



**PUNE INSTITUTE OF
BUSINESS MANAGEMENT**
APPROVED BY AICTE | AFFILIATED TO UNIVERSITY OF PUNE

STANDARD OPERATING PROCEDURE

PURCHASE AND PROCUREMENT

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1. INTRODUCTION

The role of the purchasing department is to manage the procurement of materials required for running the campus. The function of a purchasing department is to operate within a framework determined by the management. No other functionality has greater inter-relationships within the organization as well as outside suppliers as procurement. It is a managerial activity that includes planning and implementing to cover a wide range of related and complimentary activities such as:

- Market research for quality materials and development of new sources of supply.
- Follow up to ensure proper delivery
- Inspection of quality check of materials and compliance with specifications.
- Development of proper systems and procedures to enable the purchase function to be carried out efficiently.
- Coordination with other departments like transportation, storekeeping, inventory control, accounting, disposal of scrap and surplus, etc.

The key activity of a purchasing department is to make it process-driven with SOPs. Simply this can be referred to as the manual for the procurement of goods or the SOPs for the purchasing department.

2.0 OBJECTIVES

- Make purchase commitments for materials, and equipment at the lowest possible price, with consistent and quality material and delivery requirements.
- Ensure deliveries of purchase materials are available on time as per the requirement with the consent of the buyer and supplier
- Explore and capitalize on all legally permissible opportunities for cost reduction on the purchase of materials.

- Ensure suppliers adhere strictly to brand or make and test specifications and that materials and equipment received meet specified quality standards and all stated performance criteria.
- Develop and manage local suppliers.
- Establish and maintain good relations with suppliers.
- Implement buyer rotation plan.

3.0 SCOPE

This standard Operational Procedure covers all the purchasing activities of the following:

- All materials required for PIBM at Pune.
- Construction materials and machinery including spares, parts, tools, and equipment.
- All capital equipment/items.
- Office equipment and stationery.
- Housekeeping materials.
- Uniforms for Students/Drivers/housekeeping and Security staff.
- Firefighting equipment
- Stationaries
- All other items of purchase of goods and/or services.

4.0 EXCEPTIONS

- Published materials including books, periodicals, etc.
- Professional fees/services.
- Personnel services.
- Advertising services.
- Canteen services including Grocery, cooking gas, crockery, cutlery, etc.
- Mementos, souvenirs, and gifts to employees.

5.0 POLICIES

- Except as otherwise specified under exceptions entire purchasing for PIBM and its constituent units shall be made by the designated purchasing officials only.
- A purchase committee has been appointed by the Chairman to oversee local purchases/and proposals of PIBM / its constituent units for procurement proposals beyond Rs.5000/-.

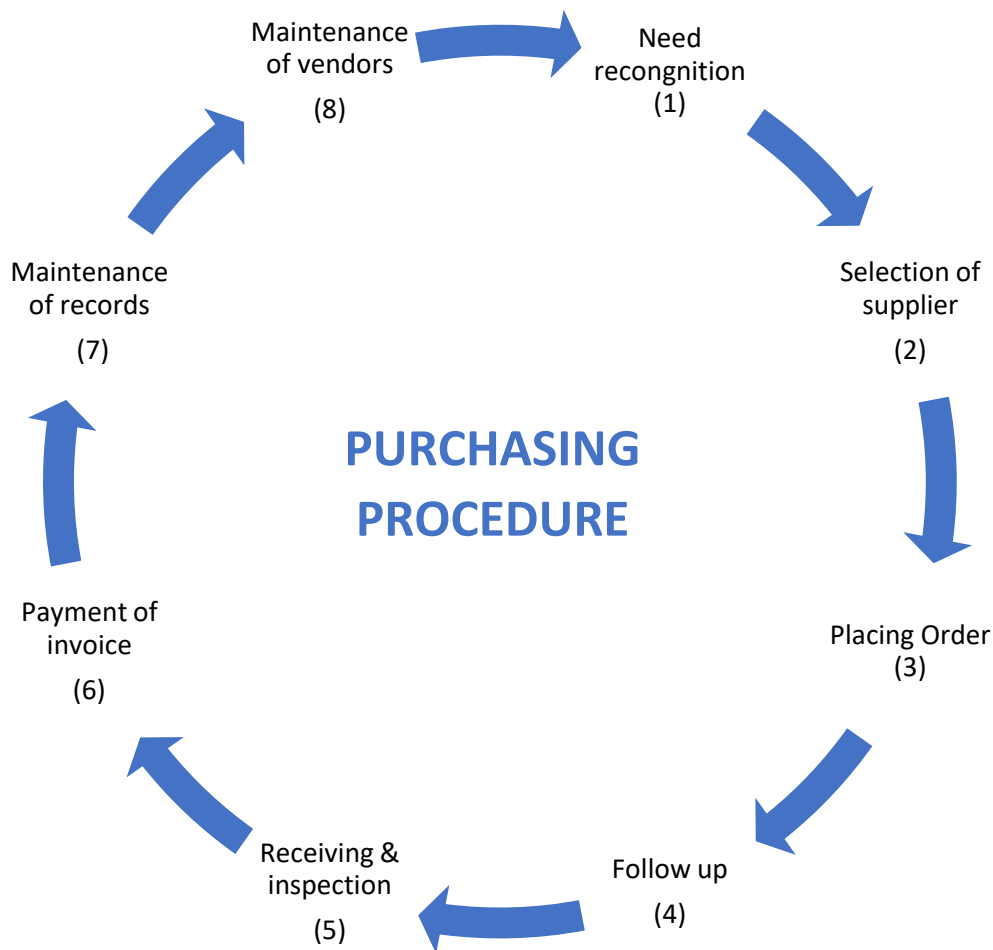
Purchasing committee: -

1. Chairman of the College (PICTURE)
2. CFO(PICTURE)
3. Sr. Account officer(PICTURE)
4. GM(Admin) (PICTURE)
5. Purchasing officer. (PICTURE)
6. HOD (Requisition) (PICTURE)
7. Technical Advisor (IT and Constriction work) (PICTURE)
- 8.

5.1 Procurement process and adherence to procurement terms and policies: -

- Take Requirements from the Concerned departments and Check from Store. It cannot place an order just because there is a requisition from another department. It needs to be ensured that purchases to be made are justified, approved, and within the confines of operational planning.
- There will be approvals and clearances involved from concerned authorities.
- Identify suppliers, obtain appropriate information, such as quality, delivery pricing, etc. and make all purchasing commitments after obtaining approval from the purchase committee of PIBM.
- Solicit quotations only from suppliers who are qualified or can be qualified to meet all requirements. An approved suppliers list must be maintained for all purchases of repetitive nature.
- Examination of the financial status of a company, its facilities, and its ability to perform timely and meet commitments should be a factor for selecting a supplier.

- The user and purchasing officials are responsible for identifying suppliers with the user responsible for the technical evaluation and purchasing officials responsible for financial and service evaluation.
- Once acceptable suppliers have been identified, purchasing official will recommend to the purchase committee the selection of a supplier based on the response to the organizational requirements.
- The materials specifications shall take into consideration the price and availability factors without compromising on quality. The quality standards should not be unnecessarily rigid to preclude competition or economic purchasing.



5.2 Sealed quotations shall be obtained for all purchases.

- Items cost below Rs.500/- can be directly purchased by paying cash. A minimum of one written quotation shall be obtained for items less than Rs.5000/- and more than Rs.500/- after a proper assessment of market rates.
- Purchasing officials are responsible for obtaining at least three written quotations for the purchase of materials, services, or equipment over Rs.5000/-
- If quotations from less than three suppliers are obtained, appropriate justification should be recorded in the Comparative Statement and purchase approval form so as to record the reasons why three quotations are not obtained.

- All supply orders shall normally be awarded to the lowest bidder. In case of deviations from this policy, proper justification must be recorded.
- Purchase orders should not be issued after delivery of goods or work has started or services rendered merely to facilitate payment. In exceptional cases, such confirmatory orders have to be approved by the Chairman.
- A normal credit period of 30 days from the date of receipt of materials shall be obtained from suppliers. Advance payments against orders, cash against delivery.
- The prices quoted by any supplier and his identity shall not be disclosed to other suppliers until the finalization of the supplier and release of the order.
- Settlement of supplier's bills for procurement of materials and/or services shall be by way of cheque crossed Payees Account only or NEFT.
- All rejections and returns of the suppliers shall, as far as possible, be at the suppliers' cost and risk. Purchasing officials shall immediately inform the supplier of such rejection for replacement or return.
- Other things being equal, local suppliers shall be given preference over outstation suppliers. The development of alternate suppliers should be pursued as an objective to reduce costs, provide flexibility and improve quality.

6.0 PURCHASE REQUISITIONS / INDENTS

- All procurement of materials and/or services covered by this policy shall be initiated through a purchase requisition/indent duly approved by GM Designated purchasing official is empowered to act only based on an approved purchase requisition/indent.
- In case of stores required by the Administration Department, the file will be processed by Chairman/Director/GM.
- Indents must be covered by adequate approved budget provisions.

SCRUTINY OF PURCHASE REQUISITIONS / INDENTS

- Purchase shall scrutinize the approved indents on its receipt with specific reference to :

- Completeness of indent including specifications. delivery schedules.
- adequate approved budget coverage etc.
- Requisite approvals.
- Quantity already in stores to be certified by stores.
- Approval of the GM, PIBM.

8.0 RELEASE OF SUPPLY ORDER

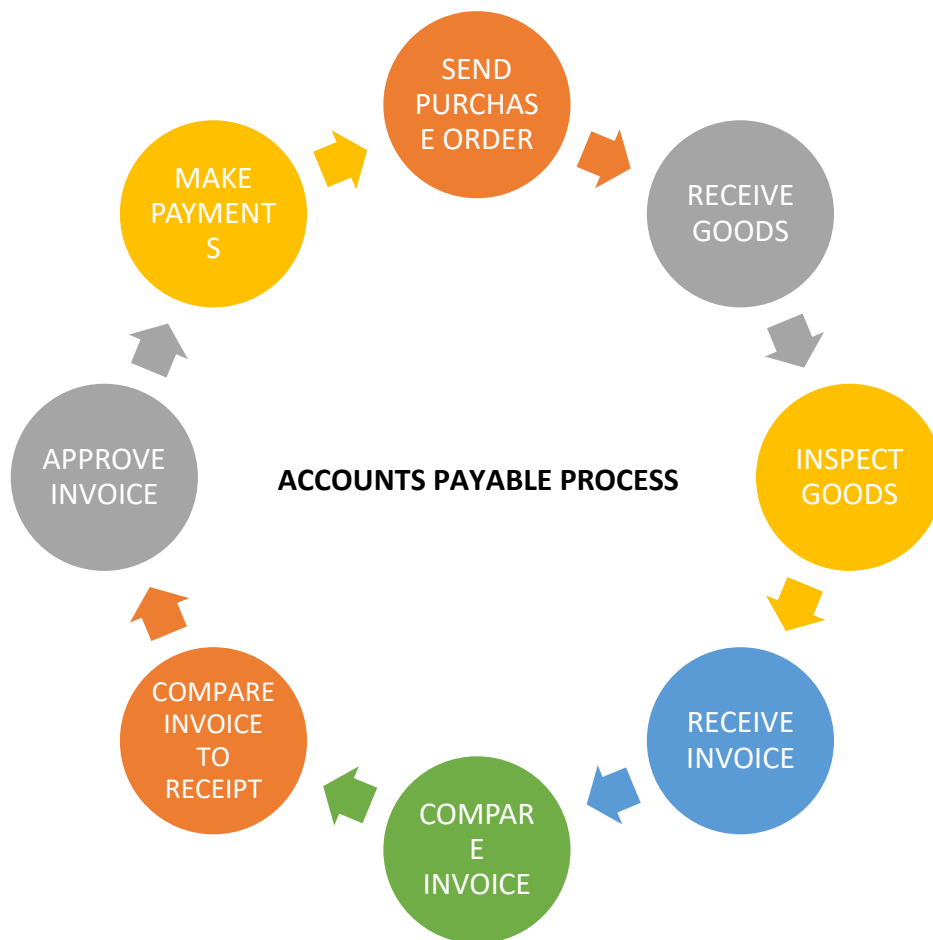
- Based on the approval on file by the GM - PIBM the office of the officer authorized to place the supply order will prepare the supply order and submit the same for the signature of the officer authorized to approve the supply order, certifying the correctness of the supply orders, as approved both in terms of actual, price and supply order amount.
- The supply order will be dispatched by courier or Email. The supply order has to be released only through standard print format

Terms and Conditions

- The standard terms and conditions are printed on the purchase order form.
- As a normal policy, purchasing officials shall negotiate for F.O.R. Destination terms and ensure the supplier sends materials on freights pre-paid basis. In exceptional cases, freight may be paid in cash, on the approval of the Chairman.
- These terms should always be insisted upon and acceptance of the same by the supplier has to be obtained in the supply order acceptance copy.
- All other terms would be applicable unless otherwise stated depending upon the nature of the supply order.
- **After Receiving Goods:** - After receiving the goods enter them in the inward register and when purchasing officials get an invoice/bill it enters in the GRN book and a stock register.

Processing of bills for Payment:

- All bills received in the office of the officer authorized to place the order will be endorsed by the Purchasing officer certifying the receipt of such stores in good condition and there having been taken on charge in the stores register with the specific date of receipt. These bills will be promptly sent to Finance for payment. A record of such billing will be kept. Ordinarily, it should be possible to complete all the formalities and issue the cheques in payment within a week of the receipt of the bills. Delays if any will be investigated by Finance or the officer authorized to place the order and action taken accordingly.



- Once materials are received in stores and accepted as per the supply order, Bill in original will be Account Department (Fin) for payment along with the following documents: -
 - Copy of the supply order.
 - Copy of the Requisition form
 - Recommendations of the Purchase committee duly approved by the Chairman.
 - GRN certificate.
 - Installation Report (if installation is pending then show the Stock in Stock Register).
 - Installation Photo.
 - Payments will be made by Finance directly to a supplier based on the above documents and a receipt for the same will be obtained from the suppliers for documentation purposes

9.0 REJECTED MATERIALS

When material rejections occur, immediate action must be taken to return, replace or dispose of the rejected materials. Negotiation to return, replace and/or dispose of the rejected materials is the sole responsibility of the purchasing official.

10.0 DEVELOPMENT OF ALTERNATE MATERIALS / SOURCE OF SUPPLY

The development of new and dependable sources of supply is necessary for successful purchasing. Purchasing Officials should constantly look for new suppliers, new lines and grades of materials, and better prices. This would help to: -

- Develop a dynamic list of approved suppliers.
- Lower material prices.
- Ensure continuity of suppliers/supplies.
- Maintain quality standards.

11.0 VENDOR CONTACT

For those responsible for the Purchasing function to carry out their responsibilities and achieve their objectives, they must be considered the prime contact with vendors.

- In the area of vendor contact, the purchasing responsibility includes:
- Making all purchase commitments.
- Conducting all negotiations for purchase agreements or contracts.
- Administering all purchase agreements and contracts including:
- Communicating all exceptions such as rejections, cancellations, delivery changes, replacements, etc.
- Being informed and aware of the time and purpose of all visits to vendors.
- Vendor contacts by other officials are permitted for the following reasons (with prior knowledge of the Purchasing officials):
 - Request for technical data.
 - Development equipment specifications.
 - Coordination of material or equipment schedules.

12.0 RELATION WITH SUPPLIERS

Purchasing Official shall project the image and reputation of the Company by maintaining good supplier relations, by adhering to the following principles:

(PICTURE)

- Fair, prompt and courteous listening to suppliers
- Keeping the competition open and fair.
- Ensuring payments are on due dates.
- By keeping an open mind to newer methods and material offered by testing them and communicating results.

- The important consideration of keeping good supplier relations is the observance of the payment terms. It is the responsibility of the Finance department to ensure payment to suppliers as per Supply Order terms.
- Purchasing Official shall not commit unrealistic payment terms to suppliers knowing that adherence is not possible.

13.0 VENDORS EVALUATION SYSTEM

Vendor evaluation for all materials will have to be done objectively to improve vendor performance and vendor relations. Suppliers will have to be monitored constantly concerning quality, price, deliveries, response to changes, documentation, etc., and feedback on performance provided to the vendors periodically. This would help identify vulnerable areas and take timely action to improve vendor performance.

The details of the system to be followed would be as under:

Each delivery is considered 100 points. The 100 points are distributed as follows:

QUALITY	35 points
PRICE	25 points
DELIVERY	30 points
RESPONSE TO CHANGE, DOCUMENTATION ETC.	10 points

13.1 Quality

- For no rejection 35 points.
- For part rejection or re-approval after resorting / reworking 30 points.
- For minor quality problems which are accepted on a conditional basis 25 points.

- For supply in improper packing or not as specified in the supply order 20 points.
- If the rejection or complaint was caused by other than Vendor s error, such as incorrect specification or other incorrect instructions being given to the vendor, no points shall be deducted.

13.2 Price

Vendor performance reflects directly upon the unit price paid for purchased materials and therefore any price increase requested by the vendor must become part of the overall evaluation process.

PRICE	POINTS
Lowest price	25
Second lowest price	20
Third lowest price	15
Others	0

13.3 Delivery

- If required quantities are delivered at the required time 30 points.
- In case of short delivery or delayed delivery (part supply) 20 points.

- For delayed delivery of full quantity 15 points.

13.4 Performance

- Vendors performance is evaluated at the end of every year.
- Vendors scoring 90 points and above would be rated as A class.
- Vendors scoring 80 points and above but less than 90 would be rated as B class.
- Vendors scoring 65 points and above but less than 80 would be rated as C class.
- Vendors scoring less than 65 points would be rated as D class.

14.0 DISPOSAL OF SCRAP/SURPLUS/OLD NEWSPAPERS/CARDBOARD CARTONS ETC.

- **Scrap:** This term applies to unusable material whose value is only in terms of its material content, be it metal, paper or cloth. Scrap has a value and must be treated as any other store item. It should be accounted for properly. Scrap is usually of three categories:
 - **Ferrous scrap:** This is suitable for re-smelting to produce iron, steel, or its alloys.
 - **Metal scrap** (non-ferrous scrap): Copper, brass, tin, lead, zinc, aluminum, etc.
 - **Waste:** All non-metallic scrap is called waste. Paper, corrugated containers old newspapers, paper bags, cement bags, plastic, rubber, wood, etc.

The scrap must be disposed of as soon as possible, preferably once in four months through sale by the authorized purchasing official. For each lot put up for sale, quotations are obtained and a lot is sold to the highest bidder or through negotiations.

15.0 CONCLUSION:

- The procedure included in this SOP supersedes all previous procedures issued on the subject.
- The procedures covered in this SOP are meant to be exhaustive. Those not specified here should be dealt with in terms of established general policy guidelines and conventions.
- Deviations/exceptions shall be brought to the attention of Chairman PIBM for his approval.