

STORES PURCHASE RULES

Administrative Sanction

This is the sanction required for effecting any purchase. This is to be obtained before any purchase.

Budget Sanction

There should be provision in the budget. Tenders/Quotations are to be obtained in all the cases except the following.

1. Purchase of books and periodicals in all departments less than Rs.1,000/- at a time.
2. Petty purchase of less than Rs.500/- at a time.
3. Purchase from Government source subject to the provisions in paragraph 57 of S.P.Manual
4. Special purchase in which any other procedure is approved by Government
5. Controlled items of stores from controlled stocks
6. Purchase of articles covered by Rate or running contracts settled by the Director General of Supplies & Disposals, New Delhi or the Store Purchase Department, Government of Kerala, Thiruvananthapuram.

Quotation may be invited if the estimated value of the store is below Rs.20,000/-. Tenders should be invited if the estimated value of the stores to be purchase is Rs.20,000/- or above.

Tenders are of three kinds.

1. Open Tender
2. Limited Tender, and
3. Single Tender

Open Tender system is invitation of tender by public advertisement. This should be used as a general rule and must be adopted, subject to the exceptions mentioned below. Whenever the estimated value of the contract is Rs.20,000/- or more. IN all cases of Open Tender it is essential that wide publicity is given to the Tender notification. Short notice as per the form in the rules (appendix V of S.P.Manual) should also be published in the Kerala Gazette.

Exceptions to the above rule

1. When there are sufficient reason for bolding that it is not in public interest to call for tender by advertisement.
2. When there is serious risk or inconvenience or loss to public service by arranging the purchase by open tender or when the articles are urgently required,. In such cases the purchasing officer must place on record the nature of the urgency and the reason for deviation from the open tender system.
3. In the case of special manufacture by particular agencies and in the case of purchase of patent articles of special manufactures.

Limited Tender system

This may be adopted whenever the estimated value of the order to be given is below Rs.20,000/-. Limited Tender system may also be adopted instead of open tender system even when the estimated value is above Rs.20,000/- when the above (1 & 2 conditions under open tender exist). In any such case the purchasing officer must place on record the nature of the urgency and the reasons why a deviation from the general rule has been rendered necessary.

Single Tender System

This system may be adopted;

1. In the case of a small order or when the articles required are of a proprietary character and competition is not expected to be advantageous.
2. When owing to greater promptitude of supplies by particular agencies or the special manufacture of some articles by certain firms, substantial economy can be effected by deviating from the tender system, officer may purchase direct such articles from the firms or agencies concerned.

Negotiated Contract

When owing to greater promptitude of supply by particular agencies or Special manufacture of some articles by certain firms, substantial economy can be effected by deviating from the tender system officers may after negotiation purchase direct such articles from the firms or agencies concerned. This rule will apply only to patents and specialities to which tender system cannot be applied with advantage (Rule 68 of S.P.Manual).

Invitation of Tenders – procedure to be followed.

1. Estimate the requirements
2. Invite tenders sufficiently early
3. Classify the article under different trade group according to approved classification
Eg.1 Camera, x-ray film, photo blocks under “Photographic Materials” – Bearing, Bolt, Nut, rivets under “Hardware” etc. Invite tender separately for each group.
4. Avoid rush purchase towards the end of the financial year.
5. One tender should normally contain only one kind or class of material.
6. Requirements should be correctly estimated. After inviting tenders it is wrong economy to purchase bulk quantities at retail prices.
7. Indents of the different institutions or sections under the same Head of the Department should be classified and bulked into a single list.
8. Tender should not be invited by the same Department for the same class of materials several time during the same year.
9. Tender specification should be correctly and specifically drawn up so that there is no ambiguity about the type, size packing etc. there should not be room for changes in specification after inviting tenders.

10. Other things being equal preference will be given to goods bearing India Standards Institution Certification mark or agmarking and to products conforming I.S.I specifications.
11. Tenders should be allowed to quote for all the item included in a tender a part thereof.
12. The place of delivery of articles is to be specified in the tenders
13. Full payment should not be made against shipping or railway document payment should be completed only after the Receiving officer has taken delivery of store and found them to be satisfactory in every aspect.
14. Sufficient time is to be given to the tenders to submit the tender. Minimum period – 1 month.
15. The invitation should specify the period of firmness during which the tenderer are to keep their rates firm. Please See Rule 24 KK.
16. Tender should be obtained in sale envelops. Tenders should be asked to superscribe on the envelope containing the tender the name and number of tender as well as their on name. The date and time of closing the tender and the date, time and place of opening the tender etc. may be made clear and the tenderers or their representative may be permitted to be present at the time of opening.

EARNEST MONEY DEPOSIT

A cash deposit as earnest money should ordinarily be taken from every tender involving Rs.20,000/- or more. The amount being rounded off to nearest rupee of the total cost of the articles tendered for. This is subject to a minimum of Rs.30/-.

Head of Departments by general or special order dispense earnest money deposit in the case of firms of established repute and standing from furnishing earnest money.

Firms where name are on the registers of approved supplier kept in the Store Purchase Department and who are registered with the Director General of Supplies and Disposals. New Delhi are exempted from furnishing earnest money in respect of store for which they have registered as Supplier of Stores.

Small scale industries, Cottage Industries, Industrial Co-operatives who are funded by Khadi and Village Industries Board within the State are exempted from furnishing earnest money deposit provided they are certified as such by the respective departmental authorities.

RECEIPT AND OPENING OF TENDERS

A register form NO.15 of the Kerala Financial Code Vol.II should be maintained to show the details of the tenders received. Late tenders should also be entered in the register and the reason for their conclusion or exclusion recorded in the remarks column.

Tenders should be opened in the presence of any of the tenderers present or the representatives authorized by them, by the Head of Office or by other responsible officer, but not by the sub-ordinates.

The envelopes in which tenders are received should be preserved along with the tenders for the purpose of record, the file of tenders and the envelopes should be carefully preserved for five years at the least.

ENTERTAINMENT OF TENDERS

Tenders shall be excluded in the following cases.

1. when the tender are not in the prescribed form
2. When the tender is not accompanied by the requisite earnest money (when earnest money is prescribed).
3. When the tender is not signed by the tenderer
4. When the tender is received late. Tenders received by post after the date and time fixed for their receipt but before the time fixed for their opening shall be considered provided the officer concerned is satisfied that the delay occurred in postal transit.

Telegraphic Tenders

If received in time, may be included provided they are followed by confirmation and detailed tender with requisite earnest money etc. within two days of the opening. Also provided that such details are posted before the opening date.

Rule 24 KK in the Store Purchase Manual stipulates that;

1. All purchasing officers should draw up a suitable time schedule for the various activities up to the receipt of tenders
2. Scrupulously adhere to it; and
3. Specify a validity period during which the firms are to keep their rates firm.

Acceptance of Tenders

After the tender are opened, quick action is to be taken to tabulate the rates, make the selections and finalise the acceptance. Since markets are unsteady quick action is of vital importance. Acceptance should be finalized within the period of firmness agreed to by the tenderers.

Other conditions being equal to lowest tender should be accepted and in case the lowest tender is not accepted the reasons thereof should be recorded when there are two or more offers for an article at the same rate and governed by similar conditions the contract may be divided equally among the tenders provided they are all well-known. Otherwise, the previous contractor whose performance was satisfactory should be preferred. Indigenous producers and manufacturers should be given preference.

Price Preference.

10% of price preference may be allowed for industries within the State in which Government have taken shares over the products made outside the State.

10% price preference may be allowed by products of small scale industries within the State of Kerala over the products of industries outside the State.

5% price preference may be allowed for products of small scale industries within the State of Kerala over the products of medium and large scale industries in the private sector within the state.

5% price preference may be allowed to products of medium and large scale industries within the state over those of similar industries outside the state.

While comparing the price for the purpose of giving the price preference the price exclusive of sales tax alone shall be considered.

Acceptance or rejection of tenders

It is a matter entirely within the discretion of the Officer responsible for the purchase of the material, but a superior authority or the Accountant General may require him to justify the manner in which he has used his discretion and give his reasons for rejecting any tender. The tenderer may of demanded, be given the reasons in brief for rejecting his tender. When the total cost of the articles to be purchased at a time is beyond the financial powers of the purchasing officer he should forward the tenders with all records together with his recommendations to higher authorities or departmental purchase committee or government. He should also certify that the purchase is administratively sanctioned showing the details of sanction and that funds arte available to meet the expenditure.

Communication of Acceptance of tender-placing Supply Orders/Purchase Orders

When a tender has been finally accepted, such acceptance shall be communicated to the successful tenderer in the most expeditious manner and in any case before the period of firmness expire. A formal supply order should also be placed with the successful tenderes simultaneously in the form prescribed in Appendix XIII of Stores Purchase Manual. An agreement has to be executed by the successful tenderer in the prescribed form on Kerala Stamp Paper of Rs.15/- after furnishing the security amount., The supply order should furnish the description, quantity, price of the articles to be supplied, the terms of delivery and the terms of payment and clean dispatch instructions. Please bear in mind that supply order being the ultimate legal document of the contract contain all the above information.

Copies of supply order should be forwarded to the Accountant General to the Officer who actually receives the Stores and to the Sates Tax and Income Tax authorities. If the item to be supplied is not covered by ISI copy of the supply order is to sent to Bureau of Indian Standards also.

Final payment will be made only on production of tax clearance certificates ie, Agricultural Income Tax, sales Tax and Income Tax.

SECURITY AND AGREEMENT

5% of the total value of the contract, subject to a minimum of Rs.30/- is to be realized as security amount from the successful tenderer. Purchase below Rs.5,000/- is exempted from the security deposit. Security may be taken in cash. Government Promissory Notes, Stock Certificates, National Savings Certificates, Treasury Savings Bank Deposits, Post Office saving Bank Deposits, Post Office Cash Certificates, deposit receipt of recognized Banks. Bank Guarantee and exceptional cases as personal securities from two well-known persons. No security should be taken from government institutions. Small scale industries, cottage industries industrial co-operative institutions registers under Literary, Scientific and Charitable Societies Act, provided they produce the required certificates in this respect.

AGREEMENT

Agreement should be entered into with the successful tenderer for the satisfactory fulfillment of the contract embodying the condition of the order and providing for the necessary penal clause for any of the breach of the conditions of the contract. Agreement are liable to stamp duty but registration is optional. In the case of purchases above Rs.5,000/- the purchasing officer shall forward a draft agreement to the firm along with the supply order directing them that the consignment need be sent only after executing the agreement. If any firm dispatches the goods before the execution of the agreement they should be held responsible for the demurrage charges, if any. If the period of contract is extended supplement agreement should be entered into cover the extended contract. However, the security deposit already effected may be considered as security for the extended period also.

Purchase from Government Sources

Product manufactured by State government Department and State Public Sector Industries and Institution will be purchased from them exclusively without tender for the first five years after they have gone into production. The prices being fixed by negotiation. Prior to such negotiation the normal market price will be ascertained. If the price required by the State government Department and State Public Sector Industry is over 25% above the normal market price the price is to be revised and finalized by the Minister in charge of the Department which makes the purchase. If even after such review the prices are over 25% above the normal market prices. The purchases should be finalized only after consideration by the Council of Ministers (Rule 57 (a) (i) of S.P. Manual)

In the case of products of State Government Departmental Units and State Sector Industries and Institutions which have been in production for more than five year tender should be invited as per the procedure mentioned in the S.P.Manual and purchase should be finalized giving the concerned State Government Departmental Unit and State Public Sector industry and Institution a price preference of 10% as against firm manufacturing outside the State and 5% as against firms manufacturing within the State. Price for comparison should be taken exclusive of State Tax.

SURPLUS STORE

Before orders are placed with private firms the surplus stock of article, if any, available with other departments of the Government should first be utilized, irrespective of the cost at which it is available.

1. Each Head of Department should circulate from time to time a list of all usable articles found surplus to other Heads of Departments as soon as surplus stores are noticed.
2. Every Head of Department should see from the list received whether he can utilize the stores available with the other departments before they place orders for purchase. Even if he has not received any such list he should make enquiries with the Heads of Departments with whom such stores may be available.
3. When proposals for purchase are submitted to Government or any authority for according sanction, it would be stated whether action has been taken on the above lines.

RATE AND RUNNING CONTRACT

In the case of article which cannot be stocked conveniently in the departmental store with safety and convenience, the system of Running Contract should be adopted. A running contract is a contract for the supply of an approximate quantity of store at a specified price during a certain period. The approximate requirements of the different units in an organization or department for a specified period is combined and a contract is settled. The purchaser has the right to take about 25% over or below the approximate quantity mentioned in the contract. The guaranteed quantity usually 75% of the contractual quantity should be taken before the expiry of the contract. Dietary article, firewood, charcoal, raw material for ayurvedic medicine etc. come under Running Contract. All rule relating to tender must be followed in settling the contract. Running contract are settled by Heads of Departments.

Rate Contract

Is a contract for the supply of store at specified rate during the period covered by the contract,. No quantities are usually mentioned in the contract and the contractor is bound to accept any order which may be placed upon him at the rates specified within the contract period. Government undertakes to order from the contractor all stores under the contract which are required to be purchased subject to certain reservations for submitting prices to competition and for dividing contract between one or more contractors. Steel furniture, steel cupboards, safes, clocks, timepieces, sewing machines etc. are some of the items coming under rate contract. Rate contracts are settled by the Stores Purchase Department only.

D.G.S & D Rte Contract

Director General of supplies and Disposals New Delhi is conducting every year Rate and Running Contract on a number of articles, Purchasing officers can avail themselves of these contracts wherever it is economical and easier. In respect of these DGS and D Rate Contracts and State government Rate Contracts purchase sanction from Government is not

necessary even if the value of the purchase exceeds the purchase power of the purchasing officer, provided that it is specified while issuing administrative sanction that the purchase will be made as per DGS D State Government Rate Contracts.

State Rate/Running Obligatory

In the case of items for which rate running contract settled by the Stores Purchase Department Head of the Department exist. It is obligatory for the purchasing officers to avail themselves of those contract (para 67 of S.P.Manual)

Receipt and verification of Stores

The Officer authorized to receive store should himself verify the article received with reference to the approved samples. If any and take then to stock soon after they are received. Article which are not new, which do not conform to specification as per supply order or to approved samples or different from those ordered for or which are damaged or defective, should not be accepted.

Stores which arrive by ship or railway or lorry or any other mode of transport should be taken delivery or immediately after arrival to avoid demurrage etc.

Any claim for loss etc. should be preferred on the suppliers or transporting agents or insurance company as the case may be immediately after the stocks are received.

Payment for Stores Purchased in India

Payment of supplies is not permissible unless stores have been received, verified and taken to stock and provision for observance of this rule should ordinarily be made in all contract for the supply of goods.

When costly store are ordered from a distant firm and delay in payment is anticipated, a part of the cost of the consignments not exceeding 90% to a distant, firm may be paid in advance on receipt of the railway receipt for dispatch or bill of lading provided the firm or contractor is of well known standing and provided an agreement is taken before hand to secure Government against all loss in the even of materials being found short or defective on checking. Standard form of agreement is in Appendix XX of S.P. Manual.. This agreement is chargeable with stamp duty (Rule 78 (b) of S.P.Manual) at the rate applicable to bottomry charges.

Stock Register and Stock Accounts

The officer who maintains the stock register must himself receive new stock. When payment is to be effected for the purchase made. The bill must be forwarded to the officer who maintains the stock register. He must certify on the office copy of the bill that the purchase in question ie, articles, stores have been received in good condition as per

specification and taken to stock account. He will also indicate the relevant purchase order number, page number of stock register etc. in the bill for easy future reference.

When advance payments are made against railway receipt lorry receipts etc. the officers in charge of stock accounts should verify the new stock on receipt of store. It is important that payment of bills should be made as expeditiously as possible lest it might end in litigation.

Payment for Foreign Purchase

Payment should be made in rupee in India, payment in any other currency and in any other country require prior sanction of Government. Payment to firms abroad is made by the Accountant General through the State Bank of India or any other Bank on production of invoice etc. Supported by the certificate of inspecting agents if any. The invoice received by the purchasing officer will be transmitted to the Accountant General after countersignature by competent authority with the stock certificates and the head of debit noted thereon.

Release of Security Deposits

After a contract has been fulfilled any payment made the security deposit should be released or refunded to the contract/firm without delay. As a rule the Security deposits should be release within a period of three months of expiration of the contract.

Examination of contracts by the Accountant General

Accountant General can examine contracts settled by the Department and report to government the fact of any case that come to this notice in which competitive tenders were not invited though they should have been invited under the rule or a tender other than the lowest was accepted without sufficient justification or any other material irregularity which has been committed in connection with a contract.

Black listing and Banning of Business

In accordance with the provisions in the standardized code or procedure prescribed by the Government of India. Government can impose on a firm penalties such as black listing, banning and suspension of business and removal from the list of approved suppliers according to the magnitude of the irregular performance of their contracts. Such order will be issued from the Stores Purchase Department on the recommendation of the Purchasing Officer.

Purchase power of Head of Departments, constitution of Department purchase Committee and their functions

Head of departments are classified into 3 groups.

Group I who usually purchase Store worth Rs.25 lakhs of more in a year

- Group II who usually purchase stores worth Rs.23 lakhs and above but below Rs.25 lakhs in a year
- Group III who usually purchase stores worth below Rs.3 lakhs in a year

For details see Appendix XXII of S. P. Manual

Group I is authorized to purchase store without reference to Government and to departmental purchase committee upto Rs.3 lakhs at a time.

Director of printing & stationary is authorized to purchase stores up to Rs.2 lakhs at a time. Director of survey and land records is authorized to purchase survey stone worth Rs.1 lakh at a time and the board of revenue is authorized to purchase survey stones above Rs.14 lakh all without reference of departmental purchase committee.

Departmental purchase committee is constituted for each purchasing department., The constitution is generally as follows:

1. Secretary to Government (Chairman & Convener)
2. Concerned Head of the Department
3. Joint Secretary/Deputy Secretary, Finance
4. Deputy Secretary/Under Secretary, Store Purchase

Functions of Departmental Purchase Committee

All purchase which is not fall within the power of the Head of Department will be considered by the Departmental Purchase committee. Head of the Department is solely responsible for the accuracy of the facts and figure and the observance of rules of purchase in respect of proposals placed before the committee. Departmental purchase committee is empowered to sanction purchase upto Rs.4 lakhs. The orders of he minister in the charge of Stores Purchase will also be taken. If the purchase is less than Rs.6 lakhs. As regards purchases costing between Rs.6 lakhs and Rs.10 lakhs it requires the approval of the concerned Minister and Minister of Stores Purchase. The concerned Administrative Department will issue the sanction in all these cases as a G O . Any variation in the original sanction will require further reference to departmental purchase committee who made the original decision/recommendation. Purchase proposals exceeding Rs.10 lakhs will also be considered by the Departmental Purchasing committee who will submit the file with their recommendation to the Minister concerned and the minister for stores purchase through Finance Secretary.

* * * * *