

# Procurement Contracts

# Inventory

## Procurement

### Kinds of Procurement

- Purchase of: Capital Goods, Program Goods, Services, Works

### Essentials of Good Procurement

- Must best fit the requirement
- Competitive prices / value for money
- Follow procurement policy and due process
- Transparency, accountability, and integrity (arm's length transaction)
- Systematic documentation for transparency and efficiency
- Delegation, segregation of duties, and teamwork

### Procurement Process & Steps

1. Specify technical specs
2. Budget for Purchase
3. Appoint Purchase team
4. Research potential suppliers
5. Solicit Bids
6. Bid evaluation and vendor selection
7. Issue Purchase Order
8. Receipt & Inspection of purchase
9. Invoice approval & payment

# Exceptions

- All exceptions must be justified and approved.

## Single Sourcing:

- Allowed in special cases like:
  - Only one responsible source (specialised work)
  - Urgency
  - Preferred vendors (reviewed annually)
  - Amendments/follow-on contracts
- Must be documented by a "Sole Source Justification" and approved by CEO

# Approved Vendor List

- Maintained by Purchase Committee
- Vendors vetted for statutory compliance, credibility, and not related to organisation

# Maintaining Audit Trail

- Maintain documentary/electronic evidence for all procurements and related decisions
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# Understanding and Interpreting Contracts

## Introduction

- Contracts may be signed as authorisers or users
- Important to understand what is being signed to avoid future losses

## What is a Contract?

- A spoken or written agreement enforceable by law
- Oral agreements are also valid

## Elements of Contract

- Offer

- Acceptance
- Consideration (something of value exchanged)

## Why Do We Need Contracts?

1. Make promises binding
2. Function in a capitalist society where buying/selling is routine

### **Reminder:**

“Ignorantia legis neminem excusat” which means “Ignorance of the law excuses no one”.

## Essentials of a Valid Contract

- Agreement, legal intent, capacity, legal object, free consent, written/registered if required

## Why Written Contracts?

- Enforceable, clear terms, legal clarity

## When is a Contract Enforceable?

- On signing by acceptor
- If sent by post, from the date of posting
- Email contracts are valid
- Jurisdiction depends on place of contract unless stated otherwise

## Key Clauses in Contracts

- Parties, scope of work, consideration, deliverables, period
- Other terms: responsibilities, payment, delays, termination, renewal, confidentiality, liability, dispute resolution
- Signatures and witness

## Practical Tips While Signing Contracts

- Read carefully, delay signing if unsure
- Seek professional advice

- Know rights and duties
  - Ensure written agreements
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# Inventory Management

- Maintain stock records using software like Tally or manually (registers/excel)

## Key Forms:

- Goods Received Note (GRN)
- Goods Issue Note (GIN)

## Summary of Inventory Management

- Fill GRN for all received goods
  - Use GRN, invoice, GIN to update stock register or tally
  - Store goods in a neat designated store using bins and bin cards
  - Do periodic stock verification (physical vs. records)
  - File verification report for review
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# Fixed Asset Management

- Maintain a Fixed Asset Register (FAR)
- Tracks details like purchase price, depreciation, and location

## Summary of Fixed Assets Management

- Use unique coding for each asset; affix/paint ID visibly
  - Keep assets in secure locations; insure high-value items
  - Do periodic verification and compare with FAR
  - File verification reports and act on discrepancies
  - Fill GRN for all goods received
  - Goods useful beyond one year should be recorded in FAR, not stock register
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