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## Railway Industry Supplier Approval Scheme **BRIEFING NOTE**

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**Subject:** Procurement and Materials Management

**Advice to:** Railway Industry Supplier Approval Bodies (RISABs)

**Reference:** Standard: RISAS/003 Issue: 3

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**Applies when:** Suppliers are being assessed whose processes involve significant procurement and/or materials management.

**Note's Purpose:** To provide clarification/guidance on the process for determining the make-up of assessment teams in relation to procurement and materials management. It should be read in conjunction with RISAS standard RISAS/003, particularly Part B, 5.2

**Background:** When the services (S) product groups for maintenance and overhaul were developed, it was recognised that there were other competences required within the assessment team, in addition to the technical competences previously identified for material (M) product groups.

Experience with reviewing assessment reports and monitoring assessments in the field has shown that the pivotal role that procurement and materials management activities can play in the delivery of critical products and services is not always fully recognised.

### **1 Requirements**

1.1 RISAB's should identify the risks associated with procurement and materials management during the pre-assessment planning and ensure the necessary competence is incorporated in or made available to the assessment team.

1.2 The guidance provided in the following sections should be taken into consideration when identifying risks with these activities, leading to the decision as to whether to include a procurement or materials management specialist in the team.

1.3 Procurement and materials management are each specialisms in their own right and only personnel who have been recognised as competent by the Accreditation Agency in accordance with the relevant protocol shall be used for assessment when the review identified in this briefing note confirms that such specialists are required.

## **2 Procurement**

2.1 This activity covers all acquisitions from third parties. Elements covered may include, for example:

- Contracts, including specifications, tendering processes, terms and conditions, delivery schedules, pricing;
- Supplier management, including contract reviews, management of variations, management of warranty & performance;
- Supplier rating & development, including product and process improvements;
- Supplier assurance;
- Competence management;
- Delegated authority policy;
- Environmental management and sustainability in supply chain management.

2.2 As part of the pre-assessment planning, a RISAB should ask itself three fundamental questions:

- What percentage of the company's turnover (relevant to the scope of the RISAS assessment) is bought in?
- What risk to the rail industry is covered by this turnover?
- How is this risk managed?

2.3 It should be noted that evidence of low spend does not necessarily indicate low risk. Brake equipment, for example, may only have a small value bought in, but components such as 'O' rings and valve seats may import significant risk if not managed correctly.

2.4 Modification work may result in complex supply chains, with, for example, component design by one company, installation design by another and material from a number of companies. The company must be clear regarding the relevant supplier to be contacted for differing requirements, e.g. warranty, or design queries on equipment or installation.

## **3. Materials Management**

3.1 Materials Management covers all aspects of the control of material received from suppliers and also the components received for overhaul or repair.

Elements of materials management include the following:

- Commodity/inventory maintenance, classification and controls;
- Material receipt;
- Control of non-conforming material;
- Material storage;
- Control of shop floor stocks;
- Kitting;
- Obsolescence and disposal;
- Control of warranty material;
- Security;
- Shelf life;

- Control of modification material.

3.2 The risks associated with materials management include the following:

- Incorrect identification;
- Shelf life management;
- Storage of electronic components;
- Storage conditions, leading to product damage/degradation;
- Incorrect material supplied or received.

3.3 In addition, fasteners are always identified as a significant risk factor. Control of these and certainty of accuracy for fasteners used in key applications is one element of risk that should be covered during an assessment.

3.4 The RISAB should determine the risks associated with materials management and make a judgement on the necessary expertise required.

#### **4. Monitoring**

4.1 The RISAB should determine the make-up of its assessment team, based on the answers to the questions given above. The accreditation agency, as part of its monitoring role under clause C1.3.4 of RISAS004, will review these decisions and the evidence for them.

**Contact:**

In the event of any queries on this Briefing Note, please contact:  
John Barber at RSSB on 020 3142 5588,  
or by e-mail to [john.barber@rssb.co.uk](mailto:john.barber@rssb.co.uk)

**Signature/Name**

J Barber  
(Principal Assurance Engineer)