

Overview on Procurement, Contracts, Fixed Assets & Inventory Management for NGOs

You can read the information below in over 15 languages! Simply use the translation tool in the top-left corner of the screen to select your preferred language, including , , , , , , , , , , , , , , , and .

<https://www.youtube.com/embed/ILi4je5HP5Q?si=1DeloR5CqDjnRGkG>

Procurement

- Procurement is the process to acquire goods, services and works to fulfil the organization's operations (projects) and achieve desired objectives
- Procurement is an end-to-end function from initial identification of a need to final payment and record-keeping.
- As PC member, signatory to contracts, users and verifiers, it is mandatory that Non Finance staff have thorough knowledge of procurement process for efficient and effective procurement

Key aspects of procurement

1. Need assessment as per program and budget in grant contract
2. Cost (value for money through price discovery/competition) & Operational Efficiency (desired outcome/impact)
3. Accountability & Transparency (ethical considerations/at arm's length)

4. Adherence to Procurement Policy & procedures-Tool of Risk Management
5. Supplier diversity-strategic sourcing
6. Team effort-appropriate segregation of duty and authorisation hierarchy
7. Contract Management
8. Record keeping of procurement process
9. Continuous improvement in procurement policy and procedures as organisation evolves

Procurement Categories

Purchase of:

- Capital Goods
- Program goods and Office supplies
- Services
- Works

5 Rights of strategic Procurement

1. "Right Quality"
2. "Right Quantity"
3. "Right Place"
4. "Right Time"
5. "Right Price"

Procurement Policy

A procurement policy is a set of guidelines and rules that govern how an organization acquires goods and services. It outlines the procedures, standards, and principles that guide the procurement process, ensuring it's fair, transparent, and compliant with legal requirements. It's a roadmap for procurement activities within an organization.

Benefits of a Policy

- Cost control
- Transparency and fairness
- Risk mitigation
- Compliance

Procurement Policy elements

- Purpose
- Authorization & Delegation-Roles & Responsibilities
- Procurement Process
- Procurement Methods
- Documentation and formats for the procurement method and process
- Vendor management
- Ethics

Procurement Cycle (Process)

1. Precise technical specs
2. Budget for item
3. Constitute Purchase committee
4. Research potential suppliers
5. Solicit Bids
6. Bid evaluation and vendor selection
7. Issue Purchase Order/ Contract Signing
8. Receipt & Inspection
9. Invoice Approval & payment

Procurement process

S.No	Step	Who	Remarks
1.	Purchase Requisition	Program coordinators/concerned staff members	Document to capture all details eg. Explanation of the purpose, quantity, quality of goods/services , timeframe, project, budget availability etc.
2.	Forwarding and approval of requisition	By Requisitioner Approval by Program Manager.	

S.No	Step	Who	Remarks
3.	Calling bids/Request for Proposal (RFP)	Admin Department	Either from approved list or eligible vendors. Bids must be written. Oral bids with justification allowed upto a certain threshold or through web-search. Understand the concepts- Open bid, Sealed bid/Closed bidding, Public bidding, Two stage bidding
4.	Comparative Analysis, Negotiation with vendor and final offer, final vendor selection and terms of purchase finalized. L1 is the vendor generally selected	Procurement Committee (PC)	All deliberations and justifications for vendor selection are captured in the MoM of PC/ Justification note for vendor selection.
5.	Issue of Purchase order or contract	Approved by appropriate authority as per authorization matrix	PO contains relevant details and terms and conditions of procurement. Delivered to and acknowledged by vendor. In case of services, work order or contract issued. For small value contracts, email order confirmation sent and acknowledged by vendor. Advance payment.

S.No	Step	Who	Remarks
6.	Receiving the goods or services	Physical delivery received, by the admin in-charge. User will certify the qualitative aspects whether the goods / services are as per terms and conditions of the PO/ Work order.	Receipt documented and entry in Stock Register/Fixed Asset Register. In case of works contracts, the running bills checked with MBs and material consumed etc. and certified by Technical Specialists.
7.	Payment & Issue	Accountant Admin	Payment and correctly record in the books of accounts Issue goods and obtain receipt

For consultancy assignment, a formal contract is entered into with the consultant, documenting all the terms and conditions including deliverables and deadlines, payments, deduction of tax at source.

For general use items like stationary, office supplies etc., the procurement committee may consider obtaining quotations for annual rate contract.

Procurement Methods

- The threshold and nature of procurement play a major role in selection of procurement method
- Procurement without quotation-over the counter purchase. For very small procurement generally upto Rs.25k
- Procurement through RFQ/RFP to limited vendors called closed/limited/restricted tendering is generally from the pre selected vendors in the vendor database through limited invitation-threshold to be decided by organisation
- Public/advertised/open Tendering/bidding-announcement/advertisement for inviting vendors from public at large-large value procurement
- Quality & Cost Based Selection (QCBS)/Two stage Bidding-technical and financial evaluation and then combined score of both to arrive at the selection
- E/online procurement.

- Fixed Budget procurement-ceiling fixed for the item/service
- Least Cost procurement–minimum cost is the consideration specially for standard items

Single Sourcing

While competitive bidding is prescribed manner of procurement, there are occasions when procurement cannot

be done following competitive process. These are

- Only one source - when only one responsible source exists. This is true where the work involved is of specialized nature requiring unique expertise or supplier of proprietary goods and services .
- Unusual and compelling urgency- Justified and recorded
- Where there is a continuation of previous work which another vendor cannot do due to patent rights

Sole source procurement to be suitably documented by way of a “Sole Source Justification Note” and approved by competent authority.

Exception to Policy

- An exception is a deviation from the prescribed procurement procedure as per policy due to justifiable circumstances like national security, emergency situations or a lack of competitive options.
- All exceptions from policy to be justified and approved by appropriate authority.

Approved Vendor List/Vendor Database

- Contains list of vendors or suppliers vetted by the Admin department.
- Referred by Admin Department for bid solicitation.
- Suppliers are identified and included in database for goods regularly used.
- The credentials of vendors in terms of statutory registration, credibility, business standing and feedback has been verified, so it is easy to go ahead with the procurement.
- Duly screened vendors also ensure that they are not related to the organization hence the transactions with them are ‘at arm’s length’

Maintaining Audit Trail

- Audit Trail refers to the string of evidence mainly documentary to check the occurrence and transparency of transactions.
 - The organization should maintain documentary/ electronic evidence of the process and the basis of decision for a procurement.
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Contract Management

Why contract management

- As non finance staff, you sign contracts/agreements as authorizers/ users.
- You often question the need for making contracts. Why not just get ahead with the work, just get the goods, receive goods and invoice and make payment?
- Many times, you may have signed agreements assuming that everything is in order since finance and admin have checked but later realize mistakes or overlooking terms and conditions leading to loss or litigation.

What is a contract

- A contract is a legally binding agreement between two or more parties that creates an obligation to perform/not perform a particular action.
- It involves an offer (one party proposes), acceptance of offer by the other party but with element of consideration (payment with value exchanged) and is usually in writing but can also be oral.
- Contracts ensure parties are legally capable of contracting, understand their rights and responsibilities i.e. mutuality and can be enforced by law (legality)

- Contract

1. Agreement

1. Promise

1. Offer

2. Acceptance

2. Consideration

2. Legally enforceable

Contract Management

Contract management in procurement is the process of administering contracts with vendors through their entire lifecycle, from creation to completion, renewal or termination.

It ensures that both the organization and the supplier fulfill their contractual obligations thereby mitigating risks and maximizing the value in the procurement.

Clauses of an agreement/contract

- Parties- name is correct and person signing are authorized
- Date-when signed/accepted by both parties is when it becomes enforceable
- Period of contract and Renewal...check correctness and agreement of the parties.
- Scope of work including deliverables...Checked by the user..
- Price and Escalation ..Same as per quote
- Other commercial terms: transport, insurance, marketing etc.

Payment clause

Period for completing delivery clause and liquidated damages

Warranty clause

Termination Clause: notice period etc. in case party is not interested to continue or default in deliverables.

Clauses of an agreement or contract

- Non compete
- Confidentiality
- Limitation on Liability
- Sub contracting
- Indemnification clause
- Force Majeure clause
- Amendment
- Dispute Resolution & Governing Laws : Court of law or arbitration or mediation or conciliation.etc
- Place, date, Signature and witness

Practical Aspects while signing contracts

1. Read and understand the contract and details before signing
 2. Avoid vagueness
 3. Seek professional advice.
 4. Encase there are no violations of law of land.
 5. Know your rights and duties.
 6. Should be in writing and complete in all respects.
 7. Remember signing the contract makes it legally enforceable
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Fixed Assets Management

What is Fixed Assets

- An item which fulfils the following criteria:
 - The item has a useful life of more than a year.
 - The item is not of a consumable nature.
 - Acquisition value of more than Rs.5000/-
 - Fixed Asset Categories:
 - IT equipment
 - Furniture & Fixtures
 - Office Equipment

Policy on Fixed Assets

- Follow procurement procedure as per procurement policy
- Assign Asset Code once assets received including in kind
- Record asset in Asset Register
- Issue and return of assets to staff
- Physical verification and annual inventory
- Depreciation of assets and recording in account books
- Disposal of Assets having completed useful life as per policy
- Loss of Asset policy

- Insurance of Fixed Assets
 - Role of Admin in FA Management
 - Use of readily available software to automate FA management
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Inventory Management

Inventory and procedures

- Inventory include
- Promotional material as part of a project.
- IEC material.
- Consumables for conducting certain tests.
- Stationery distributed as part of a project.
- Program goods that are distributed and consumed for a particular project
- Gifts distributed during trainings

Inventory procedure

- Procured as per procurement policy
 - Receipt, Recording and Issue of Inventory
 - Storage space, stacking and security
 - Return and recording of unutilised inventory
 - Physical inventory on periodic basis
 - Disposal of inventory no longer useful
 - Role of Admin staff in inventory management
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