved if required for the additional items.
- iv. Some machined components where the quality and tolerances are critical such as a crankshaft should go through as a complete part inspection, taking measurements with equipment to engineering drawings.

4.0 RETURNS OF GOODS:

- 4.1** Where parts are delivered incorrectly, damaged or out of tolerance these parts will be returned to the supplier.
- 4.2** The supplier will be informed and a returns form filled out and approved by the purchasing manager and or the Operations Director..
- 4.3** At the point of return we have the option to request a credit for the value of the parts being returned or if the part is incorrect to drawing then we have the alternative option to request the supplier to rework free of charge.
- 4.4** The handling procedure for the returned purchase orders will be by the Buyer concerned. The Buyer will then monitor the returns process and the overall quality and performance of the supplier will be measured.

5.0 ACCOUNTS PAYABLE:

- 5.1** The Accounts payable function will be segregated from purchasing and Goods In/Out activities. Held within the central finance function
- 5.2** Prior to payment the suppliers invoice must have been accepted and receipted into the JEH ERP system. This will then allow automatic approval for payment based on the LOA process within the ERP system.
- 5.3** Invoices for which purchase orders do not exist, must have approval by management according the JEH LOA levels of authority.

5.0 ACCOUNTS PAYABLE continued:

5.4 Aged, unmatched purchase orders, Goods received notes and invoices must be periodically reviewed, investigated and resolved. This will be done by the Project managers and Service administrators, most notably at the time the Project or Work Order is to be closed down.

5.5 Supplier statements must be reviewed monthly for high volume and critical suppliers, quarterly for all other providers. Accounts payable should review debit balance accounts at least periodically for clear-down.

5.6 Prior to payment Accounts payable should ensure the supplier being paid is included with the ERP system supplier data base. The supplier should be on the ERP system before an order is placed as most purchases should be by purchase order. A random selection of invoices will be selected prior to payment to ensure the invoice and supplier match.

5.7 The GRNI is reconciled and reviewed quarterly by segregation of duties by our Derby premises. This is controlled by the Operations Director.

6.0 APPENDIX:

6.1 IFS Purchase Requestion/Purchase Orders

6.2 IFS Registering Purchase Order Arrivals

6.3 IFS MRP Generated Purchasing Requestion/Purchase orders

Gary Burnett
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