



People's Action for Social Service

Non-Governmental Organisation-NGO

PURCHASING/PROCUREMENT POLICY

PASS

PEOPLE'S ACTION FOR SOCIAL SERVICE (PASS)

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1. **Introduction:** The purpose of this manual and Policy is to set out the rules for PASS in any situation who are involved in a purchasing process for goods or services which are not sold onto customers (these are referred to as Goods Not For Resale - GNFR), whether as requisitioners or specifiers, purchasers or negotiators, or those who validate or authorise payment. 'Purchasing' includes all procurement activities including leasing and hiring, and may where appropriate include other activities accompanying the life cycle of goods (or service contracts) and the end of life disposal of goods which have been procured. It also covers both 'Revenue' and Capital' expenditure.

It is a PASS society policy is to ensure that any public amount spent regardless of value is carried out in the transparent, accountable and non – discriminatory in compliance with public contract – Regulations Bribery act. Failure to comply with this PASS policy, the PASS financial regulations may result in withdrawal authority and disciplinary action. As publicly funded organization PASS in accordance with procurement legislation as tis contracting authorities, the purchase and procurement activity is regulated by Indian public contracts.

This manual represents the accounting procedures for procurement of goods for PASS. The Administrative department carries out the procurement of goods with the support of various activities. The finance manager and accountant are responsible for documenting the procurement goods, obtaining quotations, preparing comparative statement, payment to the vendors. The process involved in the procurement and purchase of goods, property, equipment are as follows:

- a. Annexure – 1 : Requisition for purchase
 - b. Annexure – 2 : Comparative statement of quotations
 - c. Annexure – 3 : Finalization of vendors
 - d. Annexure – 4 : Creation of Purchase order
 - e. Annexure – 5: Receipt issued for received goods and services
2. **Fundamental principles of procurement and purchase:** The procuring goods, equipment and property shall have the responsibility, accountability, transparency to bring efficiency in matters relating to procurement for fair and equitable treatment of suppliers and promotion of competition in procurement and purchase the goods with least quoted supplier.

The procedure to be followed in making public procurement must conform to the following yardsticks :

- i) The specifications in terms of quality, type etc., as also quantity of goods to be procured, should be clearly spelt out keeping in view the specific needs of the procuring organisations. The specifications so worked out should meet the basic needs of the organisation without including superfluous and non-essential features, which may result in unwarranted expenditure. Care should also be taken to avoid purchasing quantities in excess of requirement to avoid inventory carrying costs;
- ii) offers should be invited following a fair, transparent and reasonable procedure;
- iii) the purchasing committee should be satisfied that the selected offer adequately meets the requirement in all respects;
- iv) The purchasing committee shall be satisfy itself that the price of the selected offer is reasonable and consistent with the quality required;
- v) at each stage of procurement the concerned purchasing committee must place on record, in precise terms, the considerations which weighed with

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it while taking the procurement decision

Purchasing' includes all procurement activities including leasing and hiring, and may where appropriate include other activities accompanying the life cycle of goods (or service contracts) and the end of life disposal of goods which have been procured (whether or not they remain in our ownership).

The Policy commits the Society and every individual involved in purchasing, procurement and supply management processes within the Society, to use their best endeavours to ensure that our purchasing and contracting activities are;

- Legal
- Accountable and Auditable
- Ethically, socially responsible and sustainable
- Consistent with and in support of our Supplier Code
- Economically Effective
- Conducive to maintaining the Society's ability to exploit appropriate technological, commercial and organisational developments as they arise
- Capable of identifying, minimising and managing risks that may threaten the supply chain or the wider business
- Open to continuous improvement and development, by the training, development and support of staff.

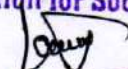
3. **Purpose of this purchase procurement policy:** The purpose of this document is to understand the rules, regulations and conditions of the policy for concerned staff, suppliers, donors, public adhering to the appropriate procedure guidelines as designed:

- a. It is applicable to all the purchasing and procurement activities and services of PASS regardless of value are applicable to the purchasing committee, the staff involved in this activity at the head office or project office.
- b. It ensures compliance with legal requirement of PASS financial regulation for all the procurements and services of the organization.
- c. The project staff shall follow the procurement guidelines issued by Head office finance manager. The finance manger provides support to the project accountant for making independent purchases as per the requirement of the project, which are the best suited.
- d. When ever there is a requirement the procurement policy and guidelines shall be reviewed and renewed as per the requirement by a change in legislation.
- e. By promoting compliance and sustainability it aims to balance efficiency against risk factors.

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- f. The in charge staff are involved in the procurement process to adopt best practices in procurement procedure to achieve value for money, appropriate quality goods and services to meet the organization requirement.

4. General principles of procurement:

- a. The PASS Organization shall demonstrate compliance with procurement legislation for effective use of public funds while procuring goods and services.
- b. Ensure the goods and services procured are as per the specified quality and quantity, delivered on time with value addition.
- c. The vendors, suppliers, contractors, are all treated equally with out any discrimination by adopting transparency and accountability.

5. **Legality :** Purchasing and Procurement contracting shall comply with all the applicable laws, rules and regulations. Our Society fully adopts and complies with all legislation in relation to taxation and those in our Society who act as requisitioners or specifiers, purchasers or negotiators, or those who validate or authorise payment will not be a party to the evasion of income, sales, corporate, value added or other taxes, customs duties, or other charges. Our Society is committed to the fair and effective application of laws and regulations. There is therefore a positive duty on the Society and its members to report and refer all reasonably founded suspicions of illegal activity. The Purchasing Policy is to support, protect and where possible preserve the anonymity of 'whistle-blowers', inside or outside of our Society, who act in good faith, even if subsequently their suspicions prove to be unfounded.. Our Society will give full cooperation to legitimate authorities investigating such claims, so far as that is reasonably practical, that specifically includes the duty to ensure that any conceivably relevant documentation / system access is preserved and made available.

6. **Procurement / purchasing :** It is a process and procedure where required goods, equipment and property are purchased for value for money as per the procurement process by ensuring appropriate identification of needs and resources, selection of vendors, procurement and disposal. After the supplier is selected a Purchase Order, authorized by the budget holder, or other authorized signatory, is sent to the selected supplier with a copy kept on file. The quotation will be attached to the PO. This then forms a legally binding agreement between the supplier and the organization.

7. **Procurement Team:** It is comprised of Management committee members, program staff, procurement/purchasing will be done by following policy rules and regulations.

8. **Accountability / Auditability:** The PASS organization shall maintain all the systems either manual, digital for all the purchases, contracts above the level of petty cash and provide justification by following requirement by the originator, purpose for which the requisition is made, requisition approved by purchasing committee, source of supply, The compliance or otherwise of the goods or service, and of the supplier or contractor, with the requirement as specified in the contract or other agreement, the route by which payment was authorised and when, to whom and in what sum any payment(s) are made.

9. Cost Effectiveness:

- a. All the purchases procured must meet minimum cost effectiveness by ensuring life cost, warranty and quality by following procurement purchasing guidelines except in exceptional cases where dispensation is granted.

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- b. The Project offices purchases above Rs. 10,000/-(excluding VAT) need to get approval from head office finance department before purchases are carried out
- c. After obtaining 3 quotations for every purchase shall be acquired by competitive vendors, comparative statement will be prepared by following quality and quantity of the material specification, the least quoted with less price, with high standards is selected where as the competitiveness enables efficiency and effectiveness of expenditure. Contracts will be awarded to the supplier based on the cost effectiveness of the product by promoting competitiveness among suppliers.
10. **Procurement Thresh hold:** It is a restriction level where PASS shall purchase goods and services by establishing best practices such as time frame, progress tracking and transparency. The authority to commit expenditure shall be covered under project delegation, the procurement process governed by anticipated life cost of the procurement. The procurement process guidelines are as follows:
- For Below 5,000 only single quotation required
 - For above 5,000 2 quotations required
 - For above 10,000 3 quotations are required
 - The head office finance department will manage above 50,000 expenditure
 - The orders shall not be raised without proper approval from budget holder
11. **Exemptions:** In extraordinary circumstances exemptions shall be given to obtain alternate quotations, sometimes exemption shall be given on special basis for single quotation, to award a contract without obtaining multiple quotes. All the exemptions require prior approval from the purchasing committee. Detailed justification requires for exemptions, exemptions should not be used for the competitive suppliers. Subject to approval as outlined in the project delegation, it may be granted under emergency unforeseen requirement, when goods and services available only from one supplier. The finance department shall prepare proper guidelines under which emergency circumstances the project staff will be given exemption for granting.
12. **Process of Purchase Requisition and Internal controls:** The Admin department will prepare and raise requisition for goods and services for the amount exceeding Rs. 5000/- in the prescribed format which includes description and specifications of the goods, no. of items required, project name. The finance manager shall compare the requisition with approved project budget and forwards to purchasing committee for approval. Once approved the purchases are carried out as per the procurement legislations.
- On receipt of the approval, the admin manager invites the 3 quotations from the vendors for the value greater than Rs. 10,000, prepares comparative quotation statement, quotations must be on the letterhead with vendor signature, date and specifications of the product, negotiations will be done with the vendors for the services of the goods based on this the vendors will be short listed, the purchasing committee will review the quotations, approves and sends it for Management committee for final review and approval. The finance manager will raise the PO to the vendor, on receipt of goods / material the accountant will prepare goods receipt, verifies the goods and services received against the specification mentioned in the PO, further payment is done by the finance department after obtaining approval from the General Secretary. All the invoices from the suppliers will be entered into the accounts books and asset register.

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The societies standard payment if for 30 days after receipt of in voice, payments are made after the receipt of the goods, advance is given on the requisition of the vendor (a part payment). The accounts officer will make entries in the books of accounts, prepares cheques and makes vendor payment after obtaining authentic signature on the cheque by the authorized signatories.

12.1.Purchasing with Donor funds: Purchase using donor fund shall be in accordance with donor requirements as per the approved budget.

12.2.Financial controls: Financial controls provide reasonable assurance of the effectiveness and efficiency of operations, compliance with laws and regulations, and reliability of financial reporting. Procurement internal controls focus on ordering, approving, receiving, and reconciling. The financial department shall have the appropriate policies and procedures in placeto provide for adequate controls.

12.3. Reconcile statements : Must reconcile the Statements of Activity and Request form on a timely basisto:

- 1) Verify the business appropriateness of each transaction.
- 2) Confirm that all purchases were allowable and within budget and spending limits.
- 3) Ensure proper reporting of payments to suppliers.
- 4) Resolve any errors as soon as possible.
- 5) Check that proper credits have been made.
- 6) Ensure that the appropriate buying method was used.

The statement should be matched with the purchase order along with packing slip or other transaction documents.

12.4. Maitainence of records: All the records pertaining to these procurements shall be up dated periodically and maintained with necessary authorised signatures obtained.

13. Supplier management: It is based on the long term relationship with the suppliers. All the existing suppliers for more than three years will be appraised with the society guidelines and vetting supplier regulations. Purchase orders, contract and payment will be made to suppliers as per the vetting regulations.

14. Templates : It should be proportionate with the availability and level of expenditure and risk. Appropriate templates should be used for all the procedures, quotations, comparative statement, estimating values.

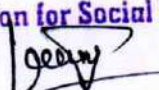
15. Contract Agreement : Legally binding agreement between the buyer and supplier. The types of contracts included are fixed price contracts, cost – reimbursement contract, material contract, specifications contract, warranty contract. Any contract should be duly signed and approved by the purchasing committee and Management committee before entering into agreement. The contract agreement will be made in an prescribed template of PASS.

16. Aggregation: It is grouping together demand for commonly purchased goods and services to harness greater economies of scale when procured from the market place and price. As per the Indian legislation multiple orders and contract values for the same type of services shall be added together for the purpose of deciding which procurement process is applicable. The society shall not consider aggregation when expenditure reaches certain thresh holds. As per the need the finance department may identify opportunities to establish contracts on behalf of


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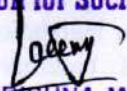
project offices.

17. **Annual procurement plans:** The Administration department shall make the annual procurement plan with requirement, time, indicators, milestones for all the project after receiving the requests from the individual project office and plans the future purchases, which enables to identify potential aggregation to threshold for the head office.
18. **Documentation and reporting:** All the contracts valuing more than Rs. 10,001 should be approved and signed by the Management committee (excluding VAT), all the procurement processing shall be documented periodically and shared with the General Secretary and Management committee.
19. **Safety and Security of the goods and material:** All the suppliers need to provide safe and secured maintenance procedures of the procurement supplied along with the valid warranty certificate along with their seal and signature, the project staff who responsible will maintain the maintenance agreement contract received from the supplier and comply with the safeguarding security policies of PASS.
20. **Retention of documents:** All the documentation pertaining to procurement shall be uploaded in the system and second copy kept in the pen drive for assuring safety. All the quotations, comparative statements obtained should be retained for 5 years from the date to the end of the contract. All the procurements costing above Rs. 10,000 shall be maintained in procurement register in the head office by the administration department.
21. **Travel and Accommodation:** The concerned project staff who have involved in purchasing the goods out station shall be paid actual travel and Rs.1500 for accommodation.
22. **Disposal of Redundant Equipment:** When the equipment is no longer required by the project office, it may be transferred internally or disposed as per the donor guidelines and regulations. If the external disposal is proposed it should be disposed with the approval of the Donor and the Management committee. Disposal shall be in accordance with fixed asset and Inventory policy of PASS.
23. **Monitoring and Audit:** The organization and the project offices shall be scrutinised by the internal and external evaluators and auditors.
24. **Best Practices:** PASS strives to improve its practices to ensure the integrity and effectiveness of its procurement processes. PASS procurement policies and practices are audited by Audit and Risk Management Committee of PASS, which expects all procurement department to engage in competitive and modern business practices. The guidelines are reviewed and updated time to time to ensure compliance with legislation and best practices.

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