

# **EXPLO National Manual of Assets and Facilities Management Volume 8, Chapter 2**

## **Procurement General Guidelines**

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## Procurement General Guidelines

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## 1.0 PURPOSE

The aim of this procedure is to highlight to the Entities the need to strictly adhere to number of factors when establishing or reviewing their own policies, procedures and systems which cover procurement.

This document will offer advice and guidance in line with International Best Practice which is intended to ensure that an Entity can work within the Rules, Regulations and Processes mandated within the current legislation.

Entities can also utilize this document to help them measure and control their performance, which leads them to improve the overall outcome, based on their objectives such as compliance, transparency and management visibility.

## 2.0 SCOPE

This document provides the guidance and clear direction, specifically for Senior Managers responsible for Procurement Departments within government Entities. It describes the various stages and processes required to be in place within each Entity. Although references are made to commonly used procurement methods, each Entity shall produce its own specific set of procedures according to relevant parameters such as any Entity procurement management strategy, end-user requirements, operational logistics, and contractual obligations.

This document is aimed at explaining specific requirements to any Entity, demonstrating the key aspects required for developing general policies, development process, and reporting techniques based on the best standards and practices. The document will discuss the general policies and guidance for the following areas:

- Procurement Planning
- Procurement Monitoring & Evaluation
- Procurement Tracker
- Procurement Records
- Post Procurement Review
- Product Quality Assurance
- Procurement Portfolios
- Materials Standardization
- Material Samples
- Prospective Bidders
- Ethical Code

## 3.0 DEFINITIONS

Term	Definition
Goods Received Note (GRN)	A GRN is a document that both supplier and customer use to validate the receipt of ordered and delivered goods. On receipt of a supplier invoice, the accounts department will verify the invoice using the GRN before making any payment.
Key Performance Indicator (KPI)	KPIs are quantifiable measurements, agreed by stakeholders, which reflect the critical success factors of assets or the operations or the services to be delivered.
Letter of Credit (L/C)	Letters of Credit are used extensively in the financing of international trade, where the reliability of contracting parties cannot be readily and easily determined. Its economic effect is to introduce a bank as an underwriter, where it assumes the counterparty risk of the buyer paying the seller for goods.
Purchase Order (PO)	A commercial document issued by a buyer to a seller indicating types, quantities, and agreed prices for products or services.



Purchase Requisition (PR)	A document used when an employee needs to make a purchase or an order request on behalf of their company so that the purchasing department can start the purchasing process.
Request for Proposal (RFP)	A business process in which a company or public entity requests a proposal for a service or a combination of services.
Request for Quotation (RFQ)	A business process in which a company or public entity requests a quote from a supplier for the purchase of specific products or services.
Supplier	A Supplier is any organization or proprietor that receives a purchase order or enters into an agreement to provide a service, furnish equipment or material, on any Prime Contract, and does not employ on site labor in so doing. It is the intent of this definition that a manufacturer's service, erection and commissioning supervisors, technical staff, testing engineers, and delivery drivers (e.g., of ready mixed concrete) are not considered as labor employed on the work site, and instead, are classified as employees of Suppliers.
Supplier Relationship Management (SRM)	It is the discipline of strategically planning for and managing all interactions with third party organizations that supply goods and/or services to an organization in order to maximize the value of those interactions. In practice, SRM entails creating closer, more collaborative relationships with key suppliers in order to uncover and realize new value and reduce risk of failure.
<b>Acronyms</b>	
BIFM	The British Institute of Facilities Management
FM	Facilities Management
GRN	Goods Received Note
ITT	Invitation to Tender
KPI	Key Performance Indicator
KSA	Kingdom of Saudi Arabia
NOA	Notice of Award
O&M	Operations and Maintenance

## 4.0 REFERENCES

- Government of Kingdom of Saudi Arabia's Tendering and Procurement Law, <https://www.mof.gov.sa>
- <https://en.wikipedia.org>
- The Good Practice Guide to FM Procurement by The British Institute of Facility Management (BIFM), UK
- Procurement Policy & Procedure Manual, Serco Inc., USA
- National Manual of Assets and Facilities Management – Volume 8 Chapter 3: Responsibilities & Thresholds
- National Manual of Assets and Facilities Management – Volume 8 Chapter 4: Procurement Methods
- National Manual of Assets and Facilities Management – Volume 8 Chapter 6: Supplier Relationship Management

## 5.0 RESPONSIBILITIES

Senior Procurement Management are responsible for ensuring that each Entity is fully compliant with the current Rules and Regulations aimed at ensuring a fair and transparent Procurement process which maintains the fair competitive bidding practices defined by current legislation.

Comprehensive guidance is contained within The National Manual of Assets and Facilities Management (NMA&FM) Volume 8 Chapter 3: Responsibilities & Thresholds.



### 6.0 PROCESS

Each entity shall comply with the current legislation governing their Procurement processes. The current legislation governing procurement is based on providing and maintaining a competitive bidding structure. Each Entity will have in place compliant management processes defined within their procurement management strategies, policies, procedures and plans. The objective of having these management processes in place is to be able to demonstrate the achievement of Best Value “The most advantageous combination of the whole-life cost, quality and sustainability available to meet requirements” by the use of transparent and inclusive tendering.

The following sections within this document will cover the general guidelines required and offer guidance to the Procurement Management Teams.

#### 6.1 Procurement Process Management

The responsible managers for procurement within each Entity or Facility shall have in place a number of procedures and plans aimed at managing the full procurement of all commodities according to their specific needs. This includes any goods, assets, spare parts, consumables, services, and any other products as required by the Entity for distribution to end users. This is normally through the central warehouse and regional warehouses.

These procedures and plans will cover:

##### 6.1.1 Procurement Planning

Planning for procurement should start with estimating annual requirements of individual commodities which meet the needs of the different departments. Planning forecasts should take into account long-term strategies, future demand and estimates for planned works.

The objective of procurement planning is to even out expenditure and reduce surprises. If Entities can reduce the number of emergency orders this will result in lower purchasing costs and improved service delivery. Building good working relationships with suppliers and sharing information with them in terms of anticipated demand and in turn understanding any challenges they might face with availability of items will lead to efficiency in the procurement process. Efficient forecasting of procurement is a key element to the achievement of operational objectives.

The forecasts will then be consolidated, taking into consideration, stock in hand, stock on order, and consumption trends. The procurement plan should consist of:

- Schedule of requirements
- Estimated costs
- Approving Authority
- Sources of funding
- Applicable procurement methods
- Processing time, up to the final contract signing
- Estimated delivery time

A consolidated annual procurement plan should be presented to the Entity top management for approval, any time earlier than beginning of the New Year, based upon the estimated lead time considered for deliveries due in January.

##### 6.1.2 Procurement Monitoring and Evaluation

The Entity should establish a system to continuously monitor all procurement information, including the number and value of POs and contracts, procured through each method, and the performance status of each contract.



The Key Performance Indicators (KPIs), to monitor procurement and supply management, should measure the performance of procurement functions and the performance of suppliers, contractors and service providers. Competences and KPIs for procurement and suppliers' performance management shall be discussed in detail in Volume 8 Chapter 4: Procurement Methods and Volume 8 Chapter 6: Supplier Relationship Management

### 6.1.3 Procurement Tracker

The Entity procurement department should monitor all steps in the procurement cycle for each commodity from the initial quote to the receipt of supplies in the warehouse. The process should be monitored by procurement tracking software. The tracker can be centralized or web-based and should track the following procurement milestones:

- Submittal for the procurement plan
- Approval for the procurement plan
- Approval for the procurement plan budget
- Purchase Requisitions (PRs)
- Requests for Quotation (RFQs)
- Bid Closing Date
- Bids Evaluation
- Award Recommendation
- Award Approval
- Notice of Award (NOA)
- Purchase Order (PO)/Contract
- PO Acknowledgement/Contract sign-off
- Advance Payment
- Letter of Credit (L/C)
- Shipment by supplier
- Receipt of supplies in warehouses

### 6.1.4 Procurement Records

Procurement records are critical in that they serve as an audit trail of how the process was conducted. They are the evidence of all actions taken to award POs and contracts, and of the results of the monitoring and oversight of POs and contract implementation. Also, they are the basis for internal and external audits, and are needed to determine compliance with the procurement legal and institutional framework and so to facilitate the achievement of transparency and accountability.

The procurement department shall retain documents and maintain records for all procurement activities for period decided by The Law of Saudi Arabia. The documents stored shall reflect the stages captured by the tracker.

The following documents and information should be retained and securely stored:

- The approved annual procurement plan.
- Technical specification and data sheets from end-user.
- Copies of newspaper or website advertisements.
- Copies of invitations to tender (ITT), requests for proposals (RFP) and requests for quotations (RFQ).
- A copy of any prequalification, tender, proposal, or other solicitation documents and revisions thereof.
- Pre-bid/site visit minutes.
- The names and addresses of tenderers or applicants who submitted tenders, proposals, or quotations.
- Minutes of bid, tender, or proposal opening meeting.
- All communications with bidders/tenderers or applicants.
- The bid document and tenders and proposals or quotations received.
- The technical evaluation report.





- The bid evaluation report.
- Awarding and approval of awarding.
- NOA and the PO/contract documents.
- Information relating to any decision on temporary suspension or annulment of procurement proceedings after initiation.
- Documentation on any appeal or complaint concerning the procurement proceedings.
- Copy of performance security release (where applicable).
- L/C documents.
- Pre-shipment inspection reports (where applicable).
- Goods Received Note (GRN).
- Records of all amendments made to a PO or contract.
- Variation orders issued affecting contract conditions, contract price or the delivery schedule.
- All records of payment of invoices for procurement of goods or services.
- Rejection, re-call, and withdrawal documents (if any).
- Suppliers performance evaluation results.
- Any other relevant documentation.

For ease of reference and as an aid-memoire procurement files should contain the list of documents held signed by the manager responsible. In the event that a document relevant to the process is held elsewhere whether temporarily or permanently this should be recorded in the file.

### 6.2 Post-Procurement Review

The Entity should arrange for annual post-procurement reviews of packages in compliance with the mandatory procurement reviews. This review shall be carried out by an independent auditor or reviewer appointed by the Entity. The findings of the review should be provided to the Entity.

The overall objectives of any procurement review will be to:

- Establish the existence of documentation supporting the procurement system.
- Evaluate and assess the adequacy of internal controls.
- Examine compliance with the Tendering and Procurement Law prescribed by the Government of KSA.
- Ensure that funds provided for procurement are spent efficiently.
- Report on weaknesses identified during the review.
- Make recommendations for improvements.

### 6.3 Product Quality Assurance

Good quality products are a critical factor in safeguarding the sustainability of a healthy O&M organization. Poor quality commodities are unlikely to fulfill the purpose of controlling and maintaining the operation's consistency and in worst-case scenarios, they can be detrimental to health, safety, and the environment.

Positive results are achieved by using reliable suppliers who provide goods of known and acceptable quality, inspecting goods thoroughly on delivery, storing the goods in accordance with their needs and monitoring the condition of the goods and distributing them in order of receipt.

#### 6.3.1 Product Quality Assurance during the Bidding Process

Ensuring product quality begins early in the process. Select commodities with due care and attention, thoroughly prepare technical specifications and procure from known and qualified manufacturers.

The quality standards and certifications required by the Entity, for the submission of a bid, should be specified in the bidding document. It is the responsibility of procurement management to check this documentation and ensure that only bids complying with the requirements are considered during bid evaluation.



### 6.3.2 Pre-Shipment Inspection and Testing (Optional)

In order to ensure the quality of expensive equipment or components, pre-shipment inspections may be incorporated into contract requirements as an option. Product quality can then be determined by pre-shipment quality inspection and factory acceptance testing. Depending on the nature and extent of the goods required, Entities can carry out pre-shipment inspection and/or testing prior to shipment. A failed quality check could result in an Entity rejecting the batch concerned.

### 6.3.3 Post-Shipment Inspection and Testing

All goods received by the Entity shall be subject to inspection on delivery to ensure they comply with the relevant technical specifications and are received in good condition. The process will involve visual inspection and may include functional testing of a sample of the goods. The supplied items shall be checked for defects as well as confirming that the items delivered match their associated documentation in terms of reference numbers as well as that the number supplied equals the number ordered.

In the event that a sample fails a functional test then additional samples may be tested. An additional failure would warrant rejecting that batch, returning it to the supplier and requesting fully functional replacements. Rejected goods should be held in isolation from parts which are suitable for issue, until they are collected by the supplier and replaced with new and functional parts.

Post-shipment testing should be done selectively, when key products are purchased from a new supplier or, if there is any reason to doubt the quality of products from an existing supplier.

It is important that the PO/contract documentation clearly states the requirements for pre and post-shipment inspections so that all prospective bidders are fully aware of these conditions.

## 6.4 Procurement Portfolios

The procurement portfolios, handled by the procurement organization include goods, equipment, spare parts, consumables, services, and other commodities that may be required from time to time.

## 6.5 Materials Standardization

In order to ensure best value for money and in particular where goods or materials are simple, uncomplicated or perhaps generic, subject of course to meeting a product specification, it is important to standardize materials wherever possible.

### 6.5.1 Materials Specifications

Items for procurement should be specified according to the purpose which they serve. Doing this will result in better control of cost for the Entity. As long as an item meets the requirements then it need not be made by a particular manufacturer. Where it's not possible to avoid using a brand name when preparing a specification then consider using the phrase 'or equivalent' in order to open up the process to less costly items of equal quality.

Generic specifications describe the function and performance of the required goods or services. Generic specifications, give suppliers the opportunity to provide new, improved, or cheaper products which still meet the Entity's needs. A particular specification denies the supplier the flexibility to provide more cost effective items of equal or better quality.

Specifications must be clear, accurate and complete in order to avoid ambiguity around what the Entity requires. The end user should be responsible for drafting the specification together with the procurement team and with the support of specialist technical expertise as required. Unnecessarily restrictive requirements should be avoided.



### 6.5.2 Materials Specifications Database

Entities should develop a database of materials specifications, which shall be regularly updated, to ensure accuracy and reliability. This can be achieved by capturing and recording the specification of materials or items which are currently used by an Entity in maintaining their assets. The database will be used as a management tool to monitor and improve the efficiency of the Entity procurement process.

### 6.6 Material Samples

Samples of products or materials should only be requested where a change of supplier is being made or where a new or replacement item is being used. They should only be requested as single units in order to avoid any suggestion of impropriety.

If the items are going to be evaluated by testing, then the nature and extent of that testing should be transparently described in the specification and the tests should be carried out and the results analyzed before award of a contract.

### 6.7 Prospective Bidders

#### 6.7.1 Sourcing Prospective Bidders

Establishing reliable competitive sources for goods, is of key importance to the effectiveness of the procurement process. Sources of prospective bidders include:

- MOF Etimad platform
- Supplier websites
- Trade directories
- Trade publications
- Trade fairs
- Chambers of commerce
- Newspapers

#### 6.7.2 Evaluation of Prospective Bidders

A number of steps may be taken when reviewing prospective bidders, including formal bidder registration by the procurement manager, reference checks with previous customers, purchasing of small quantities for trial or testing, and formal and informal collection of details.

Once prospective bidders have been found and classified, the next step is to determine their suitability for inclusion. Prospective bidders shall be evaluated by a pre-qualification process, with the objective of identifying prospective bidders qualified to supply a particular item. Actual procurement can then be done by demanding prices for specific quantities from only the pre-qualified bidders. The assessment of a prospective bidder's competence shall be based on the bidding requirements. More details of prequalification process can be found under NMAFM, Volume 9 Chapter 3: Standard Prequalification Procedure

Once products have been supplied and the service of the provider has been successfully evaluated by the procurement team a supplier can be included in a supplier database.

#### 6.7.3 Supplier Database

Entities should develop, maintain and update a supplier database in order to ensure that they have ready access to reliable providers of the materials they need. The qualifications of suppliers should be reviewed on a regular basis.



### 6.7.4 Supplier Monitoring and Performance Appraisal

Suppliers may ensure continued good performance through a structured tracking system that tracks lead time; compliance with contract pricing conditions and production schedules; required partial shipments; compliance with product quality, packaging and labeling instructions; and other contract terms.

For each supplier, the procurement management should keep a file containing copies of the registration documents, references, correspondence, complaints and other anecdotal supplier information. The information system will track the number and value of tender contracts issued chronologically and the amount of the overall purchases made by the supplier on an annual basis.

The performance of the effective bidder shall be measured by the Entity upon termination of a contract on the basis of conformity to contract orders, responses to progress inquiries, time and completion of production, and consistency or specification. A poorly performing supplier may have their details removed from the database.

Matrices for measuring supplier performance shall be discussed in detail in NMAFM, Volume 8 Chapter 6: Supplier Relationship Management.

### 6.8 Ethical Code

Personnel entrusted with, and involved in procurement, should never use their authority or office for personal gain, and should seek to uphold and enhance the standing of procurement practice in the Entity by:

- Maintaining an impeccable standard of integrity in all their business relationships, both inside and outside the Entity.
- Fostering the highest possible standards of professional competence.
- Optimizing the use of resources, for which they are responsible, to provide the maximum benefit to the Entity.
- Complying with the letter and the spirit of the Laws of the KSA and the regulations contained in Tendering and Procurement Law.
- Rejecting any business practice which might reasonably be deemed improper.

The Entity should develop a Code of Ethics that all staff members, who are associated with any aspect of procurement management, must abide by.