

New Consultancy and Relief Organization NCRO

Procurement Manual



2014



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PROCUREMENT POLICY

1. INTRODUCTION

The Manual incorporates 'best practice' regarding the way NCRO will manage the activities, business relationships with suppliers, and corporate social responsibilities together with the engagement, utilization, and authority of the Procurement Function at all stages in the procurement cycle.

Throughout the manual the words "purchasing" or "procurement" are used in the broadest sense. They relate to the general process of committing expenditure for contract and purchase of goods and services.

The following document covers the procurement process and is designed to ensure that;

- The NCRO conducts its procurement activities within the frame of sound business practices and generally accepted accounting principles.
- The appropriate materials or services are purchased.
- The correct quality is purchased at an advantageous price.
- Adequate resources are available to cover the purchase.
Each purchase is fully and transparently documented.

Throughout the procurement procedures, clear demarcations of authority and responsibility must be maintained. Each stage of the procurement process must be authorized independently. All personnel involved in NCRO procurement activities must be fully conversant with their role within the procedures as well as the limits of their responsibilities and authority.

Where deemed necessary by directors, thresholds of authority and documentation requirements may be reduced, however, the procedures detailed here are minimum mandatory requirements.

2. THE PURCHASING POLICY STATEMENT

NCRO is committed to managing all procurement activity to achieve the maximum value for money in contracts and the acquisition of goods and services.

We will do this through:

- compliance with legislative requirements,
- the use of modern and robust procurement 'best practice';
- the use of rigorous quality and operational standards;
- open and fair treatment of suppliers
- Procurement relevant to Islamic banking must be approved by Head of Shariah and Shariah must ensure that the transactions are Halal.



- Afghan First policy (wherever possible)

Our commitment extends to conducting our business:

- to meet our procurement objectives;
- to meet our wider corporate social responsibility objectives through procurement in an open and transparent way;
- by efficiently managing/allocating risk;
- by ensuring safeguards are in-built against allegations of corruption or bias;
- by maintaining a proper audit trail to support our actions;
- by providing documentary evidence for management purposes;

The following principles should be adhered to in the procurement process:

(a) Fair Competition

NCRO will treat all bidders with fairness and ensure that they are given the same level of information when preparing quotations or tenders.

(b) Conflict of Interest

Situations of conflict of interest will be declared to NCRO in accordance with the code of conduct.

(c) Cost-effectiveness

Quotations and tenders should be evaluated not only on competitiveness in pricing but also factors such as the quality of the products/services and track records of the bidders.

(d) Transparency

To ensure transparency, tender documents should provide all the necessary information to facilitate submission of appropriate and competitive tenders.

3. NCRO PROCUREMENT PROCEDURE AND FORMS

All procurement activities must be fully and transparently documented. A completed purchase must be supported with a fully cross-referenced “stand alone” file. Documentation must be completed fully and accurately in every case. Any anomalies or deviation from policy or procedure in a purchase must be documented.

NCRO procurement forms basically mirror each step of the procurement process and if



employed correctly will allow effective management and transparent documentation of procurement activities.

Forms

- a. Store request form
- b. Store issue form
- c. Store bin card
- d. Purchase request form.
- e. Bid analysis summary
- f. Purchase order form.
- g. Gate inward form
- h. Goods received form

a. Store request form

This is NCRO internal form whose purpose is to request information on an item from store. This should be produced in bloc form, ideally “auto copy”, (original with one copy), sequentially numbered. This allows tracking of the request.

The original should go to Procurement function and the copy retained by the requesting officer for reference.

Related items

(Annexure-I) [Sample Store Request Form](#)

b. Store issue form

This is NCRO internal form whose purpose is to record information about issue of specific item from the store. This should be produced in bloc form, ideally “auto copy”, (original with one copy), sequentially numbered. This allows tracking of the issue from store.

The original should go to requesting officer and the copy retained by the store for reference.

Related items

(Annexure-II) [Sample Store Issue Form](#)

c. Store bin card

This is NCRO internal document whose purpose is to record information about the movement of specific item in the store. This should show date wise history including, name, code, opening balance, date wise addition and date wise issue of the specific item of store. Each item of inventory will have its own bin card.

d. Purchase request form



This is NCRO internal document. When a specific item is requested from the store and it is not present in stock, then Purchase request form shall be generated by the store and shall be sent to procurement Function to initiate the purchase. This should be produced in bloc form, ideally “auto copy”, sequentially numbered and each set comprising an original with three copies.

The original should go to procurement Function, the first copy goes to finance and the second copy is retained by the store and third copy goes to requesting officer for reference.

Related items

(Annexure-III) [Sample purchase request Form](#)

e. Bid Analysis Summary

This is NCRO internal document which is used for the evaluation of the quotations from the suppliers. Contracts will be awarded to suppliers based on an evaluation of their quotations. Quotations may be evaluated based on “lowest bid” or “best value for money”.

Related items

(Annexure-IV) [Sample bid analysis summary](#)

f. Purchase order

The purchase order is the document confirming all details of a purchase to be made from a supplier and once accepted by the supplier, represents a legal commitment between the NCRO and the supplier. This is produced in bloc form, ideally “auto copy”, sequentially numbered and each set comprising an original with three copy. The original should go to the supplier; one copy is retained by Procurement Function, second is sent to store and last is sent to finance Function for reference and payment purposes.

Related items

(Annexure-V) [Sample purchase order](#)

g. Gate inward form

This is NCRO internal document which is used when the goods purchased from a specific supplier reach at the organization’s premises. It will be filled by the responsible person at the gate.

Related items

(Annexure-VI) [Sample Gate inward Form](#)

h. Goods received form

This is NCRO internal document which is used when the goods purchased from a specific supplier reach the store. It will be filled by the responsible person at store. This should be produced in bloc form, ideally “auto copy”, sequentially numbered and each

set comprising an original with two copies. The original should be retained at store, the first copy goes to Procurement Function and the second copy is sent to Finance Function for reference.

Related items

(Annexure-VII) [Sample Goods received Form](#)

3.1 Modifications to NCRO standard forms

NCRO's standard forms may be modified by specific approval of CFO. Any modifications must respect the basic format and minimum information requirements of the standard form.

4. APPROVAL AUTHORITY

Throughout the procurement procedures, clear demarcations of authority and responsibility must be maintained. All personnel are fully conversant with their role within the procedures as well as the limits of their responsibilities and authority.

Following process will be adopted for review and approval.

4.1 Request (1st signature)

All purchases must be requested and signed by the authoritative responsible person in the store at the point when there is no stock of a specific item in the store.

4.2 Requirement and technical review (2nd signature).

The relevant officer in the procurement Function will conduct a requirement and technical review and sign the purchase request, regardless of the estimated cost of the request. The review is to verify that the requested item(s) are:

- A necessary item to be purchased.
- Technically feasible
- Not already available in stock.

4.3 Finance review (3rd signature)

The Finance manager will review the request to ensure that resources are available to cover the cost of the intended purchase and sign the purchase request.

4.4 Approval (Final signature)

All requests must be approved by NCRO managers with the level of authority that corresponds to the estimated cost of the intended purchase.

The approving manager will ensure that:



- Information contained in, and verification of the request is complete.
- Documentary and procedural requirements have been met.

4.4.1 Authorization Schedules

The NCRO authorization schedule defines the levels of authorization for financial commitments that may be entered into by NCRO. This schedule covers both asset and non-asset expenditure. Individuals will have their authorization level designated by board of directors.

An approved signature list, documenting manager's names, titles, authority levels and sample signatures, must support authorization schedules.

Please refer section # 16 for the standard NCRO authorization schedule

A purchase within the limit of a manager's authority does not preclude the requirement for "request", "review" and "approval" signatures. For example, a PR for \$1,000 signed only by the director is not a valid document though the director has the authority to approve purchases up to \$100,000. All four signatures must be present.

Purchases or payments may not be split in order to avoid obtaining the correct level of approval.

NCRO director may reduce levels of authority at their own discretion. Levels may also be raised under mitigating circumstances. For authorizing levels up to \$10,000 the decision can be taken by the director. For level changes above \$10,000 the decision must be taken by the director in consultation with the appropriate board of directors.

Any increase to an individual's level of authority must be documented and must include a full justification for the increase.

Related items

(Annexure-VIII) [Sample signature list](#)

5. UNAUTHORIZED COMMITMENTS

The primary responsibility of the Procurement function is to ensure the proper, prompt and responsive procurement of all supplies, equipment, material, and services.

The NCRO will not be obligated for supplies, equipment or services, except those obligations created by Procurement function in fulfillment of their procurement duties.

Any commitment incurred otherwise shall be a personal obligation of that NCRO employee.

Exceptions to this procedure must be approved by the director and documented with a signed memo that:

- Details the nature and circumstances of the purchase.
- Explains why normal procedures were not followed.
- Describes what if any actions have been taken to prevent the situation from recurring.

6. AUTHORITY TO PURCHASE

Procurement function is responsible for the procurement of all materials and services. The authority to make purchases on behalf of NCRO is vested in the senior Procurement function representative and his / her designated staff.

Procurement function is responsible for the establishment of NCRO standardized operating procedures that

- Locate sources of supply
- Avoid the purchase of unnecessary items. .

Procurement function is responsible for the selection of suppliers. For specialized or technical purchases, the appropriately qualified staff should be consulted

Procurement function has a responsibility to:

- Recommend changes in quality, quantity, or type of material requisitioned and suggest suitable alternatives if it is in the best interests of the NCRO.
- Develop and support standard specifications and processes for goods and services to provide improved service, quantity pricing and reduced time / administrative costs.
- Maintain adequate documentation of purchase transactions and procurement contracts for archival and audit purposes.
- Ensure that purchase orders and contracts are subject to appropriate reviews and approvals, and contain all necessary information, terms and conditions, and signatures to adequately protect the NCRO and comply with applicable NCRO policies and regulations.
- Provide reports to effectively monitor and manage purchasing performance.

The NCRO as an organization is responsible for;

- Ensuring that procurement policies and procedures are formally documented, in place and implemented by all programs.
- Fully and transparently documenting its procurement activities.

7. LIMITS TO LOGISTICS AUTHORITY

Logistic authority does not extend to the following.

- a. Requesting, verifying or approving non-logistic purchase requests.
- b. Instituting non-finance approved credit arrangements with suppliers.
- c. Maintaining bank accounts.

8. CONFLICT OF INTEREST

The purpose of this section is to make employees aware of what constitutes a conflict of interest and the procedures to follow should such a situation arise.

- i. No employee, officer, or agent of the NCRO shall participate in the selection, award or administration of purchases or contracts where to his or her immediate family



- member, or partner has a financial interest in the supplier's organization.
- ii. Employees, officers, and agents of the NCRO shall neither solicit nor accept cash, gratuities, favors, or anything of monetary value from suppliers or potential suppliers.
- iii. To insure objectivity and eliminate unfair competitive advantage, suppliers who participate in the development or drafting of specifications, requirements, request for quotes, or request for proposals (that include proprietary knowledge or equipment) should be excluded from competing for business related to their participation.
- iv. Employees, officers, and agents of the NCRO who knowingly violate this policy will be subject to such disciplinary actions as deemed appropriate by the board of director.

All NCRO staff that hold decision-making authority or influence over the procurement process will sign the NCRO code of conduct statement.

9. CODE OF ETHICS

The purpose of this section is to outline responsibilities and procedures that promote the highest standards of integrity when dealing with external sources.

Dealing with outside agencies engaged in the selling of goods and services is an activity that is potentially vulnerable to fraud. It is necessary to protect the NCRO and all members of staff by formulating and adhering to;

- o Clearly defined procedures for authorizing requests, expenditure and invoices, obtaining quotations and tenders and disposing of assets.
- o A code of conduct that explains and promotes the adoption of ethical behavior within all purchasing activity.

All NCRO employees with designated purchasing or contracting authority should understand and observe the code of ethics detailed below.

1. Give first consideration to the best interests, objectives and policies of the NCRO.
2. Staff conduct should not foster the suspicion of any conflict between professional duty and personal interest.
3. Decline personal gifts or gratuities from current or potential suppliers.
4. Grant all competitive suppliers equal consideration
5. Conduct business with potential and current suppliers in an atmosphere of good faith, devoid of intentional misrepresentation.
6. Make every reasonable effort to negotiate an equitable and mutually agreeable settlement of any controversy with a supplier and/or be willing to submit any major controversies to arbitration or other third-party review, insofar as the established policies of the NCRO permit.
7. Promote fair, ethical, and legal trade practices.
8. Treat all information received from suppliers in the strictest confidence.
9. If the vendor is relative of NCRO procurement committee, he must inform NCRO in writing about the relationship.

9.1 Gifts

The basic rule is that no gift or money should be accepted. The only exception to this



rule is gifts of an inexpensive (less than US\$20) or seasonal nature such as business diaries, calendars or pens. The offer of small gifts is an accepted part of commercial life and care must be taken not to offend or damage relationships with suppliers when explaining that acceptance is contrary to the NCRO's normal practice. Any attempt by suppliers to undermine the honesty of staff by the offer of gifts or other inducements should be immediately reported to the Procurement function.

9.2 Hospitality

The provision of hospitality by suppliers may represent an attempt to circumvent the rules on acceptance of gifts. While modest hospitality may be accepted, its frequency and scale should not be significantly greater than that which the NCRO would be likely to provide in return.

9.3 Travel and accommodation

All purchasers should be aware that accepting "free" travel or invitations to visit suppliers or other events, particularly to distant or expensive locations, is likely to be regarded as having influenced a particular decision. Offers of this nature should only be accepted in exceptional circumstances and should have prior approval of the director.

9.4 Confidentiality

The prices, terms and conditions under which many of the suppliers of NCRO carry on trade are the result of negotiations and mutual trust building. It must be understood by all staff that a strict confidentiality is observed with supplier information.

Under no circumstances should any contractual or pricing information be divulged to external sources or used as a 'benchmark' for independent negotiations. This behavior undermines the NCRO's reputation as an honest and responsible organization. In some cases, there may also be issues associated with breach of contract.

10. VENDOR RELATIONS

The purpose of this section is to outline responsibilities and procedures regarding establishing and maintaining effective business relationships with existing and potential suppliers.

The highest possible standards of business ethics, professional courtesy and competence in all dealings will be in practice. In this regard, the following should be observed when dealing with suppliers and their representatives.

1. Accord prompt and courteous reception and fair and equal treatment to all suppliers and their representatives.
2. Provide equal opportunity for suppliers to make price and specification quotations.
3. Guarantee the confidentiality of all specifications and price quotations made by vendors.
4. Decline to take advantage of sellers' errors, and show consideration for sellers' difficulties by cooperating with them whenever possible.
5. Avoid subjecting sellers to needless expense or inconvenience when requesting

quotations or returning goods.

6. Explain as clearly and fully as possible to suppliers the reason(s) for the rejection of their bids/proposals.

7. Remain scrupulously free from obligations to any supplier.

8. Keep informed about sources of supply, methods, services and materials, and encourages suppliers to test and develop improved or expanded products and services.

9. Keep suppliers informed about current and anticipated requirements.

10. If, for any reason, one supplier is permitted to re-quote (submit a revised quotation), all competitors should be given the same opportunity. Re-quoting should be kept to an absolute minimum.

11. SPECIFICATIONS

The purpose of this section is to outline the considerations required to generate specifications enabling suppliers to quote for the correct or appropriate materials / services.

What is obvious to the requesting staff member may not be obvious to a supplier or to procurement personnel. Do not assume complete product knowledge.

Incomplete or unclear specifications will delay the procurement process. Additionally, lack of clear specifications for even the simplest item may result in the wrong materials being supplied.

For spare parts or equipment accessories, state the manufacturer and the manufacturers reference. If the reference is not available provide drawings of the required part(s), a full description and if necessary, it's function. Consider also sending a sample.

Products may also be defined by established commercial or industrial standards, technical characteristics and / or expected performance.

Specifications must not be unduly restrictive. With the exception of spares, accessories or proprietary patents, brand names should be avoided. If a brand name is used, it must be qualified with "or equivalent" and the specific required feature identified.

Besides identifying the product, specifications will include

- Quantity.
- Desired transport mode.
- Any non standard documentation requirements...
- Packing and marking requirements.
- Insurance requirements.
- Expected delivery time frame.
- Any required inspections.
- NCRO terms and conditions.

12. STANDARD TERMS AND CONDITIONS

Terms and conditions specify how the NCRO conducts its procurement – method and criteria for payment of goods or services, acceptance or rejection of goods, supplier responsibilities, code of conduct, arbitration etc.

It is generally advantageous to undertake procurement on our own terms rather than merely accepting those offered by the supplier. Suppliers will naturally try to favor themselves as far as possible. An example is that of payment terms where a supplier would wish to be paid wholly or partially in advance, but payment on credit terms carries advantages and less risk to the NCRO.

Not all suppliers will necessarily accept NCRO's terms. In these cases, supplier terms must be fully understood and agreed to before committing the NCRO and it may be advisable to seek legal counsel. Such transactions may best be documented with a full contract.

12.1 Local revisions to terms and conditions

Logistic and Finance Managers must study the NCRO standard terms and conditions to determine that they are appropriate to local conditions and law. Certainly the clauses on payment and shipping must be adapted to the particular order. If necessary, they should be reviewed by local legal counsel.

Revisions may be made to the standard terms and conditions provided that

- There is a justified local requirement.
- The NCRO is not being exposed to unnecessary risk.

13. VENDOR SELECTION

This section is to provide guidelines on the selection of vendors based on their supply offers.

The selection of a vendor will generally be based on their offer being the "low bid" or the best "value for money". All things being equal, "low bid" obviously looks uniquely at the price, whilst "value for money" takes account of all factors - not price alone.

For most purposes the British treasury definition of value for money is satisfactory, "quality or fitness for purpose and delivery factors against price, judged on whole life cost and not simply on initial or short term costs."

Establishing best VFM is directly linked to attaining the "seven rights" of purchasing which are;

- The right commodity (or service).
- In the right quantity.
- Of the right quality.
- At the right price.
- To the right location.



- At the right time.
- From the right source.

NCRO Procurement function must determine which selection criteria are most suitable to a particular purchase. For example, purchasing paint for the office that the NCRO will occupy for only a short time should be “low bid”. However, should longer-term occupancy be envisaged, then “VFM” should be sought. (Good quality paint will not require multiple coats and could be expected to last as long as the NCRO maintains the office).

Beyond analysis of a supplier’s offer, the vendor themselves must be investigated. This is particularly important for authorized vendors, large purchases or purchases where delivery or payment is to be made in installments.

The vendor must, at a minimum

- Be a legally registered company (verify with the appropriate ministry).
- Be of sound reputation (verify with other agencies).
- Be financially solid (with permission, verify with the bank).
- Maintain stocks or production capacity to support their offer (visit the plant).

Reputable companies are used to this type of request and can generally furnish copies of company registration, composition of their management / owners / board members, copies of financial reports and will invite inspection of their premises.

A good Supplier Information file will contain:

- a. Full legal name of the supplier,
 - Mailing address.
 - Street address.
 - Telephone; fax (email if applicable) numbers.
- b. Historical Data,
 - Ownership of the business.
 - Date founded.
 - Number of manufacturing facilities.
- c. Number of employees.
- d. Names of parent, subsidiary or affiliated companies.
- e. Management Data,
 - Names of senior executives.
 - Corporate memberships in trade associations.
 - Industrial certifications.
- f. Supply Information,
 - Management and quality assurance techniques.
 - Information on goods and services supplied.
 - Delivery times.



- Warranties and after service facilities.
 - Packing and shipping capabilities.
 - Payment terms.
- g. Corporate brochures,
Product information and data sheets and other available literature
- h. References,
- Current and recent major clients.
 - Goods or services supplied.
 - Value of orders.
- i. Comments on past performance,
- j. Documented information on past orders with the NCRO.

14. COMPETITIVE TENDER GUIDELINES

The purpose of this section is to outline responsibilities and procedures for the solicitation of bids and proposals, and the award of NCRO procurement deal consistent with NCRO policies and regulations.

In so far as practicable, purchases shall be made on the basis of competitive prices, considering quality, suitability, delivery and service.

NCRO policy requires that offers be judged on “low Bid” or “value for money” criteria.

Good practice is to invite more offers where any of the following factors apply:

- There are many potential suppliers.
- Some companies may decline from bidding.
- New suppliers are entering the marketplace.

14.1 Types of bid solicitation

Supplier bids or quotations may be solicited in a number of ways depending on the type and value of the intended purchase and the time frame available to make a purchase.

14.1.1 Limited

Limited Known suppliers contacted (based on past performance quality and related factors), low bid or VFM offer accepted. Along with Negotiated procurement, this is the most commonly used for large-volume purchases. Generally yields reasonable price offers, though it does take time for preparation and delivery and involves a moderate amount of work.

14.1.2 Negotiated

A small number of potential vendors are approached and specific price or service

arrangements are directly negotiated. This method is most applicable to low-volume or emergency purchases. Prices, will unlikely, remain the most favorable though out the delivery time.

14.1.3 Direct

This is the simplest but usually the most expensive procurement method. Items are purchased from a single supplier at the quoted price. This should really only be applicable to emergency purchases. Pricing will likely be unfavorable but delivery times will be short and the workload involved will be low.

14.1.4 Sealed Bid

Document enclosed in a glued (sealed) envelope and submitted in response to invitation-to-bid (ITB). Sealed bids received up to the deadline date are generally opened at a stated time and place (usually in the presence of anyone who may wish to be present) and evaluated for award of a contract. Used to preserve the integrity and fairness of supplier selection

In all methods, tender documentation and the conduct of procurement staff must be transparent. Any perception of unfair or corrupt practices may well discourage reputable suppliers with the effect that NCRO may not receive the best products or prices.

Commercial organizations often fulfill new supply requirements with open tenders and from this experience develop pre-qualified suppliers for a system of limited tenders.

14.2 Procedures for tenders

Tendering, especially open tendering can be a costly, complex and time-consuming process. If not conducted correctly, it wastes time and money and in some situations may even carry legal ramifications.

The NCRO will generally use the open tender process for;

- Construction contracts.
- High value purchases.
- Large purchases where the NCRO has little or no product or market knowledge.

The following information summarizes a tender procedure.

- a) Determine the method of Bid Solicitation.
 - Open - in-country.
 - Limited or Restricted.
- b) Determine the minimum number of bids to be secured.
- c) If limited tender, identify and select eligible companies. Eligible companies are
 - Last order supplier...



- Newly identified suppliers.
 - Suppliers identified by the donor agency.
- d) Prepare a bid analysis summary template.
- e) For Sealed Bid procedures, at this stage, each bidder is given a unique reference code, which enables offers to be identified on receipt without being opened.
- f) Decide on a closing date and time for final receipt of offers.
- g) Prepare, collate and forward to the selected suppliers, contract documentation consisting of,
 - Letter of invitation.
 - Additional instructions and notes for suppliers.
 - Official form of offer.
 - Terms and conditions.
 - Coded tender return envelope.
- h) If the tender is to be “open”, prepare an advertisement that details the nature of materials required, where tender documentation can be obtained and the closing date for receiving offers. Check with newspapers or journals, on which days tender requests are customarily published. The procedure is otherwise as outlined in this section.
- i) Appoint a Tender Panel of at least 2 people to oversee and witness the Tender openings and record the details on the summary and results form. The panel must include a minimum of one non-Procurement function staff member, preferably from finance.
- j) If required to further demonstrate procedural transparency, independent observers and suppliers may also be invited to attend the tender opening, though this is not a pre-requisite.
- k) Tenders received after the closing date should be returned unopened to the respective supplier.
- l) In circumstances where the fault or delay is not attributable to the supplier, the bid may be accepted and the reasons recorded. This also applies to any offers opened in error prior to the closing date.
- m) Following evaluation of tenders, a letter of acceptance and an NCRO purchase order or contract is issued to the successful supplier. In cases where best VFM is being obtained through acceptance of an offer, which is not the lowest, the reasons must be agreed by the Tender panel and documented.
- n) Letters of declination should be sent to the unsuccessful bidders. For future tendering purposes it is good practice and of benefit to the supplier to provide

reasons why their bid failed. This should be done without breaching commercial confidentiality.

The NCRO's terms and conditions should always be used in orders or contracts for the supply of goods or services. This is achieved through the processes of inviting tenders or issuing requests for quotations.

Should goods or services be purchased on the supplier's terms, these must be fully understood before signature. Once signed, both parties are bound by conditions that are legally enforceable and extreme caution is necessary.

Tendering is not necessarily a complicated process but it does require time and planning. A flawed process may become void and have to be repeated. Worse, a process subsequently disqualified by an external auditor may result in a donor disallowing the costs involved.

14.3 Quote evaluation

Contracts will be awarded to suppliers based on an evaluation of their quotations. Quotations may be evaluated based on "lowest bid" or "best value for money".

Request for bid above specified threshold (e.g. USD 10,000) must be advertised on local websites/newspapers.

When evaluating quotations, consideration should be given, but not necessarily limited to some or all of the following:

- Price.
- Bidder's previous record of performance and service.
- Ability of bidder to offer service support (i.e., training, maintenance and repairs).
- Availability of bidder's representative to call upon and consult with the end users.
- Quality and conformance to specifications.
- Delivery schedule.
- Product life expectancy.
- Warranty.
- Terms of payment.

A clear, concise and factual justification for the selection of a particular supplier(s) must be documented on the bid analysis. This is especially important if the successful bid is not the "low bid".

Unsuccessful vendors shall be notified that the bid is closed and awarded. It is not necessary to name the successful bidder. It is acceptable to let unsuccessful suppliers know in general terms why they were rejected.

It is unacceptable to disclose details such as price of the winning offer.

The NCRO reserves the right to reject any bids and award the contract in the best interests of the NCRO.

Related items

(Annexure-IV)

[Sample bid analysis summary](#)**14.4 The Bid Analysis Summary (BAS)**

The Bid Analysis Summary will document at a minimum the following information

- Description of the requested materials / services.
- Names and contact persons for suppliers solicited.
- Copy of the request for quotation.
- Copy of quotes from all responsive suppliers.
- Bid analysis and justification for supplier selection and award price.
- Justification for lack of competition when competitive bids were not obtained.

Certain purchases will require a “double” justification. For example, purchasing a vehicle will entail justifying the choice of manufacturer and then the choice of supplier. Include this in the justification summary.

14.5 Exceptions to bid guidelines

The purpose of this section is to outline responsibilities and procedures for awarding purchases and contracts without benefit of competitive bidding.

There are a few circumstances and items, excluded, in all or part, from the aforementioned bid procedures.

Purchases with a value less than \$1,000 are not subject to formal bidding unless local NCRO policy dictates otherwise.

Certain situations that may justify an exemption to the requirements are as follows:

- The NCRO declare a general emergency situation where rapid order fulfillment and delivery is of the highest priority.
- Materials may, if necessary, be purchased with limited, or no competitive bidding, from the vendor(s) most able to meet delivery requirements.
- Human life, health or NCRO property is in jeopardy.
 1. Repairs are immediately needed for equipment where delay would lead to higher expense.
 2. Items procured solely from a specified vendor or government agency (under grant terms).
 3. Items that are proprietary (software, etc.).
 4. Design compatibility with existing equipment.
 5. Only known source of supply.

In all case, procurement documentation will include explanation, justification and approval for non-standard purchases.

14.6 Validity of supplier quotations / offers

Suppliers will state the period of time for which their offer remains valid. Should a repeat purchase become necessary within the validity period of the offer, it is not necessary to request a re-quote from the supplier.

It is sometimes therefore advantageous to specify the required validity period of any quotations solicited. (Not always, as suppliers may increase their prices for extended quote validity periods).

Validity periods must be specified in quotation requests if a prolonged procurement process can be expected.

15. CONTRACTS

A “contract” can take the form of a verbal agreement, or a document that details every aspect of an agreement. Whilst verbal agreements may be legal, they are very difficult to enforce and for this reason the NCRO will work only with written contracts.

For the most part, an NCRO purchase order in conjunction with NCRO terms and conditions provides adequate documentation for standard or routine purchases. However, situations will arise that require a “full contract” to be drawn up.

- In simple terms a full contract will be drawn up when payments, delivery or guarantees are to be made/ provided wholly or in installments at some point in the future. Put another way, there should be a contract if at any point in a transaction either or both of the parties are vulnerable to loss should the agreement not be met.
- When a simple PO does not physically facilitate full documentation of the agreement.
- When non-standard NCRO terms and conditions are agreed to.
- When a “service” is to be purchased. The contract must be as detailed as possible and serve as the terms of reference.

Contracts also serve as evidence to the NCRO and auditors that all reasonable precautions have been taken to safeguard funds.

The contract documents the elements of the agreement and is the basis of any recourse to law in the event of dispute. It is clear then that care must be taken when drawing up a contract of any sort.

Any omission, inconsistency or ambiguity in a contract may render it useless should it be presented to a court of law.

- Parties Involved.

Establish carefully and beyond doubt, which the parties to the contract are.

- Clarity.

All elements of a contract must be clearly defined - assume nothing. What is obvious to you may not be obvious to someone else and the contract should not be open to interpretation.

For example, avoid phrases like “reasonable expectation” or “normal wear and tear” when operating in a culture or legal system with which you are not wholly familiar.

Be precise as to how and where disputes arising from the contract will be settled.

Should a contract be written up in more than one language, establish which language will be considered binding.

□ Quantities.

Be accurate and use units of measure that cannot be confused.

For example an order of 500 bags of cement should read 500 bags x 50 kg. Cement is normally packed in 50 kg bags but not always.

□ Quality and specifications.

There must be no doubt as to the quality you want.

□ Delivery arrangements.

State when the goods must be ready. Whether they are to be delivered or collected. State who will be providing labor at whose cost. The schedule may have several shipments.

□ Terms of payment.

Total contract value, advance payments, installment payments, and final payments. State where and when payments are to be made in what form and to whom. Responsible for bank or legal charges, taxes and duties must be mentioned.

If advance payments or installment payments are made to a supplier, **every effort to minimize NCRO's exposure to risk** must be made. If for example a builder is contracted for a project, the maximum advance payment (mobilization fee) should be in the area of 5-25 % of the contract value i.e. the minimum to get the project started. Any payments prior to completion of the contract should not exceed the value of work already completed and final payment should be withheld until the NCRO representative is wholly satisfied with the work.

□ Penalty clauses.

If a penalty clause is included in a contract ensures that it is clear and precise.

As in the contract generally, any ambiguity may make it impossible to invoke a penalty clause.

A penalty clause must also be realistic and realistically enforceable.

Transactions requiring contracts will involve some degree of trust by all parties involved.

Should you not trust a supplier, do not enter into an agreement, contract or not.

If you have any doubts concerning any element of a contract, seek legal advice.

16. TYPES OF PURCHASE AND DOCUMENTATION

16.1 Purpose

To outline the various types of purchase undertaken by the NCRO

To outline the appropriate documentation and procedures for each type of purchase

FINANCIAL LEVEL (USD)	PURCHASE TYPE	AUTHORITY LEVEL	DOCUMENTATION REQUIRED
1 – 500	1. Out of Pocket 2. Petty Cash 3. Purchase not exceeding \$ 500	1. Head of requesting department 2. Head of Procurement function	1. Purchase Request 2. Purchase order 3. Gate inward form 4. Goods received form 5. Invoice



501 – 1,000	Purchases over \$500 but less than \$1,000	<ol style="list-style-type: none">1. Head of requesting department2. Head of Procurement function3. Finance manager	<ol style="list-style-type: none">1. Purchase Request2. 3 Quotations3. Bid analysis4. Purchase order5. Gate inward form6. Goods received form7. Invoice
1,001 – 5,000	Purchases over \$1000 but less than \$5,000	<ol style="list-style-type: none">1. Head of requesting department2. Head of Procurement function3. Finance manager	<ol style="list-style-type: none">1. Purchase Request2. 3 Quotations3. Bid analysis4. Contract5. Purchase order6. Gate inward form7. Goods received form8. Invoice
5,001 – 10,000	Purchases over \$5,000 but less than \$10,000	<ol style="list-style-type: none">1. Head of requesting department2. Head of Procurement function3. Finance manager4. CFO	<ol style="list-style-type: none">1. Purchase Request2. 3 Quotations3. Bid analysis4. Contract5. Purchase order6. Gate inward form7. Goods received form8. Invoice
10,001-15,000	Purchases over \$10,000 but less than \$15,000	<ol style="list-style-type: none">1. Head of requesting department2. Head of Procurement function3. Finance manager4. CFO5. Director	<ol style="list-style-type: none">1. Purchase Request2. 3 Quotations3. Bid analysis4. Contract5. Purchase order6. Gate inward form7. Goods received form8. Invoice
Above \$ 15,000	Purchases over \$15,000	<ol style="list-style-type: none">1. Head of requesting department2. Head of Procurement function3. Finance manager4. CFO5. Board of directors	<ol style="list-style-type: none">1. Purchase Request2. 3 Quotations3. Bid analysis4. Contract5. Purchase order6. Gate inward form7. Goods received form8. Invoice



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16.2 “Out of pocket” purchases not exceeding \$50

If, due to unforeseen circumstances, personal expenditures directly benefiting the NCRO are made, they may be reimbursed on presentation of a valid field or vendor receipt.

Reimbursement will not exceed \$50.

16.3 Petty cash purchases

Petty cash policies and thresholds will be established by directors and finance managers.

Based on a purchase request, obtain petty cash from the finance department and reconcile the purchase against vendor receipt. Standard finance department policies and procedures apply.

16.4 Standing supplier agreements

16.4.1 Purpose

To explain under what circumstances, how and who may institute supplier agreements

16.4.2 Description

Standing supplier agreements are agreements between the NCRO and a supplier whereby the NCRO will purchase specified items from a single primary supplier under specified pricing terms for a defined period of time.

Standing supply agreements can offer a number of advantages to the NCRO.

- Speeds up the procurement process by eliminating the 3-bid requirement for each and every individual purchase of an item.
- Places the NCRO in a stronger position to negotiate prices and terms with the supplier.
- Allows the NCRO to develop standard NCRO specifications with the supplier.
- Reduces administrative costs.
- Allow closer control and monitoring of NCRO / supplier relationships.
-

Agreements of any kind must be fully documented and justified.

16.4.3 Responsibilities

Supply agreements differ from authorized vendors in that the supply agreement mechanism may be established for the purchase of capital or non-expendable property and items with individual costs greater than \$500.

Supply agreements may only be established for items or equipment that the NCRO commonly purchases for its activities i.e. agreements may not be established for occasional or ad-hoc purchases.

Supply agreements may be established for multi-year periods but **must be reviewed at least annually** to ensure that they remain advantageous to the NCRO.

16.4.4 Supplier selection

Suppliers must be selected on a fully documented and justified competitive basis. Qualified suppliers must be invited to submit offers or proposals in response to a limited tender.

Alternatively, where the NCRO has a documented history with a number of suppliers for a specified item(s), selection may be based on analysis of existing data. (This method presumes that prior individual purchases were made competitively)

This method is only valid for the establishment of the initial agreement for an item. Subsequent supplier selection must be based on competitive tenders as outlined above in section.

A file will be opened and maintained for each supply agreement. At a minimum, the following will be held on file;

- Request for quotation / proposal
(Or if appropriate, criteria for review of purchasing records).
- documented supplier quotation / proposals (or if appropriate, historic records)
- Analysis of supplier offers.
- Justification of selected supplier.
- Contract with terms and conditions.
- Documented agreement.

16.5 Purchases from authorized vendors

16.5.1 Purpose

To define “authorized vendors”, their establishment and role
To clarify the policies governing the use of such vendors

Note: Within the context of this Section, “Authorized” is synonymous with other similar terms which have been used in the past - 'Preferred'; “Recommended”; 'Approved'.

16.5.2 Description

An authorized vendor is a vendor considered (and documented) by the NCRO to be the primary supplier of a specific item or items, under an agreed price structure for a specified period of time.

Authorized vendors may only be established in-country for materials or services purchased on a regular basis with individual costs of less than \$500.

Typical materials supplied under this mechanism include: office and domestic supplies, fuel, groceries, fittings etc.

The establishment of authorized Vendors allows programs to;

- Streamline the procurement of supplies purchased on a regular basis.
- Eliminates the necessity for constant 3-bid processes.
- Allows closer monitoring of prices and NCRO / vendor relations.

16.5.3 Rationale for establishing authorized vendors

The aggregation of demand increases negotiating power, can improve value for money, reduces the number of supply sources and is crucial to the purchasing success of any organization. Demand is maximized to exert the strongest influence on the marketplace.

The use of authorized vendors enables programs to eliminate constant bid processes for relatively inexpensive items. This results in a considerable saving in time and is one of the avoidable costs of purchasing.

By negotiating through a competitive process, the program will be in a position to include terms and conditions that are favorable to the NCRO rather than to the supplier (which is generally not possible when purchasing small quantities from various suppliers).

Further, meaningful supplier evaluation and monitoring procedures can be implemented. Procurement function will be able to reduce or eliminate the risk of any fraudulent collusion between NCRO staff and vendors.

16.5.4 Supplier selection and documentation

Program and logistic staff must identify the supplies or services that are purchased on a regular or frequent basis.

Specifications or a list of items should be prepared and suitable suppliers located.

A formal sealed bid limited tender process must be undertaken.

Should there be less than three local (in-country) suppliers, prices must be sought from an international source for comparative purposes (despite shipping costs, a bulk import order may be more cost effective than purchase through local suppliers).

Based on offers received, make the supplier selection.

There is no requirement to establish a formal agreement or contract with the supplier. Indeed, due to the nature of the circumstances in which the NCRO generally operates, formal long-term commitments to suppliers are to be avoided.

Documentation supporting the choice of vendor will include,

- ❑ The scope / specifications or list of materials / services solicited.
- ❑ Copies of all invitations to tender that were issued.
- ❑ Copies of all offers that were received.
- ❑ Copy of the bid analysis summary and justification of supplier selection.
- ❑ Document from the director approving the selected supplier that identifies eligible purchases and the maximum validity period of authorized vendor status.

16.6 Market and supplier monitoring

Despite the establishment of authorized suppliers, Procurement function logistics still has a responsibility to check prices in the market on a regular basis. This will allow Procurement function to identify market price changes, new suppliers and to determine whether to subject the items to further competitive bidding ahead of time. Market monitoring should be undertaken informally on an on-going basis and formally every six months at a minimum – more frequently in an active market.

Prices or price structures must be circulated to the finance department. This allows a check between the agreed pricing and actual invoiced pricing.

16.7 Construction contracts

Construction contracts over \$25,000 are subject to contractor selection based on a sealed bid process. This level should be further reduced if there is any need to demonstrate fair and competitive practice on the part of the NCRO.

16.7.1 Contractor pre-qualification

NCRO must develop a “database” of pre-qualified contractors. This will significantly decrease the time involved to effect tender processes and the risk of engaging inappropriate contractors.

NCRO will invite all interested contractors to present themselves and register with the NCRO.

Invitations to register should be published in the official gazette of the area (if applicable), trade publications and / or in widely distributed local newspapers.

All interested parties will be instructed to contact the NCRO, upon which they will be provided with a “questionnaire for contractors” and pre-qualification instructions.

Completed questionnaires will be returned to the NCRO where they will be registered in a database or spreadsheet. The questionnaire and attachments will be reviewed for completeness and an assessment made of the contractors capacity. All documentation received will be filed in a designated binder.



Contractors will be informed of their status by the NCRO in writing. Where contractors fail to meet qualification criteria, the NCRO should if possible / appropriate, indicate the grounds for the decision.

The database / spreadsheet will include the following information,

- NCRO contractor ID number
- company name
- name of the manager / contact person
- phone / fax / email coordinates
- type of services offered (general, plumbing, electrics etc)
- company capacity (can undertake small / medium / large contracts)*
- date of first entry into the register
- date of last information update
- NCRO comment on the basis of the collected data

Comments should be informative and accurate:

- “prior bad experience” (state instance(s))
- “prior favorable experience” (state instance(s))
- “recommended by (name) organization(s)”

The pre-qualification process remains open in that there is no limit to the number of contractors who may apply and contractors may update their company information at any time.

The NCRO needs to inform those companies that have not pre-qualified of the fact.

16.7.2 Invitation to tender

Only documented, pre-qualified contractors registered with the NCRO will be invited to tender for projects. A minimum of three contractors must be invited.

Pre-selected contractors will be sent an invitation to tender.

Each contractor will sign receipt of one additional copy of the invitation to tender. This signed copy shall become a part of the NCRO documentation.

All contractors must be presented with the identical tender documentation. Once tender documentation has been received, NCRO staff must avoid contact with the contractors unless it is necessary to visit the site or to answer questions the contractor may have concerning the procedure or contents of the tender documentation.

Contractor queries must be asked and answered in written form. This correspondence must then be sent to all other contractors in the tender.

All tenders must be submitted in sealed envelopes (the only external reference to the contractor must be the NCRO contractor ID number) and upon receipt by the NCRO, be registered in a “received tender” log-book then filed in a secure location.

Tenders received after the closing date may not be taken into consideration and must

be returned unopened to the contractor.

Should for any reason, the NCRO decides to prolong the closing date for a contractor, all other contractors must be afforded the same possibility.

Under mitigating circumstances, tenders may be submitted via fax. The fax should be received and sealed, unread, in an envelope. The standard receipt procedure will additionally note that the tender was received via fax. Tender submission via fax is acceptable as an exception not as routine practice.

16.7.3 Tender board

Opening and evaluation of contractor tenders will be performed by a tender board composed of a minimum 3 members. One of the NCRO board members must be qualified in construction projects.

16.7.4 Procedure for tender opening

The invitation to tender will state the time, date and location at which the tender board will open and review contractor bids. All participating contractors are invited to witness the proceedings.

The tender board will keep minutes and produce a report of the proceedings. The board will review the submitted tenders against the requirements of the invitation to tender and for mathematical accuracy. Incomplete tenders will be noted, as will any other relevant additional information submitted by a contractor.

There will be no public comment or discussion by the board during the opening procedure. Unless it is customary in the area of operation, do not publicly announce the value of vendor offers; this is generally contrary to the supplier confidentiality of accepted business ethics.

Before closing the tender opening procedure, contractors must be invited to record any comments they may have concerning the tender and bid opening process.

All tenders will be filed as part of the auditable project documentation.

As acceptable offers will be in compliance with the criteria of the invitation to tender, contractor selection will generally be based on "lowest bid".

However, the following must also be reviewed and considered.

- time-frame for project completion,
- favorable warranties or payment terms / method,
- materials of superior quality than those specified, at favorable cost,
- Offer of additional works on the project included in the offer.

Analysis of tenders will be documented on a Bid Analysis Worksheet, a supplier selected and that choice justified.

16.7.5 Contracts

Due to the many requirements and associated risks of construction, construction contracts are amongst the more difficult type of contract to draw up.

A typical contract may consist of the following documentation,

- Letter of award.
- Contractual agreement.
- Terms and conditions of the contract.
- Technical drawings and specifications.
- Bill of quantities and prices.

The Terms and Conditions of the contract will be very specific.

Many construction contracts will involve advance payments (mobilization fees) and part payments as elements of the job are completed.

If mobilization fees are paid, great care must be taken to protect the NCRO's interests in the event of contractor default.

Mobilization fees must be kept to a minimum, 5 – 25% of the contract value maximum (depending on the up-front expenses that will be incurred by the contractor).

The mobilization fee must be tied to a “start date” beyond which the contractor forfeits a penalty.

Significant contracts (over \$150,000) will require the contractor to issue a performance Bond (based on a percentage of the total contract value) in favor of the NCRO. This can be any irrevocable financial instrument. The bond will be returned to the contractor on certification of final works or warranty period.

Interim payments must be linked to clearly defined inspection criteria rather than paying interim payments in full, it is often advantageous to retain a percentage of each interim payment against the risk of contractor default. If a contractor defaults before completion of works, the NCRO will incur the additional cost of identifying and engaging a new contractor. Withholdings against each interim payment ensures that the NCRO is covered wholly or at least partially against the additional costs of a contractor default.

Final payments are generally made some period of time after completion of works. This period, whether tied to warranties or not, must be clearly defined.

Penalty clauses must be realistic and enforceable.

All construction contracts must be drawn up by qualified individuals and reviewed by local legal counsel. Further, all contracts valued over US\$100,000 will be reviewed by the NCRO director and if a non-standard contract has been employed it will also be reviewed by Board of Directors.

16.8 Sole Source Procurement

A sole source purchase is one where an item can only be purchased from a single source. This situation makes it impossible to obtain competitive bids.

The Bid Analysis must justify why the technical characteristics inherent in the item make it essential to purchase that particular item from that particular vendor and no other.

Written analysis of price or cost is required on all sole source purchases with an aggregate expenditure in excess of \$1,000. Appropriate documentation may include copies of published price lists, advertised pricing in established magazines, journals, and newspapers, and similar indices.

A Bid analysis form documenting some form of price or cost analysis is required on all sole source purchases with an aggregate expenditure in excess of \$1,000. Appropriate documentation may include copies of published price lists or advertised pricing on the Internet or in established magazines, journals, and newspapers.

The Bid analysis will document a clear, concise statement that justifies waiving the competitive bidding process.

The director has the final responsibility in determining whether an item is a proprietary item and may be purchased from a sole source.

16.9 Restricted or special purchases

Certain purchases may be subject to prohibitions, special approvals, limits, and restrictions.

Purchases that may require special consideration,

- Narcotics, medical drugs and supplies.
- Food items.
- Hazardous materials.
- Purchases made with non-NCRO unrestricted funds.
- Purchases from vendors with NCRO supplier agreements.
- Items requiring a government mandated independent inspection.
- Items purchased from government agencies.
- Purchases of used items.
- Purchases for NCRO employees.

NCRO staff that initiate and / or review purchase requests are responsible for noting any restrictions that may apply to a purchase. The need for government registration and licensing for communications equipment, for example Procurement function are responsible for identifying and complying with NCRO or government restrictions that may apply to purchases.

16.10 Lease agreements

No building or equipment leases may be entered into without the written authorization of the director.

The proposed lease agreement should be accompanied by a purchase request and include as a minimum the following:

- Term of lease.
- Monthly rental.
- Responsibility for maintenance.
- Options for termination of the lease.

In those instances where need has not been previously established and reasons for the proposed lease is not obvious, a memo describing the reasons for the lease should accompany the proposed agreement.

Prior to approving the proposed lease agreement, the director and logistics manager will review the proposed lease to;

- Ensure that such a contract is allowable under NCRO and donor regulations.
- Ensure the contract contains clauses, which adequately protect the NCRO.
- Establish the competitive nature of the purchase.
- Analyze lease versus buy options.

16.11 Hazardous materials

NCRO employee will request, purchase or handle hazardous material unless the following criteria have been met;

- The material is essential.
- The purchase is allowable.
- The purchase is allowable under all applicable government regulations.
- A fully qualified individual will supervise all aspects of the acquisition, packing, handling, transportation, storage and distribution of the material.

Board of directors must approve the purchase of hazardous material.

16.12 Unforeseen purchases

No unapproved financial commitment greater than US\$50 against the NCRO may be made by any employee, except under unforeseeable circumstances.

An unforeseen situation is determined to exist when:

- Such a condition appears imminent, resulting from legitimate reasons, such as mechanical failure.
- The activities will cease due to lack of supplies, the need for which could not be foreseen through careful planning or preparation (i.e., owing to mechanical failure).
- NCRO personnel or property is threatened.



Unforeseen purchases may be made only to cover the immediate requirements.

Notice of unforeseen commitments should be made in writing to the director. Proper notice should include,

- A purchase request.
- An invoice and delivery note showing the supplier, date of order and pickup / collection, and the name and signature of the person receiving the item.
- A memo detailing the nature of the situation requiring deviation from the routine procedure, approved by the program manager and director.

16.13 Purchases for NCRO employees

The function of Procurement function is to serve the purchasing needs of the NCRO. Due to accountability and liability considerations it is NCRO policy not to undertake procurement on behalf of employees for personal equipment.

Exceptions

The director must approve exceptions to this procedure in writing.

17. CHANGES TO PURCHASE ORDERS / CONTRACTS

17.1 Purchase request changes

Requests to change an outstanding purchase request concerning quantity, price, or specifications should be made in writing to the Procurement function.

The original authorizing manager or their supervisor must approve the changes.

17.2 Purchase order changes

If an order has already been placed, Procurement function will discuss the required changes with the supplier.

The NCRO may be liable for any irrecoverable costs incurred by the supplier in changing the original order. Any such additional costs will be referred back to the requesting officer before the changes are confirmed to the supplier.

Under no circumstances will the requesting member of staff contact the supplier directly.

17.3 Purchase order cancellation

Requests for cancellation of an outstanding purchase order will be made in writing to the Procurement function. Requests for cancellation should include;

- The purchase request number.
- The reason for the cancellation.

Procurement function will give the supplier an official order cancellation verbally and / or in writing.

If a vendor has begun production or has secured for delivery an article that the vendor is unlikely to sell within the vendor's normal scope of business, or if the vendor has incurred costs in preparation for production, the requesting program may be liable for such costs as the vendor may incur because of this cancellation. These costs might include payment for custom-made parts or products already completed before cancellation or restocking charges incurred for returnable goods.

17.4 Supplier default

Occasions will arise when suppliers default on agreed orders or contracts. Common sense must guide staff member's initial approach to rectifying the problem. For example, where a relatively short delay is caused by other than the supplier's negligence and NCRO activities are not unduly compromised, it is probably in the NCRO's interests to work with the supplier to effect delivery of the item or service. However, where either of the above conditions exists, the order or contract should be cancelled and re-issued to another supplier.

Order cancellation must be as soon as possible. Usually verbally and then confirmed in writing. The letter will state why the supplier is in default and that the order is cancelled at no cost to the NCRO.

For purchases over \$1,000 it is generally acceptable to re-issue the order to the supplier of the next best offer in the original bid or tender process. In an unstable market where prices have changed significantly, a new RFQ must be issued (unless doing so would unduly delay / compromise program interventions).

18. SHIPPING / TRANSPORTATION OF MATERIALS

18.1 Purpose

To indicate the complexity and pitfalls of transportation and transportation documents. This section is not intended to offer in-depth information.

18.2 Inco terms

An Inco term is the acronym for international commercial terms of delivery. First introduced in 1936 by the international chamber of commerce, the terms give a uniform set of guidelines for the interpretation of buyers and sellers obligations under three main headings,

- Precise place of delivery.
- The division of cost.
- The point at which the (insurance) risk passes from the seller to the buyer.

Inco terms also identify which party is responsible for export documentation under each term.

By stating Inco terms 2000 (the latest revision) the buyer undertakes to observe the

rules governing the quoted term and expects the seller to do likewise.

Certain Inco terms are only applicable to particular transport modes.

NCRO procurement staff must not use Inco terms unless they are fully conversant with the meaning and ramifications of the quoted term.

If there is any room for doubt or interpretation, procurement officers must issue Purchase Orders with clear and concise instructions concerning packing, insurance and cost division and not rely on interpreting the Inco terms.

18.3 Documentation

All carriers and their agents conduct their business under limited liability and under agreed conventions. The only occasion when carriers or agents liability becomes unlimited is when TOTAL negligence on their part can be proven.

18.4 Road / Rail transport

Goods are shipped by road or rail on waybills or rail consignment notes.

18.5 Freight forwarders

All freight forwarders trade under limited liability, usually under standard terms and conditions as set down by their national freight forwarding associations.

18.6 Commercial invoice

Customs services of the importing country may require documentation providing proof of price paid.

The commercial invoice is a bookkeeping document issued by the seller detailing to goods sold and the agreed price to be paid. In the absence of a format determined by the country of import, the normal particulars are;

- The names and addresses of the seller and the buyer.
- The dates of the order and the invoice.
- Designation of the goods and identification marks (shipping marks, number of packages, volume, and customs tariff number).
- Price and currency in which billed.

18.7 Certificate of origin

The customs administration of the exporting country, an official body such as a chamber of commerce or an unofficial body acceptable to both parties can issue.

18.8 Gift certificate



Generated by the NCRO, the Gift certificate is typed on NCRO letterhead and can be instead of, or in addition to the commercial invoice and certificate of origin.

The gift certificate states that the goods are a donation from the NCRO and details the nature of the goods, quantity, weight, value and country of origin.

The Gift Certificate must also state that the gift involves no currency transaction between the country of supply and the country of destination.

19. INVOICE MATCHING

Before payment is made to a supplier, the NCRO (Procurement function and finance) must ensure that the items delivered are exactly those in quantity and quality as those ordered and that the supplier is billing the NCRO for the agreed amount.

The process of “invoice matching” facilitates this.

The suppliers’ invoice details must “match”,

- The NCRO purchase order.
- The NCRO delivery report

20. VENDOR PAYMENT

20.1 Payment documentation

Finance requires a complete set of procurement documentation to support payments that they make or facilitate to vendors. This documentation will be inspected by internal and external auditors and also forms part of the “check and balances” of the procurement process.

All documentation must be fully and accurately completed, cross-referenced and verifiable.

Receipts that have been paid by Procurement function must be marked “paid”. This is to protect against receipts being submitted multiple times for payment.

Under most circumstances finance will require original documentation. Procurement function must therefore generate a copy set for their records. If for any reason original documents are not available, certified copies may be submitted. Copies should bear the note “verified true copy” and be stamped and signed by the logistics coordinator or similar authority.

Withholding of taxes will be deducted from vendors according to local laws.

21. PRACTICAL IMPLEMENTATION OF PROCUREMENT PROCEDURES

Determine the expected overall volume of procurement split by local and international availability.

Identify the number and experience of procurement staff (actual or budgeted).



Analysis of this information will allow either a revision of the staffing requirement or will influence the degree to which Procurement function will provide procurement support to NCRO.

Remember that large volumes of small local purchases undertaken centrally require a heavy commitment of staff and often transportation.

Research customs facilities, formalities and contacts, and freight forwarding agencies meet with donor representatives to ascertain their role in procurement, if any.

21.1 Documented procedures

Formally document the Procurement procedures staff is to observe.

These will cover authorization schedules, where to find the relevant forms, how to complete forms, where to submit completed forms etc.

Policies and procedures must be circulated to all managers and in place at the outset of activities.

21.2 Lines of reporting / communications

Clearly establish lines of reporting and communications through the development of an organizational chart.

21.3 Procurement staff training

In most cases, staff is unlikely to be familiar with generic procurement procedures and will certainly not be aware of NCRO specific requirements.

Formal training sessions must be undertaken as early as possible so that the office can function until “on the job” training can bring staff knowledge up to required levels.

21.4 Authorized vendors

Identify and institute Authorized Vendors as early as possible. This will avoid a great deal of expense in time and human resources. Until time is available for a full investigation of the local market, initial validity periods for Authorized Vendor status need not be long (three weeks or a month).

21.5 General

Remember that a good procurement system is a balance between rapid order fulfillment and sound, transparent procedures. If at any point, Logistics find that they have one at the expense of the other – the system must be reviewed and accordingly revised.

An accessible filing and documentation management system must be put in place as soon as operations start.

22. REDUCING PROCUREMENT COSTS



Logistics must continually seek methods of controlling or reducing procurement costs. Below are some techniques that may assist in effecting this;

22.1 Planning

This is probably the single most effective tool for controlling procurement costs. It allows time for full product and supplier sourcing and avoids (generally expensive) “panic” purchasing. This will involve equally program and logistic staff.

22.2 Use of competition

Having vendors compete for the NCRO’s business, will generally result in reduced prices or improved payment terms, product quality or service support.

22.3 Increased volume

Working through the Authorized Vendor mechanism or by consolidating purchases into bulk orders, increase purchase volumes to gain supplier discounts.

22.4 Use advantages to negotiate

For example, use the suppliers’ financial year to the NCRO’s benefit (many developed country suppliers will cut discounts to increase sales toward to end of their financial year).

23. IMPREST ACCOUNTS

23.1 Purpose

To introduce the purpose and management of imprested funds

23.2 Introduction

In general, all Procurement function requirements for cash will be met through standard finance department procedures. However, circumstances may arise whereby Procurement function requires cash funds to efficiently handle small or unplanned transactions.

The imprested account offers advantages over cash advances or petty cash accounts in that they are easier to control and monitor.

23.3 Generally accepted principles of imprest fund accounting and control

A fund is deemed to be operated on an imprest basis when:

- Its amount is fixed, and may not be changed without written approval from a designated authority.
- The fund is replenished to the extent of expenses made since the last

replenishment, when the fund falls below a pre-established level (for example 20% of the amount). This is to allow the fund to operate while the replenishment is being processed. Note: "expenses made", not "payments made", because cash advances are not replenished.

- The total cash on hand, un-replenished expenses (supported by receipts/vouchers), and un-liquidated cash advances (supported by cash advance slips), are always equal to the fund amount, and
- Expenses are recorded upon replenishment, not when payments are made.

23.4 Policy

Requests for the creation of, or increase to, an imprest account should be made in writing to the director and finance manager.

The request should state the;

- Justification of need.
- Amount requested.
- Name of custodian or proposed custodian.

Imprest funds will be maintained in a safe location and kept under lock while not in use.

The finance manager will establish specific procedures as necessary for the initial creation, record keeping, supporting documentation and the replenishment of an imprest fund. Such funds may be used to expedite the handling of logistics business by providing cash to make small purchases.

In the event of misuse of the imprest fund, the finance manager may withdraw the fund from logistics.

The level of the fund can be considered to be at a reasonable level when it can operate without replenishment for 1 - 2 weeks. It is considered excessive when it can operate for one month or longer without replenishment.

Finance department and the director will consider the following,

- A reasonable fund level.
- A reasonable single disbursement limit.
- The limit for single advances.

Imprest funds will not be used to circumvent standard procurement or finance procedures, nor will they be used as a substitute for planning.

Imprest funds may not be used to facilitate check cashing or loans.

Authorized signatory lists should be prepared for each fund. These lists should be disseminated to the staff for their guidance.



Imprest cash funds must be counted weekly by the custodian, and twice a month by an employee with supervisory/oversight functions.

Random cash counts should be performed at least quarterly (but not predictably) by a person who does not maintain custody or have access to the cash.

The custodian is responsible to see that the fund at all times equals the original amount, which may be represented either by cash, petty cash vouchers, or invoices which add to that amount.

24. FIELD OFFICE MODIFICATIONS TO STANDARD PROCEDURES

All modifications to the standard policies and procedures must represent a necessity or advantage in the NCRO operation. All modifications must respect the spirit of this document as well as the minimum mandatory requirements set out herein.

Modifications to any NCRO policies and procedures must be documented. Logistic managers should understand that auditors (internal and external) make their inspections against the documented policies and procedures of that office. In the absence of local policies, offices will be inspected against the NCRO standard policies.

The simplest method of documenting modifications is to identify the particular standard policy or procedure and to indicate the modification that has been effected. It is unnecessary to completely reproduce the generic document in a local format.

ANNEXES



New Consultancy and Relief Organization
NCRO
Store Request Form

Project:
Location:
Date:
Ref No:

Sr.No.	Description	Qty	Rate

Authorized Signature: _____





Annex-IV

**New Consultancy and Relief Organization
NCRO**

BID TABULATION

PROJECT :
 BUDGET (USD):
 PA No:
 OVER/UNDER BUDGET:

QUOTATION REQUEST:
 CLOSING DATE:
 NO. OF SUPPLIER REQUESTED:
 NO. OF RESPONSES:

Name of Suppliers			A 1		B 2		C 3		D 4		E 5		6	
Quotation Reference:														
Currency Offer: US\$														
DESCRIPTION OF ITEMS	Quantity	Unit	Cost/Unit	Total Cost	Cost/Unit	Total Cost	Cost/Unit	Total Cost	Cost/Unit	Total Cost	Cost/Unit	Total Cost	Cost/Unit	Total Cost
TOTAL USD														
Freight /Transportation Charges														
Shipping Terms														
Country of Origin														
Weight Estimated														
Volume estimated														
Total lead Time														
Validity Date														
Terms of payments														
Meets required Specification														
									Name		Signature			
Recommended Vender/Co.									A					
Reason:									B					
Currency of Offer: US\$									C					
Comments:									Approved By					
									Prepared By:					



New Consultancy and Relief Organization
NCRO
PURCHASE ORDER

Invoice:

Purchase Order No:

Fax:

Date Issued:

To:

Ship To:

Good Thru	Ship Via	Account No.	Terms

Quantity	Unit	Item/Description	Unit Cost	Amount
			Total	

Authorized Signature: _____





New Consultancy and Relief Organization
NCRO
SAMPLE SIGNATURE LIST

Sr.No.	Name	Signature
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		



**New Consultancy and Relief Organization
NCRO
Goods Quality Control Form**

Project:
Location:
Date:
Supplier :

No	Description/ Details	Unit	Quantity	Condition as per Specification		Remark
				Yes	No	
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						

Quality Control Team

Name:

Name:

Signature:.....

Signature:.....

Name:

Signature:.....



New Consultancy and Relief Organization
NCRO
Purchase Requisition

Requested by :

Date:

Priority: Normal () Low () High ()

Vender Name:

Phone No:

VENDER INFORMATION

Company:

Address:.....

SPECIAL INSTRUCTIONS:

.....
.....
.....
.....
.....

Qty	Description	Unit	Cost	Total
Total				

Approved Signature:.....