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PURCHASE PROCEDURE

NATIONAL INSTITUTE OF PHARMACEUTICAL EDUCATION AND RESEARCH
SECTOR 67, S.A.S. NAGAR 150 062

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PURCHASE PROCEDURE

1.0.0 INTRODUCTION

In research and academic institutions, like NIPER, it is very necessary to provide adequate, uninterrupted and timely supply of materials. For the purpose, an efficient machinery to effect purchases is a prerequisite. The purchases need to be cost-effective and time-bound and there should be an in-built system of checks and balances to assure quality.

The purchase procedure described below, in detail, is intended to be flexible and simple, on the lines of Rationalized Purchase Procedure of CSIR, modeling the broad principles of General Financial Rules, Government of India.

0.0 EXISTING SYSTEM

The present purchase procedure followed in NIPER is an abridged form of rationalized purchase procedure of CSIR. It was adopted in December 1994 and made effective from January 1, 1995. An abridged form was a necessity due to lack of proper administrative set-up in terms of finance/accounts, stores/purchase and administrative departments of the institute. But the adoption of the underlined detailed procedure will replace all existing procedures with effect from the date to be decided by the Director. A copy of the existing purchase procedure is given as Annexure 'A'.

3.0.0 QUALIFIED PROCEDURE

The following is the detailed new purchase procedure :

3.1.0 Types of Purchases

The purchases are categorised into three heads, as follows:

3.1.1 Category 1 Purchases

Items of general nature that are required frequently, repetitively and at regular intervals e.g. general chemicals, solvents, glassware, sanitary stores, hardware items, paints, oils, lubricants, photographic material, drawing material, stationery items, soaps, detergents, and other cleaning material, building material, electric goods and electronic components required for maintenance and replacement, spare parts, horticulture material and aids etc., for which minimum levels have to be maintained in the stores of the institute. The items under this category are procured centrally for a given period of time after assessing the demands realistically and avoiding the piece-meal purchases.

3.1.2 Category 2 Purchases

Anticipated one-time purchases that are infrequent in nature, such as scientific instruments, equipment, machinery, plants, special tools, special chemicals, glass apparatus, furniture items, cement, steel, etc.

3.1.3 Category 3 Purchases

Unanticipated emergent and shut-down purchases required to be made at short notice in an event of break-down or crisis. It hence covers all items which cannot wait following of regular purchase procedure.

3.2.0 Standing Purchase Committees(SPC)

The institute will have Standing Purchase Committees for various types of purchases. The committees will be constituted by the Director. The constitution of the various SPCs will depend upon the category of the purchases, as discussed in section 3.2.2.

3.2.1 Functions of SPCs

- a) To make recommendations for the quantity, source and mode of procurement.
- b) To suggest additional/alternate sources of supplies.
- c) To approve set of specifications for general items.
- d) To suggest modification or alteration in the indents.
- e) To decide periodicity of procurement.
- f) To make recommendation on receipt of tenders and quotations.
- g) To negotiate with tenderers and suppliers in the interest of the institute.
- h) To constitute subcommittees for i) technical evaluation, ii) quality and quantity assessment, and iii) emergent purchases.
- i) To look into expenses on repairs, maintenance, services etc.

Note: The SPC may accept, for the reasons to be recorded in writing and with the approval of the Director, a tender/ quotation which may not be the lowest.

3.2.2 Constitution of SPCs

3.2.2.1 Category 1 purchases

The purchase of category 1 items will be dealt through a SPC to be constituted by the Director and will include Registrar/Deputy Registrar, Store and Purchase Officer(SPO), Finance & Accounts Officer (F&AO) and two members from the faculty. The director will designate one of the members as Chairman. The SPO/SO(Stores and purchase) will convene the meetings.

3.2.2.2 Category 2 purchases

The SPC for this category will be constituted by the Director and normally be chaired by the senior-most Head of the Department in the institute. Other members shall be the Deputy Registrar(Admn. and Purchase), F&AO and one or two members from the faculty, nominated by the Director. The Deputy Registrar(Admn. and Purchase) will convene the meetings.

3.2.2.3 Category 3 purchases

For procurement of such items, the SPC will be constituted under the Chairmanship of a Head of the Department/ Professor. Other members shall be the SPO, F&AO and one or two members from the faculty, nominated by the Director. The principal investigator/project leader/ indenter will be the convener of this committee who will convene the meetings after consultation with the Chairman. Depending upon exigencies, the business may also be conducted by circulation among the members.

3.2.3 Quorum for purchase committee meetings

The minimum quorum required for holding the SPC meetings shall be 60% of the total strength. The Deputy Registrar(Admn. and Purchase) and F&AO may send their nominees, in a pressing situation, but all decisions/minutes would be required to be ratified by them.

3.2.4 Circulation of agenda and recording of minutes

It will be the responsibility of the conveners to prepare and circulate the agenda and record the minutes.

3.2.5 Periodicity of meetings

The SPCs shall meet after a fixed period or as often as necessary, to be decided by the respective Chairmen,

3.2.6 Co-option

The indenter will be a co-opted members in all committees, with full voting rights. The SPCs will be authorised to co-opt any other member to assist in their functions but the role of such a co-opted member will be only advisory one.

3.2.7 Decisions in SPC meetings

The unanimity in decisions in SPC meetings ought to be achieved, as far as possible. However, in case of differences, the decision of majority will prevail. This shall be the case even where Chairman disagrees with the committee. In case of a tie, the chairman will have a casting vote.

In taking decisions, the opinion of Principal Investigator, Project leader, Indenter and F&AO will not be normally over-ruled. In case the committee decides to over-rule his/their advice for the reasons to be recorded, the matter will be put up to the Director along with a note of dissent, for final decision.

3.2.8 Life span of SPCs

The SPCs will be formulated every alternate year, towards mid of March, to be effective from the start of the financial year.

3.3.0 Modes of Procurement

The SPCs, depending upon the nature and type of purchase, may recommend one of the following modes of procurement:

3.3.1. Direct Purchase

- a) Through the firms who have standing in the market and are already on rate contracts with DGS&D, Central/State Public Undertakings, National laboratories/institutes etc., for the items of general and varied nature which have substantial bearing on the funds.
- b) Purchase from super-bazaars, co-operative stores, central or state civil supplies corporations, consumer forums, etc., for small items on displayed price lists.
- c) Directly from single source the manufacturer/sole agents/authorized distributors, in case of items of proprietary, special or unusual nature. This mode of purchases shall be resorted to where it is in-escapable. However, whenever an article of a specified brand/make/manufacturer is preferred, the head of the department/indenter/project leader/principal investigator shall record a certificate in the format as given in Annexure "B".

- d) From firms on rate contract/rate agreement with the institute. The institute shall conclude its own rate contract on the same terms and conditions as agreed to by the supplier with the other departments. The contract shall inter-alia, also include a clause that the supplier shall not sell these items at a lesser price to other customers and shall refund the difference in the event of their supplying listed items at a lesser rates to other customers, during the tenancy of the rate contract. For the one time bulk purchases, the institute may, however, enter into a rate agreement with the suppliers and ask for bulk supply discounts.

3.3.2 Purchase through Tenders

- a) By the process of limited tender. This will be applicable where the sources are known and the stores could be procured from specified sources.
- b) Through open tender. The open tender shall be invited by sending advertisements in the local/regional/national newspapers, preferably through DAVP. Before deciding to send an advertisement through open tender, the factors including the cost of advertisement vis-a-vis the cost of product, time involved etc., must be taken into account. The number of newspapers and their editions to which advertisement need to be sent will be decided by SPC. The decision shall be case-wise.

3.3.3 Purchase by subcommittee including spot purchase

Purchase after survey of market by the sub-committee constituted by SPC for the purpose. The sub-committee normally will be consisting of representatives of purchase and finance departments and the indenter. The subcommittee selects the material, obtains hand quotations and place them before SPC for making final recommendations. The SPC may authorise purchase department to make enquiries on phone, pending written confirmation from the concerned supplier, if in its opinion the cost involved is not large.

Spot cash purchase by the subcommittee after survey of the market. The sub-committee will certify that it has surveyed the market and the rates charged are competitive and are not in excess of the prevailing market rates.

Cash purchase by the indenter himself, if in the opinion of SPC the circumstances of the case so require. The indenter will certify that it has surveyed the market and the rates charged are competitive and are not in excess of the prevailing market rates.

NOTE:

1. The procedure for purchase through sub-committees generally applies to emergent requirements. However, it may also be applied to procurement of non-standard items where the design, quality, workmanship etc., differs from one manufacturer to another. Examples include nonstandard furniture items; furnishings; decorative items (lamp shades, flower vases, etc.); crockery, cutlery, bed linen, curtains, stationery items etc., etc.
2. The SPC may pass standing instructions, to be approved by the Director, providing authority to the concerned Project leader/Principal Investigator/Indenter to go in for cash purchase, upto a certain limit, in the event of shutdown/crisis and when it is not possible to convene a meeting of the committee due to insufficient time, holidays etc. Such authorisation may also be exercised by the concerned official in case the purchase has to be effected at the outstations in the exigencies of public service.
3. The items under the Category 1 shall be procured centrally for a given period of time after assessing the demands realistically and avoiding the piece-meal purchases.

3.4.0 Purchase Mechanism

The purchase mechanisms for different modes of purchases are summarised in the flow charts I-IV in annexure 'C'. The steps, in general, are explained in brief below:

3.4.1 Raising and routing of indents

3.4.1.1 Nodal points for raising of indents

A wide variety of material is generally required in a working institute (see section 3.1.0). Accordingly, there can be several nodal points for raising of indents e.g. :

- a) Bench-level scientists in teaching and research departments (through head of the department), for their specific requirements.
- b) Project leaders/Investigators, for purchases out of project funds.
- c) An authorised person in central stores, for general store requirements.
- d) An authorised person, one each in secretariat, guest-house, student hostels, workshops, animal house, water works, maintenance department, library, pilot plant, electricity substation, utilities department etc., for their specific requirements.

e) Security supervisor of the institute.

f) Horticulture supervisor, etc. etc.

3.4.1.2 Proformas for indents

The indents shall be raised on prescribed proformas, attached as Appendix "D". Both category 1 and 2 items are to be indented on a common proforma. The proforma for Category 3 emergent purchases is separate.

The body of indent shall contain the following information:

1. Date of raising of indent
2. Name and Department of the indenter
3. Name of the item
4. Quantity required
5. Approximate cost
6. Suggested mode of purchase
7. Complete set of the specifications of the item(s) to be procured, given point-wise.
8. Name of the manufacturer/supplier with complete address, for a proprietary item. Here justification for proprietary purchase should be included.
9. Various sources of supply, if these are already known, for items where limited tender mode of purchase is suggested.
10. Approximate period or deadline when supply is required to be arranged (bearing in mind normal time taken for procurement of such items).
11. Complete justification in case of Category 3 purchases as to why the demands could not be anticipated and the consequences if the supply is not received by the indicated date.

3.4.1.3 Routing of indents

The duly filled and signed indents shall be sent by the indenter to the purchase department for processing. All incoming indents would be first entered by the purchase department in an indent-receipt register and given a number. The purchase department after indicating the store position on the indent, places it before respective SPC, with added comments, if any.

3.4.2 Review of indents by SPCs

On placing of indents before it, the SPC will thoroughly review each and shall give its recommendations. While taking decisions, the SPC will be governed by its functions listed in section 3.2.1. The indents will be returned back to purchase department for further action based on recommendations.

3.4.3 Calling and opening of tenders/quotations

Wherever mode of purchase other than open tender is recommended, the purchase department will send Notice Inviting Quotation (NIQ) on printed proformas, prescribed separately for imports and local purchases (included in Annexure 'D'). A minimum period of 6 weeks for imported items and 3 weeks for local purchases will be given for reply. The quotations will be opened the same day, by SPC in presence of representatives of manufacturers/suppliers, whosoever choose to attend. However, in emergent Category 3 purchases, the quotations may be called by faxing the filled proforma or when fax number is not available, by making request on phone, or even by sending a subcommittee to the market.

3.4.4 Market visit by subcommittee

The subcommittee formed for emergent purchase by the SPC will visit the market at the earliest possible. It will survey the market, verify the quality, compare the cost and collect quotations. It will give its written report to SPC which will give final recommendations. However, in the matter of spot purchases, the subcommittee may finalise the purchase on spot after verifying rates, quality and suitability. The purchase will normally be made on bill payment terms. However, in an event of unavoidable circumstances, cash purchase may be effected, but in doing so the subcommittee will seek prior expenditure sanction from the competent authority and collect an anticipated amount in advance.

3.4.5 Preparation of comparative statement

The comparative statement will be prepared by the purchase department, involving the indenter, wherever required. The file subsequently shall be sent to the indenter for technical appraisal and recommendations.

3.4.6. Technical appraisal and recommendations by indenter

The indenter is required to either identify the firms who qualify to be called for negotiations or name the firm that can be considered for placing the order in case negotiation is not involved. He shall build his recommendations after going through both technical and commercial aspects of the quotations. In doing so he shall critically evaluate the comparative statement with respect to specifications laid down in the indent. The technical literature supplied with the quotation shall be also looked into carefully. In case of purchase of equipment/instruments, the indenter may recommend purchase of accessories or spares, though not asked initially in the indent but quoted in the quotation, if in his opinion they can help in long-term trouble free operation of the device. The indenter may seek opinion of others in this whole exercise, wherever he feels requirement to do so. He may even seek further clarifications from manufacturers/suppliers to build up his recommendations.

3.4.7 Negotiation meetings

The purchase department will arrange to hold negotiations with the firms recommended by the indenter, at a date and time settled in consultation with the Chairman of SPC. The negotiation will be held by SPC or a negotiation committee appointed by it with the indenter taken as a co-opted member. After the negotiations are over with a firm's representatives, they shall be required to give in writing the mutually agreed offer. The file will be sent back to indenter to select and recommend to SPC the name of the firm to be considered for placement of order, based on the negotiation proceedings.

3.4.8 Final recommendation by SPC

The file with recommendations of the indenter will be brought to the concerned SPC by purchase department. The SPC will give its final recommendation on top of it. The committee at this stage will also name the members of assessment committee who will verify the quality and quantity of the received material.

3.4.9 Pre-audit by the finance department

With the F&AO or his nominee being a member of all SPCs, it will not be necessary to get all the purchase proposals pre-audited. The action for procurement like dispatch of purchase orders will be taken by the purchase department on the basis of the recommendation of SPC and the expenditure sanction within the over-all budget provision. However, a concurrent audit system will prevail for all the purchases where F&AO will be free to call any purchase file at any time to satisfy himself on the validity of the followed procedure. If required, he may seek clarifications from the purchase department. In case of discrepancies coming to his notice, he will report his observations to the concerned SPC, registrar and the Director of the institute.

3.4.10 Expenditure sanction by competent authority

The file with final recommendation of SPC will be sent for expenditure sanction to the Director or the competent authority, among the Principal Investigator, Project leader, HOD, Registrar or any other functionary, to whom the Director may have delegated the financial powers.

3.4.11 Dispatch of purchase orders

The purchase department will despatch the purchase order on prescribed proforma, separate for imported items and local goods (Annexure 'D'). The purchase order will be required to be confirmed by the manufacturer/principal in case of imported items, before establishment of letter of credit or advance payment by draft.

3.4.12 Receipt in stores

The purchased items on delivery will be received in the stores but neither entered in the stock registers nor issued till accepted by the assessment committee formed by SPC at the time of giving final recommendation.

3.4.13 Assessment

The assessment committee will critically look into the quality of the material supplied and will also verify the quantities. It may recommend acceptance, or rejection in part or whole, to SPC who will take the final decision in case of rejection. The verdict of SPC will be binding on the supplier. No appeal shall be entertained thereafter.

3.4.14 Acceptance

The accepted material will be put into the stores and entered into the stock registers of the institute. The bills if any, will be sent for payment to the finance department. The bills will carry a certificate of acceptance by the members of assessment committee.

✓ 3.5.15 Purchases out of sponsored project funds

Due to exigences involved in completion of short-term sponsored projects, the procurement of material from project funds may be allowed by the Director from single source for all the three categories of purchases. However, to regulate such purchases, the Director shall constitute a project purchase committee consisting of the Principal investigator and one or two faculty member whose function will be to identify the supplier by critically going through the techno-commercial aspects of the purchase. The indent sent by the Principal investigator to the purchase department who after approval of the Director will go in for immediate procurement of the indented material (summarised in Flow chart in Annexure 'C')

3.5.0 Budgetary Allocations

The Director in consultation with the Dean, Registrar, Head of the departments, Project leaders and F&AO will allocate funds, in the beginning of the year, which will be notified to all concerned. The position regarding the funds will also be reviewed from time to time taking into account over-all availability of resources and progress of expenditure. The Director will issue necessary authorisations to operate within the allocation of funds so made.

3.6.0 Prioritization of Purchases

The Director may appoint an advisory committee in order to determine the priorities of purchases w.r.t. infrastructure and general facilities, during the year. This committee may also review the priorities periodically taking into consideration critical requirements, actual supply position, availability of overall resources, etc. Such priority list duly approved by the Director will be notified to all concerned.

3.7.0 Advance Payments

For local purchases, the advance payment to suppliers may be allowed, subject to approval of director, only in those cases where supplier insists on it and doesn't agree on other terms of payment. Similarly, in case of imports, where 100% advance payment along with order is a precondition, the Director will be authorised to approve such advance payment to the extent permitted under RBI regulations and subject to such safeguards as are considered desirable and necessary.

3.8.0 Inventory Management

It is desired to have a meticulous inventory control over the purchases made by the institute. The control will be exercised through the use of data bases and efficient inventory management systems. The SPC will fix minimum and maximum level for most items in Category 1 list and also suggest the reorder point for them. The inventory shall be analysed periodically through standard analysis techniques to keep the inventory cost at the minimum.

It is desired that institute shall have a computerised data base/data bank in respect of items required in the institute; their sources of supply; set of specifications of each item; information about rate contracts entered by DGS&D, State Govt.; State/Central Public undertakings, national laboratories, universities, etc.; previous purchase particulars; and any other information.

The creation and keeping up-to-date of such computerised data and exercising of inventory control will be the responsibility of the Stores and Purchase Officer in association with in-charge of the central stores.

3.9.0 Catalogues/Documentation Services

The purchase department of the institute will be required to run catalogues/documentation services, in which they are expected to arrange for latest catalogues, price lists and literature from within and outside the country concerning stores materials, equipment, machinery etc. for supply to the indenters and SPCs. The information material will be properly documented and kept up-to-date.

4.0.0 OPERATION

The operation of this procedure will be in supercession of the existing purchase procedure. In respect of clauses/items/areas not covered in this procedure, the provisions in the GFR will be operative.

5.0.0 INTERPRETATION

Any doubts or clarifications with respect to interpretation of this procedure will be referred to the Director of the Institute whose decision shall be final.

6.0.0 REVIEW AND APPRAISAL

The outlined purchase procedure shall be under a constant review during the initial period of its implementation. Suggestions received in due course from the faculty/officers from time to time for its improvement shall be duly considered and necessary modifications made.

7.0.0 RELAXATION AUTHORITY

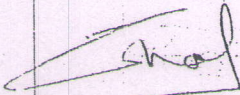
The Director in consultation with EFC may relax any of the provisions outlined in the procedure.

NATIONAL INSTITUTE OF PHARMACEUTICAL EDUCATION & RESEARCH
S. A. S. NAGAR, MOHALI

NIPER/1997/

01.04.1997

The project purchase committee comprising of Principal Investigator along with one faculty member will be operating purchases related to their respective projects sponsored by Govt. departments and other Private Organisation/Company under para no. 3.5.0 of NIPER purchase procedures. The committee is delegated with the powers of purchases and issuing bills upto Rs.50,000/- of the approved projects. Any change in the allocation of funds from the approved projects should be vetted by the Director. For purchases above Rs.50,000.00 formal approval of the Director should be obtained.


Dr. C.L. Kaul
(Director)

Distribution :
All Heads of Departments
F & A.C.

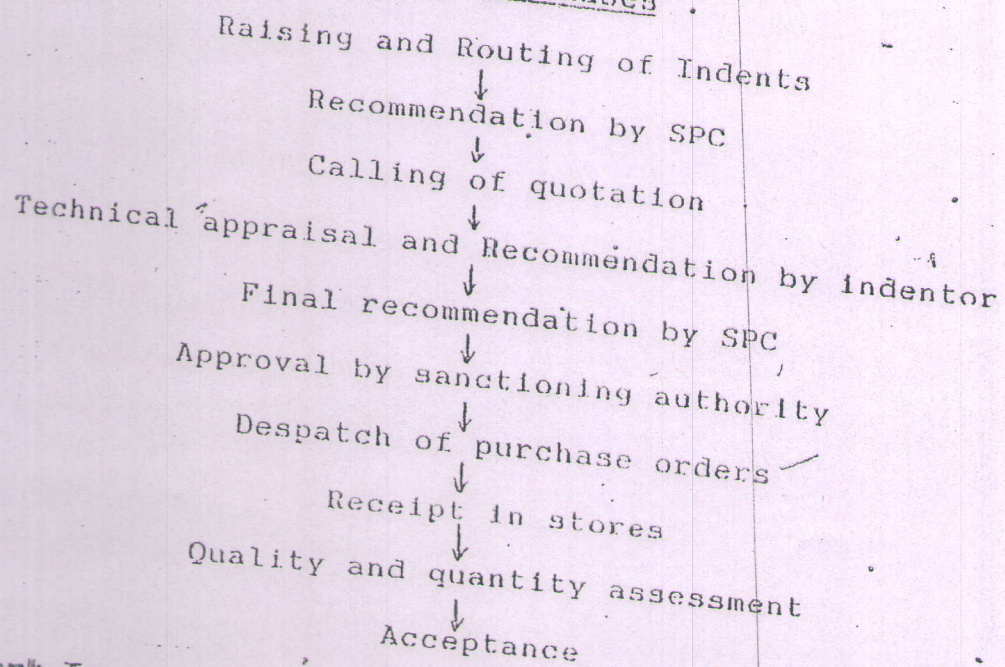
ANNEXURE 'B'

This is to certify that the equipment/stores wanted is/are of
proprietary/special/unusual nature and are manufactured by
M/s. _____ No other make is
suitable for the following reasons:-

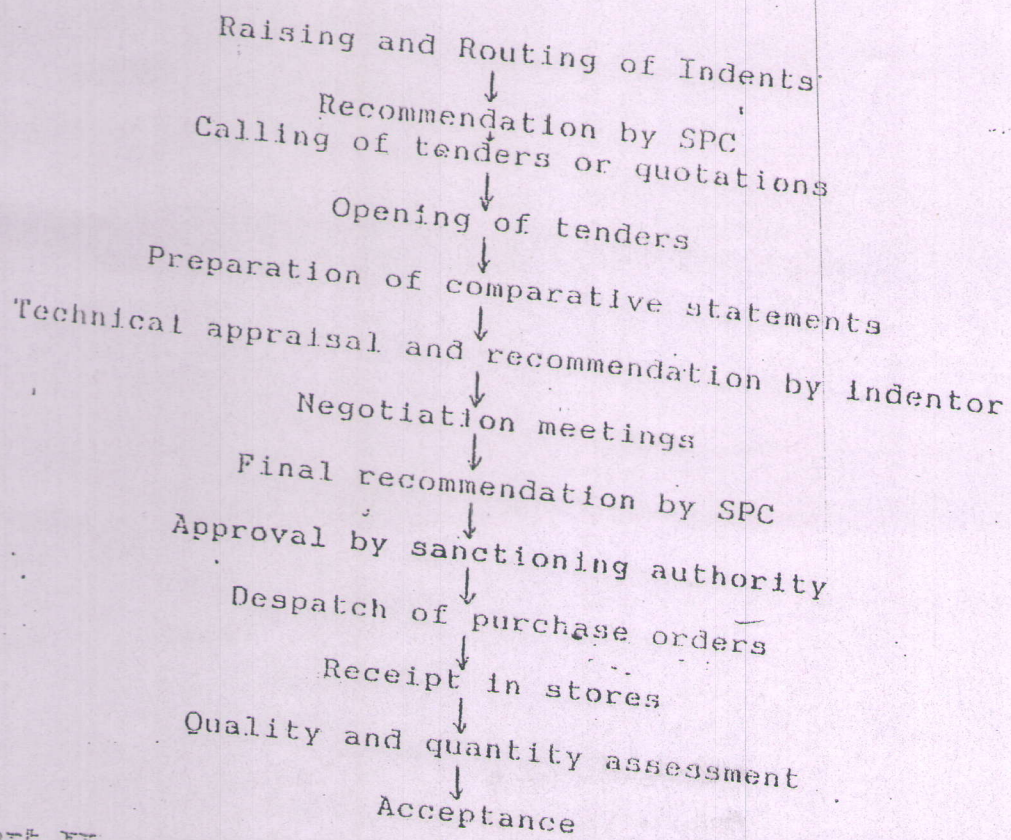
Dated:

Signature of indentor.

ANNEXURE 'C'

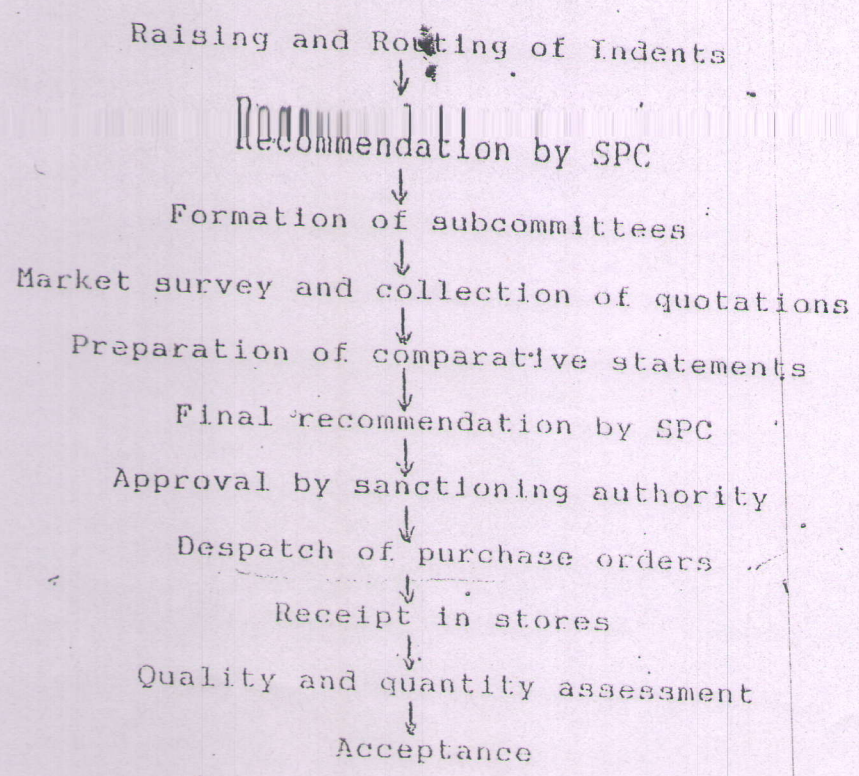
Purchase mechanism For direct purchases

Flow Chart I

Mechanism for purchases through tenders

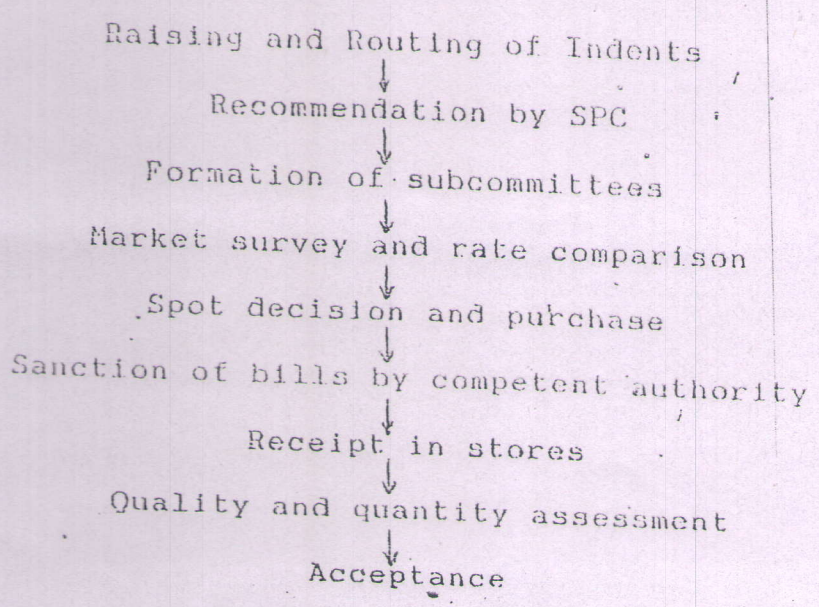
Flow Chart II

Mechanism for purchases made by subcommittees/indentor



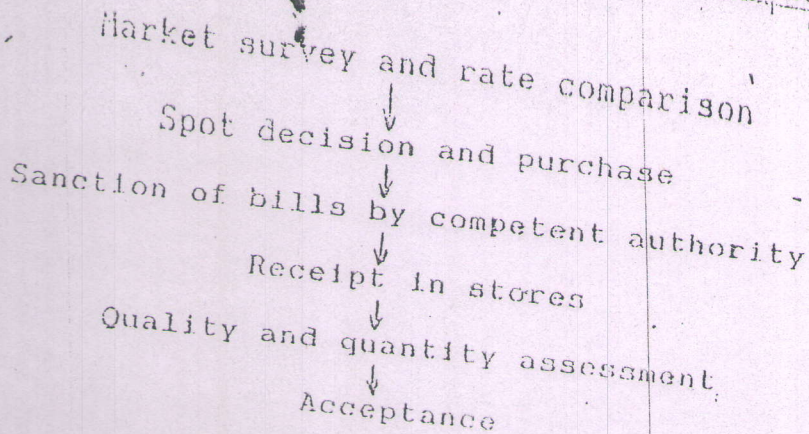
Flow Chart III

Mechanism for spot purchases



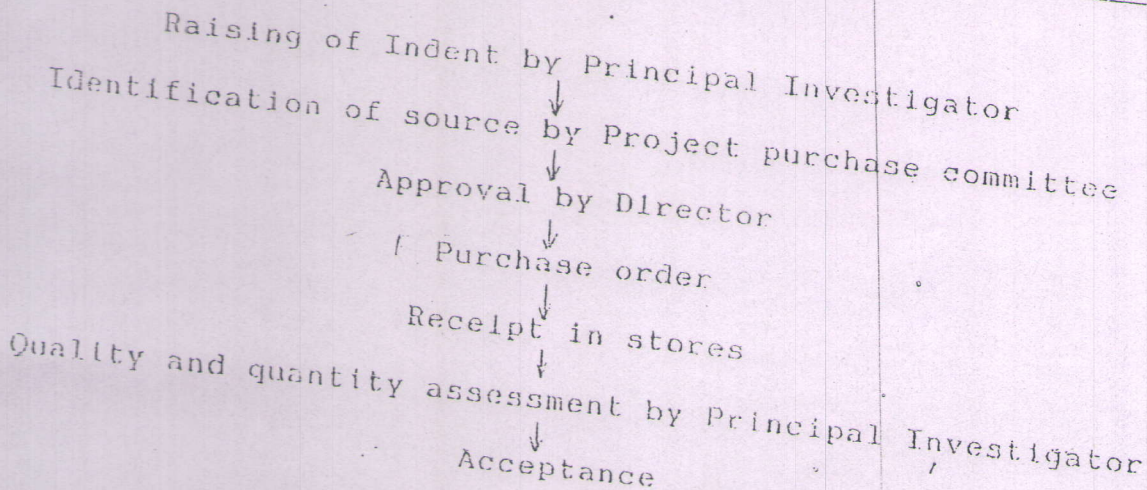
Flow Chart IV

Mechanism for direct purchase by Indentor in exigencies



Flow Chart V

Mechanism for purchase from single source out of sponsored project funds in exigencies



Flow Chart VI