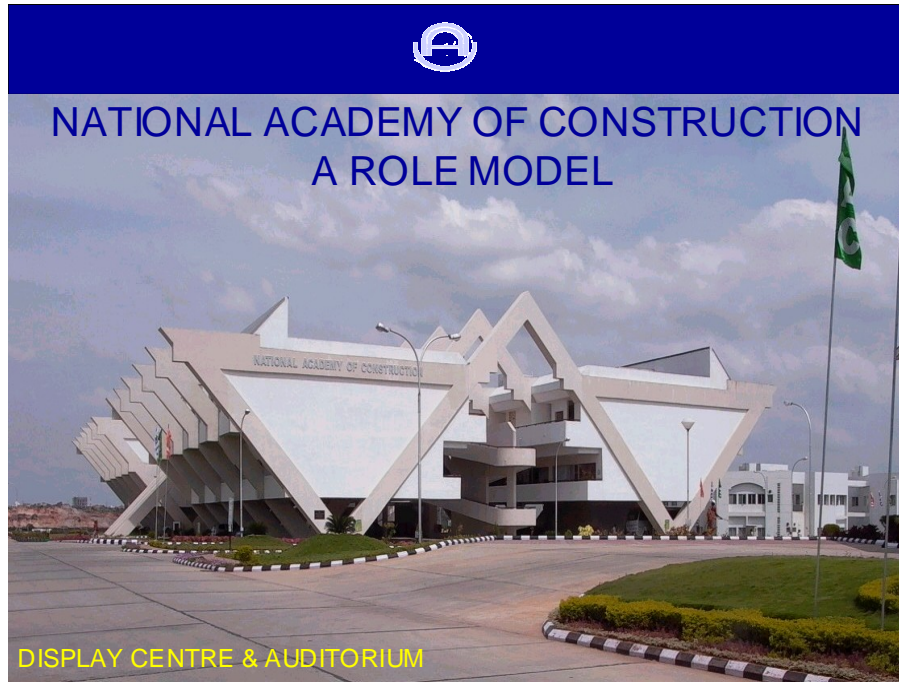


**STANDARD OPERATIONAL PROCEDURE FOR  
PURCHASING FUNCTION AT NAC AND ITS CONSTITUENT  
UNITS**



**NATIONAL ACADEMY OF CONSTRUCTION**  
**HYDERABAD**

**P R E F A C E**

**Place :**  
**Dated :**

**Director General, NAC**

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## 1.0 INTRODUCTION

“PURCHASING IS A CHALLENGING NEVER ENDING JOB WITH A SIGNIFICANT FINANCIAL GAIN FOR EFFECTIVE WORK”

**1.1** Purchasing function is described as the business activity directed to securing the materials, supplies and equipment required in the operations of an organisation. It has a long range objective of ensuring continuity of cost effective supplies of materials and services.

**1.2** Purchasing function operates within a framework determined by the management. No other function has greater inter-relationships not only within the organisation but also with outside supplier organisations. It is a managerial activity that includes planning and policy activities covering a very wide range of related and complimentary activities such as:

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

**1.3** Considering that the purchasing rupee forms a significant percent of total expenses, the importance of the purchasing function need not be overemphasized in today’s economic environment.

## 2.0 PURPOSE

To provide a framework for managing the purchasing function in an ethical, effective and uniform manner by :

**2.1** Defining the **Objectives** and **Scope** of the purchasing function.

**2.2** Establishing the **Purchasing Policies**.

**2.3** Describing the **Procedures** to be followed in the implementation of the policies.

**2.4** Issuing **Authority Level / Limits / and Guidelines** to purchasing officials.

### **3.0 OBJECTIVES**

- 3.1** Make purchase commitments for materials, equipment and services at the lowest possible price, consistent with quality and delivery requirements.
- 3.2** Ensure deliveries of purchase materials are available to meet Training, Operational and Maintenance requirements and that equipment is delivered and services are performed as required and agreed to by user, buyer and supplier.
- 3.3** Explore and capitalize on all legally permissible opportunities for cost reduction on purchase of materials.
- 3.4** 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.
- 3.5** Develop local suppliers.
- 3.6** Establish and maintain good relations with suppliers.
- 3.7** Implement buyer rotation plan.

### **4.0 SCOPE**

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

- 4.1** All materials required for tradesmen training at Hyderabad and outstation training centers, tradesmen tool kits, personnel protective equipment.
- 4.2** Construction materials and machinery including spares, parts, tools and equipment.
- 4.3** All capital equipment / items.
- 4.4** All project purchases including tenders for civil and electrical work.
- 4.5** Office equipment and stationery.
- 4.6** House keeping materials.
- 4.7** Uniforms for staff / trainees
- 4.8** Fire fighting equipment
- 4.9** All other items of purchase of goods and / or services not specifically included under Exceptions at Para 5.0.

## **5.0 EXCEPTIONS**

- 5.1** Published materials including books, periodicals etc.
- 5.2** Professional fees / services.
- 5.3** Personnel services.
- 5.4** Advertising services.
- 5.5** Data processing software services.
- 5.6** Administrative services including travel, hotel and hiring of cars.
- 5.7** Canteen services including cooking gas, crockery, cutlery etc.
- 5.8** Mementos, souvenirs and gifts to employees.
- 5.9** Hiring office space.

## **6.0 POLICIES**

- 6.1** Except as otherwise specified under “Exceptions” entire purchasing for NAC and its constituent units shall be made by the designated purchasing officials only.
- 6.2** The purchasing official is empowered to act on the basis of an approved Expenditure Sanction or Indent. Sample pro forma for Expenditure Sanction and Indent as applicable to C.T.T.I are placed at Appendix “A” and Appendix “B” respectively. In an emergency situation, there must be documentation on file explaining the emergency and why the normal purchasing process was not followed.
- 6.3** Purchasing official will have the following responsibilities:-
  - 6.3.1** Identify suppliers, obtain appropriate information, such as quality, delivery, pricing etc. and make all purchasing commitments after obtaining approval from purchase committee of HQ NAC. A purchase committee has been appointed by the DG to oversee local purchase / and proposals of NAC / its constituent units for procurement proposals beyond @ Rs.5000/-.
  - 6.3.2** Solicit quotations only from suppliers who are qualified or can be qualified to meet all requirements. An approved suppliers list as per Appendix ‘C’ must be maintained for all purchases of repetitive nature. Examination of the financial status of a company, facilities, its ability to perform timely, meet commitments should be part of the criteria considered to select a supplier.

- 6.4** The user and purchasing officials shall be jointly responsible for identifying acceptable 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 purchase committee for the selection of a supplier who can best respond to the organizational requirements.
- 6.5** The materials specifications shall take into consideration the price and availability factors without compromising on quality. The quality standards shall not be unnecessarily rigid to preclude competition or economic purchasing.
- 6.6** All items and service purchases must be properly covered by an appropriate and duly authorized purchase requisition or indent setting forth all the required information including date, specifications, delivery instructions and available budget provisions.
- 6.7** Items of regular consumption shall be bought on a contract basis by sending annual enquiries every year. Other items shall be purchased by inviting quotations as and when the indents are received.
- 6.8** Enquiries shall indicate the approximate quantity likely to be purchased to take advantage of bulk purchases. The quantities to be indicated in the enquiry letters shall first be cleared by the authorized purchasing official with the indenter.
- 6.9** Sealed quotations shall be obtained for all purchases.
- 6.9.1** Items cost below Rs.500/- can be directly purchased by paying cash.
- 6.9.2** Minimum one written quotation shall be obtained for items less than Rs.5000/- and more than Rs.500/- after proper assessment of market rates.
- 6.9.3** Purchasing officials are responsible for obtaining at least three written quotations for purchase of materials, services or equipment in excess of Rs.5000/-
- 6.10** If quotations from less than three suppliers are obtained, appropriate justification should be recorded in the Comparative Statement and purchase approval form as to the reasons why three quotations are not obtained.
- 6.11** All supply orders shall normally be awarded to the lowest bidder. In case of deviations from this policy, proper justification must be recorded in the CST.
- 6.12** 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 Director General.

- 6.13** A normal credit period of 20 days from the date of receipt of materials shall be obtained from suppliers. Advance payments against orders, cash against delivery and documents through bank shall be restricted to the barest minimum.
- 6.14** The prices quoted by any supplier and his identity shall not be disclosed to other suppliers until finalization of the supplier and release of supply order.
- 6.15** All suppliers quoting on the business shall be informed that the process has been completed and an award made.
- 6.16** Settlement of suppliers bills for procurement of materials and / or services shall be by way of cheque crossed "Payees Account only" or Demand Draft. Non-negotiable cash disbursements up to Rs.5000/- per transaction of a non-recurring nature may be permitted as an exception.
- 6.17** 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.
- 6.18** Other things being equal, local suppliers shall be given preference over outstation suppliers. Development of alternate suppliers should be pursued as an objective to reduce costs, provide flexibility and improve quality.
- 6.19** Relationship of purchasing personnel with suppliers and their representatives should be in a manner that will promote public goodwill in every respect and at all times. Dealings with suppliers will be conducted with utmost integrity, adhering to the highest standards of ethical and just conduct. Gifts, entertainment or consideration of any kind or value from any source will not be accepted unless recognized as proper. (Inexpensive advertising / promotional items carrying the suppliers logo like calendars, pens etc, are not considered as gifts with in the definition of this policy).

## **7.0 PURCHASE REQUISITIONS / INDENTS**

- 7.1** All procurement of materials and / or services covered by this policy shall be initiated through a purchase requisition / indent duly approved by DG.
- 7.2** Designated purchasing official is empowered to act only on the basis of an approved purchase requisition / indent.
- 7.3** The requirement of stores to be procured through local purchase must be properly assessed by the procurer and should only cover the minimum inescapable requirement. Once the need has been established, after taking into consideration the stock already available and availability of budget provisions, action will be initiated as at Para 7.1 above.
- 7.4** In case of stores required by the Finance / Administration Department, the file will be processed by Director (Finance) / DDG through ADG (Infrastructure) for approval of DG.



**7.5** Indents must be covered by adequate approved budget provisions.

**7.6** Purchase requisition / indent shall not be sent to purchase after work has started or materials delivered or services rendered merely to facilitate issue of purchase order and for payment. In exceptional cases, such confirmatory indents have to be approved by the DG.

## **8.0 SCRUTINY OF PURCHASE REQUISITIONS / INDENTS**

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

**8.1.1** Completeness of indent including specifications. delivery schedules adequate approved budget coverage etc.

**8.1.2** Requisite approvals.

**8.1.3** Quantity already in stores to be certified by stores.

**8.1.4** Whether any special government permission required for purchase / storage (explosives, fuels etc)

**8.1.5** Approval of the DG, NAC.

**8.2** The demand for stores is normally for use on works for construction, maintenance tasks or for training. The following issues need to be addressed while demanding stores through local purchase:-

**8.2.1** Nature of work

**8.2.2** Certification of need.

**8.2.3** Specifications – it should include quality, quantity and brand / trade name or make, in case of proprietary items.

**8.2.4** Sample to which supplier is required to conform to, if the make is not available to be specified.

**8.2.5** Drawing / sketches where needed.

**8.2.6** Specifications should not be given to suit a particular supplier.

## **9.0 FLOATING OF ENQUIRIES**

**9.1** A Register of Suppliers under various categories be maintained in the office of the officer authorized to issue quotations. The suppliers should be categorized according to the nature of the supply. This Register will be reviewed once in a year. It will be available for inspection and scrutiny by the next superior

officer. The existence and the capacity of the firms will be personally verified by an officer not lower than the rank of Asst. Director of concerned unit.

- 9.2** This Register will contain names of suppliers based on their request. These will be firms of repute and authorized dealers / agents. All such suppliers must have a Sales Tax / VAT registration number as allocated by the sales tax department. An officer not lower than the rank of Asst. Director of concerned unit shall physically verify the status and existence of the firm and satisfy that it actually trades in the particular items as stated by the firm or is an authorized agent / dealer and is capable of effecting supplies.
- 9.3** The selection of firms for issue of quotations should be done judiciously by the officer concerned and quotations issued to the firms who actually trade in the items or who are authorized agents / dealers.
- 9.4** Items required to be purchased will be grouped category - wise for the purpose of calling of quotations i.e separate quotations for water supply items, electrical items, ironmongery, spare parts and so on.
- 9.5** A clear description of stores and specifications will be given. The quantity and accounting unit will be shown. The names of suppliers / firms to whom quotations are issued will first be filled in by the provisioning officer on the office copy after careful selection from the register of suppliers to ensure proper and competitive response. Quotations on format as per Appendix 'D' will be issued as follows:-
- 9.5.1** Below and upto Rs. 500/- - on hand receipt.
- 9.5.2** Rs.501/- upto Rs.5,000/- - Single quotation / bill of supply.
- 9.5.3** Rs.5001/- to Rs.1 lakh - A minimum of three quotations.
- 9.5.4** Above Rs. 1 lakh - A minimum of three quotations.  
In addition a brief advertisement will be got published in one Telugu daily with Hyderabad circulation, indicating the general nature of the items proposed to be procured along with approximate cost.
- 9.5.5** Items of proprietary nature - Quotation to the certified authorized dealers.
- 9.6** The endeavor should however be to issue quotations to as many as possible. Reasonable time will be allotted to enable the addresses (suppliers) to receive and dispatch the quotations. All quotations will be sent by courier and a proper record kept. For emergency and rush orders, quotations can be obtained through Fax. The quotation form will clearly elaborate the following:-

- 9.6.1** Name of the consignee.
- 9.6.2** Place of delivery of stores.
- 9.6.3** Suppliers rates required to be indicated – in figures and words.
- 9.6.4** Whether rates quoted be for free delivery to the consignee or transportation charges being levied.
- 9.6.5** Whether rates quoted are inclusive or exclusive of central / state sales tax, VAT, Octroi charges or any other taxes as applicable.
- 9.6.6** The time allowed for making supplies should be specified. In case of large supplies, a phased delivery programmed to complete the supply may be carried out.
- 9.6.7** Method of disposal of rejected stores.
- 9.6.8** Suppliers to send their quotations in a sealed cover with a direction, that the quotation number and the date due for opening to be prominently indicated on the cover by the supplier. For this purpose envelopes suitably addressed / endorsed shall be supplied with the quotation form.
- 9.6.9** Validity period of the quotation after the date of opening.
- 9.6.10** Non-entertainment of quotations received later than the specified date and time as well as those which are received without the signature of the supplier or his authorized / representative.
- 9.6.11** Warranty as applicable.
- 9.6.12** Inspection – Clearly laying down that in the event of any dispute or difference of opinion. Between the inspecting officer and the supplier. The stores will got inspected by a member of the purchase committee as directed by the DG, NAC and that his decision in the matter will be final, legal and binding.
- 9.6.13** Date, time and place of opening the quotation.

## **10.0 RECEIPT OF QUOTATIONS**

A quotation box duly locked will be kept in the office of an officer nominated by the officer authorized to place the order for local purchase. The key will also be kept with this officer. The slit at the top of the box will be designed to prevent any removal of the quotations already inserted. Quotations will be put into the box by the local suppliers directly and not through any of the departmental staff. Quotations received by post will be initialed and dated on the envelop by an officer so designated and kept in safe custody till opening date.

- 10.1** A separate quotation box will be maintained for each call for quotations in case more than one call for quotations has been initiated with different days of submission, ahead of the date of submission of the first set of quotations.
- 10.2** An officer nominated by the officer authorized to place the order will open the quotations on the due date and time. Quotation due for the date of opening will be sorted out and balance quotations received on subsequent time and date will not be opened and recorded.
- 10.3** All corrections / overwriting will be also initialed. These will then be entered in the comparative statement with complete details of the offer made specifications, delivery period offered, terms / place of delivery, terms regarding sales tax or other taxes or any other conditions enumerated. In case the rate against certain items is not quoted, the opening officer shall insert a remark to that effect and initial. Where the supplier has put his initials / signature at a place where there is no correction / over writings, the opening officer shall insert a remark to that effect and initial. The officer will also initial every correction / overwriting made in different inks / handwritings. Each correction / over writing will be written in words by the officer before putting in his initial. The total number of quotations received will also be indicated. The opening officer may put any other remark pertaining to the quotation if necessary. The opening of quotations in the presence of suppliers should be introduced, but this is not mandatory. For this purpose a suitable clause should be added in the quotation form.
- 10.4** The quotations will be scrutinized by the officer dealing with the purchase / use of stores. The Comparative Statement as per format at Appex 'E' will then be submitted with the case on file to the officer authorized to place the supply order. An endorsement on the Comparative Statement as "Stores offered by Serial No. \_\_\_\_\_ M/s. \_\_\_\_\_ with rates approved being lowest / suitable to our requirements" will be made while processing the case on file. In case of suitability of an offer which is higher than the lowest quoted, reasons for its acceptability will be recorded on file. The recommendations will cover the suitability of materials offered, delivery period and reasonableness of rates based on past experience or the advisability of recalling of quotations for specific items quoted for but not considered for placing of the order. The total cost of the order, the cost of the order against each supplier recommended for placement of order and the availability of budgetary support to meet the proposed expenditure will also be indicated.

In case the stores are of proprietary nature or the purchase is being made under emergency powers, this fact will also be endorsed suitably on file. A purchase committee has been appointed by the DG, NAC to oversee local purchase proposals of NAC and its Constituent units for procurement proposals beyond Rs.5,000/- per supply order. The composition of the purchase committee will be as under:-

10.4.1 Director / In charge Director of the concerned unit - Convener

10.4.2 ADG (Infrastructure) NAC - Member

10.4.3 DDG, NAC

- Member

10.4.4 Director (Finance), NAC

- Member

- 10.5** Budget approval for procurement of stores / materials through Expenditure Sanction Register be obtained prior to procurement of the stores / materials proposed to be procured. After selecting the right source of supply, quotations obtained along with the Comparative Statement will be routed through the purchase committee to the DG for approval in principle, for the proposed procurement .(along with necessary documents). Supply order, will be placed only after approval of the DG NAC. The purchase committee as appointed will process the file for approval of the DG, NAC.

## **11.0 RELEASE OF SUPPLY ORDER**

- 11.1** Based on the approval on file by the DG, NAC 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 place the supply order, certifying the correctness of the supply orders, as approved both in terms of actual, price and supply order amount.
- 11.2** The supply order will be dispatched by courier. In emergency cases a copy of the supply order can be faxed to the supplier in advance. To ensure that there is no ambiguity in the supply order. The following points / conditions will be fully covered:-
- 11.3** A reasonable period should be allowed to the supplier to remove and replace the rejected stores. In the event of failure, action for return of such stores will be done at the risk and const of the supplier. Any discrepancy in the quality of stores received will be promptly brought to the notice of the supplier in writing. Including any damage that many have accrued during transit. Stores which have been inspected and accepted will be promptly taken on charge on respective stores registers.
- 11.4** The supply order has to be released only through standard printed format, attached as Appendix ‘ F ‘ to this manual.

### **11.4.1 Terms and Conditions**

The standard terms and conditions are printed on the purchase order form.

- 11.4.2** As a normal policy, purchasing officials shall negotiate for F.O.R. Destination terms and ensure supplier sending materials on freights pre-paid basis. In exceptional cases freight may be paid in cash, on the approval of Director – Finance.

**11.4.3** These terms should always be insisted upon and acceptance of the same by supplier has to be obtained in the supply order acceptance copy.

**11.4.4** All other terms would be applicable unless otherwise stated depending upon the nature of supply order.

**11.5** Supply order shall not be released after the work has started, or materials delivered or services rendered merely to facilitate payment. In exceptional cases such confirmatory supply orders have to be approved by Director General, HQ NAC.

**11.6 Performance Guarantee**

For all major equipment and instruments it should be the responsibility of the purchasing official to secure performance guarantee from the manufacturer / supplier. The standard performance guarantee should make the supplier / manufacturer responsible for rectifying / replacing the defects that are due to manufacturing designing observed in the item supplied within a period of one year from date of commissioning or 18 months from the date of supply whichever is earlier. The purchasing official should obtain such performance guarantee from the manufacturer / supplier in writing.

**11.7 Processing of bills for Payment:**

All bills received in the office of the officer authorized to place the order will be endorsed by the Dy. Director / Asst. Director of concerned unit and counter signed by concerned Director / In charge Director certifying the receipt of such stores in good condition and their having been taken on charge in the stores register with specific date of receipt. These bill will be promptly sent to the Director 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 Director 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 fwd to HQ NAC Dir (Fin) for payment along with the following documents:-

**11.7.1** Copy of the supply order.

**11.7.2** Recommendations of Purchase committee duly approved by DG

**11.7.3** Stores receipt voucher / certificate of Ledger charge duly certified by the concerned Director.

**11.8** Payments will be made by Dir Finance directly to supplier basing on the above documents and a receipt for the same will be obtained from the suppliers for documentation purpose

## **12.0 PROCUREMENT OF GOVERNMENT CONTROLLED MATERIALS**

Procurement of Government controlled items like paraffin wax coal , LPG, Rubber, Diesel Oil, Petrol, Explosives etc., can be done directly if the rates offered are fixed by local government. There is no need to obtain any quotations if the suppliers are registered with the government. It is the responsibility of the purchasing official to apply for in time and obtain the requisite Government Licenses, permits, allocations etc required for storage of such materials.

## **13.0 REJECTED MATERIALS**

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

## **14.0 DEVELOPMENT OF ALTERNATE MATERIALS / SOURCE OF SUPPLY**

Development of new and dependable sources of supply is necessary to successful purchasing. Purchasing Official should constantly look for new suppliers, new lines and grades of materials and better prices. This would help to

**14.1** Develop a dynamic list of approved suppliers.

**14.2** Lower material prices.

**14.3** Ensure continuity of suppliers / supplies.

**14.4** Maintain quality standards.

## **15.0 SOURCES OF INFORMATION**

In this fast changing world, every official has to keep pace with the latest knowledge and techniques to be able to do his job effectively on a continuing basis. This equally applies to the purchase official, specially in India where procurement conditions are under going rapid changes, whilst the method of developing this knowledge is left to individuals choice, the following suggestions should be helpful :-

**15.1** News papers and commercial journals

**15.2** Keeping up-to-date buyers guide like Indigenous manufacturers hand book  
Membership of purchase association which would provide opportunity to meet purchase executives of other companies and exchange ideas.

**15.3** Personal visits to markets and discussions with suppliers

**15.4** Maintenance of up-to-date material records.

## **16.0 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.

**16.1** In the area of vendor contact, the purchasing responsibility includes:

**16.1.1** Making all purchase commitments.

**16.1.2** Conducting all negotiations for purchase agreements or contracts.

**16.1.3** Administering all purchase agreement and contracts including:

- Communicating all exceptions such as rejections, cancellations, delivery changes, replacements etc.
- Communicating all information required to implement the agreement or contract such as quality acceptance, shipping instructions, forecasts etc.

**16.1.4** Being informed and aware of the time and purpose of all visits to vendors.

**16.2** Vendor contacts by other officials are permitted for the following reasons (with prior knowledge of the Purchasing officials): .

**16.2.1** Request for technical data.

**16.2.2** Development equipment specifications.

**16.2.3** Co-ordination of material or equipment schedules.

**16.3** It should be understood that those without purchasing responsibility should avoid any commitment expressed or implied in discussions or correspondence with vendors. If such discussions and correspondence have a bearing on future Purchase commitment, the appropriate Purchasing Official should be informed promptly.

## **17.0 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:

**17.1** Fair, prompt and courteous listening to suppliers

**17.2** Keeping the competition open and fair.

**17.3** Ensuring payments on due dates.



**17.4** By keeping an open mind to newer methods and material offered by testing them communicating results.

**17.5** 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.

**17.6** Purchasing Official shall not commit unrealistic payment terms to suppliers knowing that adherence is not possible.

## **18.0 VENDORS EVALUATION SYSTEM**

Vendor evaluation for all materials will have to be done in an objective manner with a view to improve vendor performance and vendor relations. Suppliers will have to be monitored constantly with reference to quality, price, deliveries, response to changes, documentation etc. and feed-back on performance provided to the vendors periodically. This would help in identifying vulnerable areas and take timely action in improving vendor performance.

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

Each delivery is considered 100 pints.

The 100 points are distributed as follows:

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

### **18.1 Quality**

18.1.1 For no rejection 35 points.

18.1.2 For part rejection or re-approval after resorting / reworking 30 points.

18.1.3 For minor quality problems which are accepted on conditional basis 25 points.

18.1.4 For supply in improper packing or not as specified in supply order 20 points.

18.1.5 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.

## **18.2 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.

18.2.1 For lowest price 25 points.

18.2.2 For second lowest price 20 points.

18.2.3 For third lowest price 15 points.

18.2.4 For others '0' points.

## **18.3 Delivery**

18.3.1 If required quantities are delivered at the required time 30 points.

18.3.2 In case of short delivery or delayed delivery (part supply) 20 points.

18.3.3 For delayed delivery of full quantity 15 points.

## **18.4 Performance**

18.4.1 Vendor performance is evaluated at the end of every year.

18.4.2 Vendor scoring 90 points and above would be rated as 'A' class.

18.4.3 Vendor scoring 80 points and above but less than 90 would be rated as 'B' class.

18.4.4 Vendor scoring 65 points and above but less than 80 would be rated as 'C' class.

18.4.5 Vendor scoring less than 65 points would be rated as 'D' class.

## **19.0 DISPOSAL OF SCRAP/SURPLUS/OLD NEWSPAPERS/CARDBOARD CARTONS ETC.**

**19.1 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 stores 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, aluminium etc.

- Waste: All non-metallic scrap is called waste. Paper, corrugated containers old news papers, 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 lot is sold to the highest bidder or through negotiations. Once the price is fixed and quantities are ascertained, a DD for the amount payable will be obtained from the contractor on the name of Director General, National Academy of Construction and will be forwarded to HQ NAC, Director Finance and a receipt will be obtained.

**19.2 Surplus:** When the quantity of an item in stock is more than is reasonably necessary to provide an adequate service to the operational activity, the excess over the normal holding is said to be surplus. Responsibility for the disposal of such surplus material is usually that of the designated purchasing official. The following methods can be adopted for disposal:-

- Find out if the item can be used in any other department.
- Investigate whether the original supplier will take it back, at the original price or a negotiated one.
- The material can be offered to a second hand dealer. Sometimes even employees are offered surplus items such as old car, furniture, air-conditioner or computers etc. Sale is usually by auction or by obtaining sealed quotations.

## **20.0 APPENDICES**

Appendix 'A'	-	Expenditure Sanction Register.
Appendix 'B'	-	Indent or Purchase Requisition.
Appendix 'C'	-	Approved Supplier's List.
Appendix 'D'	-	Letter calling of quotations.
Appendix 'E'	-	Comparative Statement.
Appendix 'F'	-	Supply order or Purchase order.

## **21.0 CONCLUSION :**

There are many advantages in standardizing procedures and laying them down in detail. However, flexibility is desirable and changes should be adopted whenever an improved method can be thought of. It should be the Buyer's function to critically

appraise existing procedures and make continuous efforts to promote efficiency and economy.

One of the important matters to know is the legal aspects of purchasing. Every buyer should know the legal implications of the acts which he performs in the name of the organization. Without this essential knowledge he may unconsciously commit acts which are more expensive to the organization than the savings affected by several lakhs worth of careful buying. For example, he should have a thorough knowledge of the Law of Contracts and the Sales of Goods Act. He should also know the extent of his personal liability. For example, an officer making the purchase can be liable for any loss that the organization may suffer if he has acted outside the scope of his authority or has performed an illegal act even with the authority of his employer.

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 general policy guidelines and conventions already established.

Deviations / exceptions shall be brought to the attention of Director General, NAC for his approval.

- 6.2 The purchasing official is empowered to act on the basis of an approved Procurement proposal / Indent. Sample pro forma of Procurement Proposal Register and Indent as applicable to C.T.T.I are placed at Appendix “A” and Appendix “B” respectively. In an emergency situation, there must be documentation on file explaining and why the normal purchasing process was not followed.
- 6.4 The nominated Officer by DG, NAC or departmental head and purchasing officials shall be jointly responsible for identifying acceptable suppliers with the nominated officer, responsible for the technical evaluation and purchasing officials responsible for financial and service evaluation. Once acceptable suppliers have been identified, purchasing official will recommend purchasing committee for the selection of a supplier who can best respond to the organized requirements.
- 6.7 Items of regular consumption shall be bought on Rate Contract Agreement basis by advertising tenders in news papers every year. Other items shall be purchased by inviting quotations as and when the indents are received. For out station training programmes, Regional Directors of NAC, Regional Training Centers are delegated powers to purchase materials required for each batch of training trade wise as per “Schedule of Rate Contract Rates” as approved by DG, NAC from time to time.
- 7.4 In case of stores required by the Finance/Administration Department, the file will be processed by Director (Finance) / Director (Administration) through ADG II for approval of DG.
- 10.4.2 Director (Administration) NAC - Member
- 10.4.3 Director (Finance) - Member
- 10.4.4 Delete the sub para
- 7.5 Delete the para
- 10.5 Budget approval for procurement of stores/materials through Procurement Proposal Register is obtained prior to procurement of the stores / materials proposed to be procured. After selecting the right source of supply, quotations obtained along with the Comparative Statement will be routed through the Purchase Committee to the DG for approval in principle, for the proposed procurement (along with necessary documents). Supply order will be placed only after approval of DG, NAC. The Purchase Committee as appointed will process the file for approval of the DG, NAC.

## 18.0 VENDORS EVALUATION SYSTEM

Vendor evaluation for all materials will have to be done in an objective manner with a view to improve vendor performance and vendor relations. Suppliers will have to be monitored constantly with reference to quality, price, deliveries, response to changes, documentation etc. and feed-back on performance provided to the vendors periodically. This would help in identifying vulnerable areas and take timely action in improving 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
DOCUMENTATION	-	10 points

## 18.4 Performance

18.4.1 Supplier performance is evaluated at the end of every year.

18.4.2 Supplier scoring 90 points and above would be rated as 'A' class.

18.4.3 Supplier scoring 80 points and above but less than 90 would be rated as 'B' class

18.4.4 Supplier scoring 65 points and above but less than 80 would rated as 'C' class.

18.4.5 Supplier scoring less than 65 points would be rated as 'D' class.

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