

Procurement Policy

Prova Society



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Procurement Policy

Introduction:

Every organization must procure goods and services through both capital and profit-making expenses for office use, infrastructure development, and day-to-day operations. To execute this procurement process effectively, it is crucial to establish a dedicated procurement department. The primary responsibility of the procurement department is to ensure the timely, cost-effective acquisition of goods and services, ensuring the correct quality, quantity, and source based on planned demand. This principle is commonly referred to as the "Five Rs" in procurement, which are: the right time, the right quality, the right quantity, the right price, and the right source.

Given the current limitations in the organization's structure, it is not feasible to establish a separate procurement department at this time. However, it is essential to establish a comprehensive procurement policy that will guarantee transparency and systematic management of the procurement process. The following conditions, outlined in the procurement policy, must be adhered to:

1. Formation of the Procurement Committee

1.1 Establishment of Committee

Procurement committee consisting of three members will be formed at the head office. The committee will be composed of:

- One person from the relevant program of the organization,
- One person from the accounting department,
- One person from the administration department.

This committee will be appointed by the Executive Director.

1.2 Approval of the Committee

The procurement committee formed by the Executive Director must be formally approved by the Executive Board.

1.3 Committee Roles and Structure

- The head of the relevant program will serve as the **President** of the committee.
- A representative from the accounting department will act as the **Member Secretary**.
- A representative from the administration department will be the **Member**.

1.4 Responsibility to the Chief Executive

The procurement committee at the head office will be recognized as the **Central Committee** and will be directly responsible to the Chief Executive Officer (CEO) for the performance of their duties.

1.5 Absence of Committee Members

In the event that any member of the committee is absent during procurement activities, a designated substitute nominated by the absent member will represent them.

This policy ensures that the procurement process is transparent, efficient, and follows proper protocols. The involvement of key departments helps maintain accountability and ensures decisions align with the organization's overall goals.

2. Formation of Procurement Committees for Regional and Branch Offices

2.1 Establishment of Regional and Branch Office Committees

The procurement committee for each regional office and branch office will be established by the regional manager, the accountant of the respective branch, and one senior field officer from the same branch.

2.2 Representation in Absence of an Accountant

In cases where a branch does not have an accountant, the branch manager will represent the accounting role in the procurement committee.

2.3 Approval of Committees

The procurement committees formed at the regional and branch office levels must receive formal approval from the Chairman of the Purchase Committee at the Head Office.

This ensures that procurement processes are handled systematically and consistently across all levels of the organization, maintaining transparency and accountability.

3. Steps for Purchase of Goods and Materials

Even with the establishment of a procurement committee to manage purchasing activities, the following steps must be adhered to in order to ensure purchases are made in accordance with organizational requirements and procedures:

3.1 Determination of Annual Purchase Requirements

The capital and profit expenditure amounts will be established during the budget preparation process for each financial year. The annual purchase target will be set in such a way that 10% of the total profit income is allocated for capital expenditure. This allocation will guide the procurement process and ensure that the organization has the necessary funds for required purchases.

3.2 Purchase Planning for Goods and Materials

The procurement of goods and materials will be planned based on the requirements identified in the department-wise budget. Depending on the demand and operational needs, purchases may be carried out on a weekly, fortnightly, monthly, or quarterly basis. This approach ensures that the purchase process aligns with the annual budget and meets the department's operational needs in a timely manner.

These steps are critical to managing the procurement process effectively, ensuring that the organization stays within budget while acquiring necessary goods and materials as required.

4. Purchase Procedure

4.1 Preparation of Purchase Demand

A designated officer from the department requiring the goods or services must prepare a demand letter outlining the specific goods to be purchased, including the required quantities. This demand letter must then be submitted to the Administration Department for further processing. Along with the demand letter, a requisition form should also be completed, which must include the following details, if applicable:

- **Item Description:** Clear identification of the goods or services needed.
- **Quantity:** The amount of each item required.
- **Date:** The date of the requisition.
- **Current Stock:** Existing inventory levels of the items, if relevant.

4.2 Preparation and Distribution of Requisition Copies

For the purchase of any item, **three copies** of the purchase requisition form should be prepared. The distribution of these copies will be as follows:

- The **original copy** should be kept with the **Purchase Committee**.
- The **second copy** should be submitted to the **Accounts Department**.
- The **third copy** should be filed in the **office records**.

4.3 Approval Process

Upon receipt of the requisition form, the **Administration Department** is responsible for taking the necessary steps to obtain approval from the appropriate authority. This step ensures that the purchase is validated before proceeding.

4.4 Initiation of the Purchase Process

Once the **approved purchase requisition** is received, the **Purchase Committee** will initiate the procurement process. The committee's first task will be to inquire about potential sources for the required items. The committee will review and monitor various factors, including:

- Supplier catalogues
- Past purchase records
- Price lists
- The quality of the goods
- The reputation of the supplier
- Delivery timeframes
- Payment terms

After evaluating these factors, the committee will determine the most appropriate supplier and proceed to issue a **purchase order** or **work order**. The purchase order/work order must clearly specify the following details:

- Quantity of goods
- Quality of goods
- Agreed-upon price
- Delivery date
- Payment terms and mode of payment

This ensures that all procurement activities are carried out systematically, with proper approvals and careful consideration of factors that impact quality and cost.

5. Tender Collection

5.1 Exemption for Small Purchases

Purchases for items valued **less than 20,000 Taka** do not require a tender. In such cases, the members of the purchase committee can directly visit the market to carry out the purchase, ensuring price verification.

5.2 Collection of Market Tenders for Lower Value Purchases

For purchases below the threshold requiring tenders, the purchase committee members must visit the market and collect tenders from **at least three suppliers** to verify the market price of the required goods. Each tender must be submitted on the respective shop's official letterhead. The purchase will be made from the **lowest bidder**, but if the highest bidder offers superior quality, a specific justification must be provided for the selection.

5.3 Purchases Above 20,000 Taka

For purchases above **20,000 Taka**, sealed quotations must be collected. At least three selling/supplier organizations must submit sealed tenders on their official letterheads. The tenders should be opened at a designated time in the presence of the renderers', and the lowest bidder will be selected. For purchases up to **500,000 Taka**, this process applies.

5.4 Procurement for Purchases Above 500,000 Taka

For any purchase above **500,000 Taka**, tenders must be invited. If necessary, a public tender notice should be published in a local or national newspaper, specifying the details of the goods/materials, quantities, quality, and delivery timelines. Tenders may also be posted on the notice board. The tender box will be opened in the presence of the tenderers.

5.5 Procurement of Land or Buildings

Due to the complexity of collecting tenders for land, buildings, or similar assets, the procurement committee may proceed without tenders. However, approval must be obtained from the Executive Committee, and local market price verification is required.

6. Comparative Tenders and Work Orders

6.1 Comparative Statement

A **comparative statement** of the tenders collected via sealed bids or tender notices must be prepared. Both the highest and lowest bidders will be evaluated in the process.

6.2 Issuance of Work Order

Following the Procurement Committee's recommendation, the **Chairman of the Procurement Committee** or the **Chief Executive** will issue a **work order** to the selected bidder using the organization's prescribed form or pad.

6.3 Consideration Beyond the Lowest Bidder

In preparing the comparative tenders and issuing work orders, **quality** will be a key consideration, not just the price. Based on the Procurement Committee's recommendation, work orders may be issued to bidders other than the lowest bidder, particularly if their goods meet higher quality standards.

6.4 Work Order Details

At the time of issuing the purchase order/work order, the **quantity, quality, delivery date, and payment terms** must be clearly stated.

7. Emergency Purchase (During Disasters)

7.1 Emergency Purchases

In the event of a disaster or urgent organizational needs, any **two members** of the Procurement Committee may directly purchase goods up to **100,000 Taka** at a time, provided the market price is verified. In such cases, sealed tenders or notices are not required. However, the purchase must be approved by the **Chief Executive**.

8. Payment of Price

8.1 Cash Payment for Purchases Below 10,000 Taka

For direct purchases of goods valued **up to 10,000 Taka**, payment can be made in **cash**.

8.2 Cheque Payment for Purchases above 20,000 Taka

For purchases **above 10,000 Taka**, payment must be made via **cheque**.

8.3 Account-Pay Cheque for Purchases above 50,000 Taka

For purchases **above 50,000 Taka**, payment must be made via an **account-pay cheque**.

8.4 Emergency Payment

In emergency or disaster-related purchases, payment of up to **50,000 Taka** may be made in cash.

8.5 Cash Payment Conditions

If a supplier requests cash payment instead of a cheque, this arrangement must be documented in writing by the supplier, and the **Executive Committee** must approve this request.

8.6 Payment Terms in Work Orders

The method and timeline for payment after the delivery of goods must be clearly specified in the **work order**.

9. Receiving and Storing Goods

9.1 Receiving Goods at the Head Office

At the head office, the **Administration Department officer** will receive the goods in the presence of a Procurement Committee member.

9.2 Inspection of Goods

The officer will open the packaging, verify that the goods match the purchase order in terms of quantity and quality, and initially take possession of the goods.

9.3 Goods Receipt Report

A **Goods Receipt Report** will be prepared in **three copies**:

- The **first copy** will go to the officer responsible for storing the goods in the Administration Department.
- The **second copy** will be sent to the Central Accounts Department.
- The **third copy** will go to the Procurement Committee.

10. Adjustment of Invoice

10.1 Goods Not as Per Order

If goods received are not as per the purchase order or are damaged, the Procurement Committee will take steps to return them to the supplier.

10.2 Price Adjustment

If the supplier requests a price adjustment due to defective or objectionable goods, the **Purchase Committee** may approve the adjustment.

10.3 Adjustments for Over/Under Supplied Goods

Occasionally, adjustments may be required for goods that are over or under supplied.

11. Voucher Generation and Payment of Bills

11.1 Invoice Approval and Voucher Generation

After necessary adjustments, the supplier's invoice will be checked and approved by the **Purchase Committee**, and the **Accounts Department** will prepare the voucher, comparing it with the relevant documentation.

11.2 Executive Approval

The voucher will be sent to the **Executive Director/Approving Officer** for approval after being reviewed by the **Coordinator (Finance and Administration)**.

11.3 Payment

After receiving approval, payment can be made via cash or cheque.

12. Distribution of Goods

12.1 Stock Register Updates

Upon receiving goods, a stock register should be filled in using separate sheets for homogeneous goods, noting the quantity, price, etc.

12.2 Goods Distribution and Posting

Goods will be distributed based on demand, and updates will be made in the register, ensuring that demand forms and acknowledgments are retained.

12.3 Stock Reconciliation

At the end of each financial year, **closing stock** should be reconciled by comparing received vs. used quantities.

13. Transfer or Sale of Assets

13.1 Sale Committee

In the case of selling movable and immovable assets, a **Sale Committee**, composed of those named in the Purchase Committee, will oversee the process.

13.2 Notice for Sale

A notice will be published on the notice board for the sale of any assets.

13.3 Selling to the Highest Bidder

Goods will be sold to the highest bidder who responds to the notice.

13.4 Employee Priority

In the sale of assets, employees of the organization will be given priority consideration.

14. Effectiveness of the Purchase Policy

14.1 Effective Date


This purchase policy shall be effective from **1st July 2007**.

14.2 Policy Interpretation

Any questions regarding the application of this policy shall be resolved by the **Executive Director**, whose decision will be final.

14.3 Amendments

Any changes, extensions, additions, or deletions to this policy will be determined by a committee formed by the **Executive Director**, subject to the approval of the **Executive Board**.



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Chairman
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