

# SHAKTI'S PROCUREMENT POLICY



**Shakti Organisation**  
Catalysing Sustainable Development

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## Procurement Policy of Shakti Organisation

The purchase of goods and services is necessary for the smooth operation of the organization. The aim of the internal control system for the supplying of goods and services is to ensure orders are handled by individuals having skills in evaluating what purchases are required from suppliers offering the best deals, to ensure purchases made do not exceed the budget provided and to ensure purchased goods and services conform with the quantity and price specified in the order.

### Objectives of a procurement policy

A good procurement process ensures that:

- The correct goods or services are purchased, in terms of the correct quality and specification,
- Best value for money is achieved,
- The process is safe, ie. risk of fraud is minimized,
- The process is fast enough to meet programme needs,
- Grant conditions are complied with,
- Get the right resources, at the right time and at the right price,
- The laws of land are complied with.

### General Principles of Procurement:

The following are the key aspects of the procurement process,

- **Transparency, fairness and fraud prevention** is important so that everyone will know that funds are being honestly spent and accounted for.
- **Equal opportunity** ensures that the suppliers/contractors are provided with equal opportunity.
- **Economy and efficiency** (value for money) means that supplies, services and civil works will be purchased at a reasonable price. This also means that the procurement planning process of DCA/ Partners is of satisfactory status.
- **Effectiveness** means that the supplies, services and civil works will fulfil project objectives.
- **Certainty of the ability of the supplier/contractor to provide the supplies and services.** This has to be documented so that there is a reasonable assurance that what is promised can be provided.

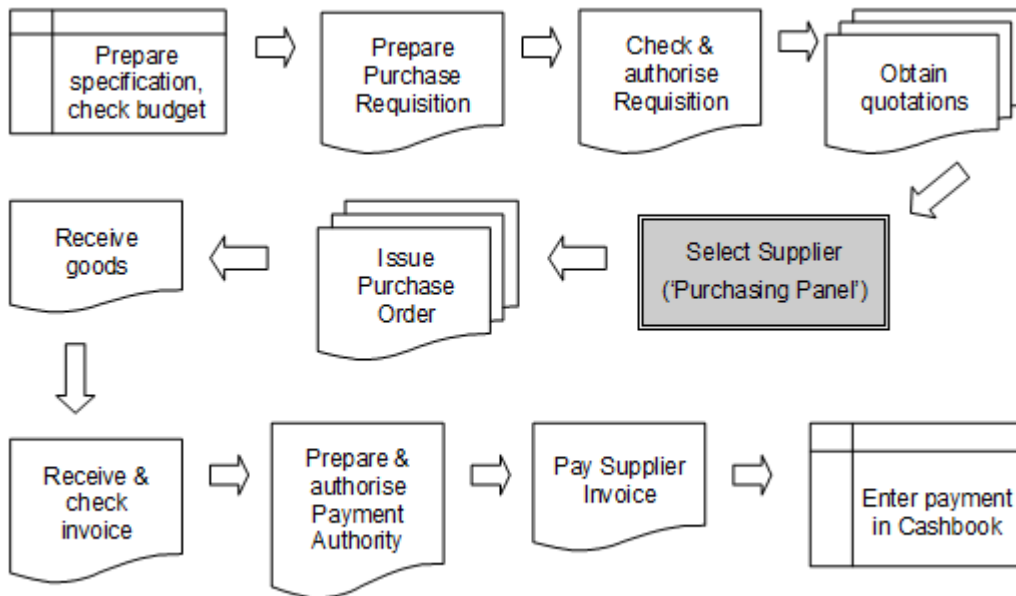
### What are the different stages?

The steps to go through for a particular purchase depend very much on the type of purchase:

- One off (eg consultancy service) or repeat (eg office stationery)
- Low, medium or high value
- Budgeted or not budgeted
- Subject to grant conditions or not
- Cash or credit purchase
- Fixed asset or consumable
- Routine or emergency

### What is the different Process?

A typical process shall be purchase of a high value item on credit.



### Procurement Procedures

Whenever Shakti Org. plan to buy any item(s)/hire any services, the following procedures need to be followed.

- Check what you are planning to buy/hiring of services,
- Check what the available budget for buying that item is
- Do the calculation as to how much money would be needed to buy the item/service.
- By what date that particular item need to be installed /procured

- How are you going to procure – by contacts, by advertisements or by calling for three quotations?
- List out technical specification for the item need to be procured
- Decide what brand/assembled system you are going to buy
- What is the quantity that you are planning to buy?
- Find out where you are going to buy these
- Find out whether they have service back up locally

Once the above is decided then on the basis of quantity you can go for following process,

- An open advertisement or contact three, four suppliers
- Send a copy of your requirement with specifications to all the suppliers and clearly mention what brand the quotation would be for.
- Also ask them to give you a list with address and phone numbers, of few customers who have purchased that particular brand from them.
- Ask them to submit the quotations by a particular date
- Ensure that the supplier has valid Sales Tax Registration
- Ask the supplier to send the quotations in a sealed envelope
- Once the quotations are reached, a date is fixed for the purchasing committee to sit and open the tenders/quotations and start the bidding exercise and negotiations.

## **Methodology**

SHAKTI shall follow certain methods in purchasing goods, equipment and services required for the needs of the organization or its projects.

- For purchases under Rs.20, 000.00, a price survey by telephone of two suppliers will be sufficient for determining the supplier.
- For purchases above Rs. 20,000.00, a quotation shall be obtained from three local suppliers.
- Use of competitive bidding shall be a priority practice.
- The first criterion in choosing a supplier shall be the lowest bid. However, if a supplier does not provide the required level of service or an adequate guarantee, then other criteria shall also be considered.
- It shall specify in the purchase file the reasons the lowest bid was not chosen.
- Purchases from a sole source shall be explained in the purchase file citing sufficient reason.

## Who should be involved?

Ideally, key tasks in the procurement should be done by different people. This 'segregation of duties' reduces the risk of fraud.

- **Governing Body**

The Governing Body would normally only get involved with authorizing high value purchases, or significant items.

- **Procurement Committee**

The procurement committee usually consists of representatives from the programme and finance departments, the Project Co-ordinators/Managers, and the key users and budget holders. They select suppliers from the authorised supplier list for standard and repeat purchases. They also review individual purchases, choosing the best option from the quotes supplied to them.

- **User**

The 'user' needs the goods or services and makes a request for purchase. This could be a Project Co-ordinator, an office staff or a budget holder or Programme Manager. Sometimes the user may be involved in sourcing suppliers or obtaining quotes, and checking the goods on arrival.

- **Budget holder**

The budget holder/Project Lead is responsible for managing the project and delivering objectives within budget. If the budget holder did not raise the purchase requisition, they should always authorise it. They should also approve the payment requisition.

- **Procurement / logistics officer**

The procurement or logistics officer may be responsible for sourcing suppliers and obtaining quotes, or advertising bids for large procurements. They should not normally sit on the Procurement committee. They are usually responsible for going out to do the buying, or receiving the goods if they are delivered.

- **Finance Manager / Accountant**

The finance team needs to be represented on the Procurement committee. They authorise purchase requests and Local Purchase Orders (for making credit purchases), and payment requests. They write the cheques or issue the cash, record the transactions in the books of account and ensure that all the paperwork is properly filed, but they will not take part in the decision making process of procurement of more than Rs.20,000/-.

### Ethical procurement:

Ethical procurement involves consideration of other factors apart from just cost and quality. For example, would you want to buy a good quality, cheap product that had been manufactured using child labor? Or timber that had been illegally logged or taken from an unsustainable source? Would you prefer to buy local goods rather than imported ones?

Creating an ethical procurement policy is important as it gives the Procurement committee a justification for selecting an option apart from the cheapest one, if that would be a more responsible and ethical choice.

### Documentation :

There is a lot of paperwork associated with procurement, which needs to be kept and properly filed so that it can be easily retrieved for audit purposes.

### Standard documents (internally generated)

- Purchase requisition
- Local Purchase Order
- Goods Received Notes
- Payment Requisition
- Payment Voucher
- Purchase decision record (or equivalent)

### Source Documents (from suppliers)

- Quotations and pro/forma invoices or records of telephone quotes obtained
- Proposals (eg for consultancy services)
- Contracts (eg for services )
- Invoices
- Goods Delivery Slips/notes/Chalan
- Receipts

### Other documents needed for reference

- Budgets
- Grant agreements
- List of authorised suppliers
- Ethical procurement policy
- Minutes of Governing Body and Procurement Committee meetings.

## **Role of Procurement Committee:**

On receipt of the quotations/bids

- All the Purchasing Committee members need to sit to discuss the quotations and these need to be opened in their presence.
- All PC members should sign on the quotations with date.
- Prepare and analyse the Comparative Statement
- Analyse the bid
- See what all they are offering along with a particular product/service, whether they have local backup service
- The committee should shortlist a few suppliers
- Call those suppliers for further negotiations
- Also can contact the organization whom that company supplied earlier
- Once the committee satisfies, then the members of the Purchasing Committee should sign the Comparative Statement and give the reasons for selecting a particular supplier.
- Once the negotiations are over, a Contract Letter needs to be prepared and signed by both parties.



General Secretary  
Shakti Organisation (SSCSO)

General Secretary,  
Shakti Organisation

N.B-{this Procurement policy is approved by the Executive Body of Shakti Organisation on 29.09.2006 and came into immediate effect.}