

Procurement Procedures



CATHOLIC CHARITIES
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CATHOLIC CHARITIES -Procurement Procedures

Introduction

For the provision of social services, CATHOLIC CHARITIES are often required to procure goods and services such as furniture and equipment, computers and office stationery, food for elderly persons receiving residential care, renovation works, cleaning or transportation services, etc. A sound procurement system is important to a CATHOLIC CHARITIES because it helps to ensure that the goods and services are purchased in an open, fair and competitive manner and that they represent value for money. It also helps to minimise opportunities for abuse.

From a corruption prevention point of view, CATHOLIC CHARITIES should ensure that the procurement system adopted has adequate checks and balance to prevent possible malpractice or corruption as well as to enhance accountability in the use of public funds.

This Best Practices Module aims to provide CATHOLIC CHARITIES with a checklist of good practices in the procurement of goods and services, in addition to the instructions and guidelines which the Social Welfare Department and the Lotteries Fund may issue from time to time.

The Basic Principles

A sound procurement system should have the following basic control measures:

- The duties of staff involved in a procurement process should be appropriately segregated (e.g. where practicable, different staff should be assigned to compile user specifications, source suppliers, issue purchase orders, accept goods upon delivery and certify invoices for payment).

- There should be appropriate authorisation levels for making procurement up to specified financial limits.
- Instructions or guidelines should be issued on the appropriate procurement methods to be used i.e. open or restricted tender for high value purchases, written or verbal quotations for low value purchases.
- The circumstances under which the required procurement methods may be waived should be specified (e.g. urgent purchases) and any such cases should be approved or endorsed by a senior staff member vested with the authority.

Maintaining a List of Suppliers

It is useful for CATHOLIC CHARITIES to compile a list of suitable suppliers for frequently required goods or services as this helps to ensure that eligible suppliers are invited to bid in a fair and open manner. It also reduces the time required for sourcing a supplier each and every time a purchase is made. The following points should be taken into consideration in compiling and maintaining a suppliers' list:

- The criteria to be used in determining the addition of any suppliers to the list should be well-defined and should ensure that they are able to provide the goods
- or services of the required standard at a competitive price. Suppliers who no longer meet these criteria or have a poor performance record should be deleted from the list.
- If it is decided to invite a number of suppliers on the list to bid, the method of selection should be specified to ensure equity (e.g. by rotation).
- Periodical reviews should be conducted to evaluate whether any existing suppliers should remain on the list, having regard to their record of performance and responsiveness to invitations to tender or quotation. Any new qualified suppliers should also be added to the list.

- The list should be approved with adequate justifications preferably by a panel of staff or a senior staff member.

Petty Cash Purchase

Purchases with funds from the petty cash imprest account

should only be made for items of low value. Payments should be made against an invoice or a claim duly certified by an authorised staff member.

Quotations

Written or verbal quotations should be sought if the value of the goods or service to be procured warrants a competitive process but does not justify a tender exercise. The following measures help to minimise manipulation of quotations:

- The conditions under which a purchase should be made by written or verbal quotations should be specified.
- The minimum number of suppliers to be invited for quotations should be specified.
- All verbal quotations should be confirmed in writing or clearly documented.
- Supervisory checks should be conducted on the quotations received.
- There should be adequate security measures to prevent possible leakage or tampering of written quotations. One recommended measure is that they should be kept under lock as soon as they are received. If a fax machine is used for receiving quotations, it should be placed next to the staff member responsible for their safe keeping in an area which is not readily accessible to other CATHOLIC CHARITIES staff.
- If verbal quotations are obtained through e-mail, a dedicated computer terminal with adequate security control and restricted access to the authorised staff member only should be used.
- To prevent order splitting as a way to circumvent the prescribed procurement method to be used, the minimum period of time between

repeated purchases of the same item should be specified and random supervisory checks should be conducted.

Tenders

Competitive tendering should be conducted for procuring goods and services of high value. The following control measures help to ensure an open, fair and competitive selection process.

- The conditions under which a tender exercise may be waived should be specified (e.g. for purchases of items urgently required or there is only a sole supplier for the goods or services in question). Any such cases together with written justifications should be approved by the designated authority.
- The tender documents should include a note to warn tenderers that they should not offer any advantages to any Management Board or staff member of a CATHOLIC CHARITIES in relation to the contract.
- The specifications of the required goods or services together with broad tender evaluation criteria should be set out in the tender documents.
- Tenders should be deposited into a double-locked tender box with the keys held by separate staff members.
- Tenders should be opened by a tender opening team comprising at least two staff members of the CATHOLIC CHARITIES.
- Tenders should be submitted in duplicate, with the original copy passed to a tender assessment panel for evaluation and the duplicate kept securely and separately by a responsible staff member.
- Late tenders should not be accepted.

- A summary of all tenderers and their price offers should be prepared for record on file as soon as the tenders are opened.
- If a tenderer has made any amendments on the tender bid, they should be marked and initialled by members of the tender opening team to prevent any subsequent alteration or amendment.
- If the lowest conforming tender is not selected, full written justifications should be provided on file.
- If price is not the only consideration, tenders should be evaluated in accordance with predetermined criteria, preferably by a tender assessment panel.
- The recommended supplier should be considered and approved by the CATHOLIC CHARITIES's Management Board or an appointed tender board.
- All unsuccessful bidders should be notified of the tender result.
- The name and tender price of the successful tenderer should be disclosed to unsuccessful bidders upon request so as to enhance transparency.
- If post-tender negotiation is considered necessary (e.g. in a single tender case), it should be conducted by at least two staff members with prior approval from the CATHOLIC CHARITIES's Management Board or an appointed tender board.

Term Contracts

If it is necessary to make frequent and repeated purchases of goods or services (e.g. rice and frozen meat etc.), a CATHOLIC CHARITIES may consider the appointment of term contractors as this helps to save the time and resources required in obtaining quotations for making every purchase and to prevent the possibility of favouring any single supplier.

Receipt of and Payment for Goods Delivered

To prevent possible malpractice (e.g. failing to report any short supply of goods ordered), the following control measures should be adopted in accepting goods upon delivery and in making payment.

- Goods delivered should be inspected (or tested as necessary) and counted against the purchase order and the delivery note. Random supervisory checks should be conducted both on the quality and quantity of the goods delivered as a means to detect any possible irregularities.
- Acceptance of goods upon delivery should be certified by designated staff members.
- Suppliers should be required to issue bills or invoices for payment at the time of the delivery of goods or quickly afterwards. Audit checks should be conducted on these bills or invoices.
- Payments for goods or services should be made against duly certified invoices, bills, receipts or claims within specified time limits to avoid any undue delay.
- Cheques should be signed by at least two authorised signatories within their specified financial limits.
- Regular reports on payments made for the procurement of goods and services should be made available to the Management Board or the head of the

CATHOLIC CHARITIES for information. Any discrepancies and the result of investigation should be immediately brought to their attention.

Administration of Service Contracts

If a contractor is engaged to provide a service (e.g. cleaning service), it is important that a system is in place to closely monitor the contractor's performance to avoid the possibility of any staff member corruptly colluding with the contractor to attempt to cover up substandard services. The following measures help the management of a CATHOLIC CHARITIES in closely monitoring the standard of service provided by a contractor.

- Contract conditions should set out in detail the agreed requirements such as the expected quality or standard of service to be provided, the schedule of rates, the provisions for contract variation and any consequent fee adjustments, and penalties for default or poor service. A probity clause should be added to the terms of contract to stipulate that the contract may be terminated if the contractor or his employees have committed a corruption offence in relation to the contract.
- A system of inspection should be established to check the quality of services provided.
- Regular meetings should be held with the contractor to discuss problems and review service standards.
- A performance appraisal system should be used to assess and monitor a contractor's performance.
- Responsible management staff of the CATHOLIC CHARITIES should impose appropriate sanctions on a contractor for any unsatisfactory performance (issue verbal or written warnings, raise claims for damages or arrange for early termination of the contract).

Centralised Procurement

For common items used in large quantities by a number of centres operated by a CATHOLIC CHARITIES, consideration may be given to make bulk purchases centrally by the headquarters in order to achieve better internal control and economy of scale.

Purchase of Food

CATHOLIC CHARITIES providing meal service are required to make daily purchase of food for service users. While the procurement method used may differ from CATHOLIC CHARITIES to CATHOLIC CHARITIES depending on the number of service users in a centre or the number of centres operated by the same sponsoring body, it is important that there should be adequate supervisory checks to ensure that the price is competitive and that there are no irregularities both in terms of the quality and quantity of food purchased. For this purpose, centre supervisors or delegated staff members should conduct random surprise checks on the quantity and quality of food purchased and on the market prices of the same food items at reasonable intervals.

Feedback on Quality of Goods and Services

Staff members of a CATHOLIC CHARITIES should be encouraged to give feedback to a designated officer on the quality of goods and services procured so that any problems with any particular supplier or contractor can be brought to the attention of the CATHOLIC CHARITIES management as early as possible.

Conflict of Interest

A conflict of interest is a situation in which the interest of the CATHOLIC CHARITIES competes or is in conflict with the financial or personal interests of a Management Board or staff member.

Allegations of favouritism, abuse of authority or corruption may be made against any Management Board or staff member of a CATHOLIC CHARITIES if his dealings with a supplier or contractor in relation to the CATHOLIC CHARITIES's business give rise to any actual or perceived conflict of interest. Management Board or staff members of a CATHOLIC CHARITIES should therefore be required to avoid any conflict of interest and, if this is unavoidable, to make a declaration for a management decision as to whether they should abstain from the procurement exercise. The following are the essentials of an effective declaration of interest system:

- CATHOLIC CHARITIES should draw up rules on conflict of interest to be re-circulated at annual intervals to Management Board and staff members.
- Any Management Board or staff member of a CATHOLIC CHARITIES involved in identifying, evaluating or selecting suppliers should be reminded to declare any possible
- conflict of interest with any supplier and, where appropriate, abstain from the evaluation or decisionmaking process.
- CATHOLIC CHARITIES staff appointed to place orders or accept goods upon delivery or monitor the performance of contractors should also be reminded to declare any possible conflict of interest.
- Declarations of conflict of interest should be made in writing or recorded in notes of meeting as appropriate.
- A Management Board or staff member who has declared a conflict of interest should, as appropriate, refrain from handling the matter or there

should be sufficient monitoring by the Board or senior staff to ensure impartiality.

- Guidelines on conflict of interest should include useful examples to assist Management Board or staff members of a CATHOLIC CHARITIES in making declarations or taking steps to avoid such conflicts. Examples of conflict of interest situations related to procurement matters include :
- A Management Board or staff member in a CATHOLIC CHARITIES takes part in the selection of suppliers or contractors, and one of them under consideration is his family member, relative or close personal friend.
- A Management Board or staff member in a CATHOLIC CHARITIES has a financial interest in a company under consideration for selection as the CATHOLIC CHARITIES's supplier of goods or services.
- A Management Board or staff member in a CATHOLIC CHARITIES accepts frequent or lavish entertainment or expensive gifts from the CATHOLIC CHARITIES's suppliers or contractors.

Promulgation of Guidelines

It is important that the policy, guidelines and procedures on procurement are promulgated, and updated regularly, to ensure consistency in practices. Any deviations from the guidelines should be justified and endorsed by the management.

CATHOLIC CHARITIES should consider issuing guidelines in the form of a manual, which should include the rules on conflict of interest and acceptance of advantages (to prevent possible breaches of the Prevention of Bribery Ordinance). In small CATHOLIC CHARITIES, circulars may be issued as appropriate.



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