

STORES PURCHASE RULES

IN A NUTSHELL

Learning Outcomes: On reading this article you will be able to:

- Describe different methods of purchase.
- State factors influencing selection of method of purchase
- Describe concepts like EMD, Rate Contracts, Firmness Period, Negotiated Contract etc.
- Narrate the procedure while inviting tender
- Calculate the cost of tender forms, the EMD, & the security deposit.

The term “stores” means all articles or materials for use in public service except cash and documents. The rules to be followed for the procurement of materials for use in public service are provided in the KFC Vol. I (Art. 120 to 162) and the Stores Purchase Manual.

After assessing the requirements two conditions must be satisfied before proceeding to make a purchase. They are 1.Administrative sanction and 2.Availability of sufficient funds (Art.124 (i) &Para7 of SPM). No purchase should be made without delegated power or Administrative sanction from appropriate authority.

SELECTION OF METHOD OF PURCHASE

There are three methods of purchase based on value of purchase or the Probable Amount of Contract (PAC) for which the purchase is going to be settled with the supplier.

1. Direct Purchase
2. Quotation
3. Tender

1. Direct Purchase (Para 12)

Tenders/Quotations need not be obtained in the following cases.

1. Purchase of books and periodicals 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 Para 57 of S.P. Manual
4. Special purchase approved by Government
5. Purchase of articles covered by Rate or Running contracts settled by the DG S& D, New Delhi or the Store Purchase Department, Government of Kerala.

2. Quotation (Para 13)

Quotation may be invited if the estimated value of the store is below Rs.20,000/- .Publicity of notice is not mandatory. Obtaining quotation by local inquiry is sufficient.

3. Tender (Para 14)

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. Form of Short Tender Notice is given in appendix V of S.P.Manual.

Open tender need not be invited in the following circumstances:

1. When 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
3. When the articles are *urgently required*.
3. In the case of *special manufacture* by particular agencies and patent articles.

In the above cases the purchasing officer must place on record the nature of the urgency and the reason for deviation from the open tender system.

Limited Tender system may be adopted whenever the above exceptions 1, 2 &3 under open tender exist.

Single Tender System may be adopted;

1. When the articles required are of a proprietary character.
2. When owing to greater promptitude of supplies by particular agencies or the special manufacture of some articles by certain firms, substantial economy is possible by deviating from the tender system. In such cases purchase direct from the firms or agencies concerned after negotiation. This is called **Negotiated Contract**. (Rule 68 of S.P.Manual).

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 purchaser has the right to take about 25% over or below the approximate quantity mentioned in the contract. Usually 75% of the contracted quantity should be taken before the expiry of the contract. Dietary article, firewood, charcoal, raw material for ayurvedic medicine etc. come under Running Contract.

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. Steel furniture, photo copier, computers, fax 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 Rate Contract

Director General of supplies and Disposals New Delhi is concluding 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 or State Government Rate Contracts.

State Rate/Running Contract 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 contracts (para 67 of S.P.Manual)

INVITATION OF TENDERS (Procedures to be followed)

1. Estimate the requirements
2. Invite tenders sufficiently early
3. Classify the article under different trade 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. It is wrong economy to purchase bulk quantities at retail prices.
7. Tender should not be invited by the same Department for the same class of materials several times during the same year.
8. Tender specification should be correctly drawn up so that there is no ambiguity and there should be no room for changes in specification after inviting tenders.
9. Tenderers should be allowed to quote for all the items in a tender or a part thereof.
10. The place of delivery of articles is to be specified in the tenders
11. 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 respect.
12. Sufficient time is to be given to the tenderers to submit the tender. Minimum period is 7 days for materials costing up to Rs. 40,000 as per G.O.(MS) No.4/91/PW&T Dt. 22.1.1991
13. The invitation should specify the **period of firmness** during which tenderers are to keep their rates firm. Minimum period is three months. Please See Rule 24 KK.
14. Tender should be obtained in sealed envelopes. Tenderers should be asked to super scribe on the envelope the name and number of tender as well as their name.

Essentials of Tender Notice:The following are the essentials of Tender Notice.1.No. of tender 2.Mention the article 3.Quantity 4.Specification (quality) 5.Cost of tender forms 6. PAC (Probable Amount of Contract) 7.EMD 8. Place date & time of submission 9.Opening date

COST OF TENDER FORMS

(w.e.f 1.12.2008) G.O (P) No.540/2008/Fin. Dt.1.12.2008

VALUE OF TENDER (WORKS&SUPPLIES)	ORIGINAL	DUPLICATE
RS. 50000 OR LESS	RS.300 +VAT 12.5%	RS.150 + 12.5%
RS.50001 UPTO RS. 10.00 LAKH	0.2% OF COST. ROUND TO NEAREST 100. MIN. RS.400 MAX. RS.1500+ 12.5%	50% OF ORGL. UPPER ROUND TO 100 + 12.5%
MORE THAN RS. 10.00 LAKH	0.15% OF COST. ROUND TO NEAREST 100. MAX. RS.25000+ 12.5%	50% OF ORGL. UPPER ROUND TO 100 + 12.5%

SALE OF TENDER FORMS (PARA 19,20,21)

Priced forms necessary for purchases of Rs.20,000/- & more. Priced form desirable for firewood even if cost is less than Rs.20, 000/- No form for fuel oil, vehicle etc. No priced form for single& limited tender. But priced form is essential for Rate & Running Contracts.Cheque & demand drafts are not acceptable for sale of tender forms. It should be in cash & MO only. Forms not send by VPP. ¼ rate for SSI units.

Earnest Money Deposit

A cash deposit as earnest money equal to one percent of the total cost should ordinarily be taken from every tender involving Rs.20,000/- or more. Exemption:

1. Firms of established repute and standing.
2. Firms registered with the Store Purchase Department and the DGS& D, New Delhi.
3. Khadi and Village Industries

Exemption to SSI units withdrawn as per G.O.(P) 448/05/Fin. Dt. 13.10.2005. *EMD can be in CASH, BANK DRAFT, TSB DEPOSIT, BANK GUARENTEE and N S CERTIFICATE*

TENDER NOTICE PUBLICATION

WINDOW ADVERTISING

GO(P) 01/04/I&PR-D DT.2-1-2004

The following details are to be furnished to the PRD for window advertisement.

1. 5 COPIES OF MATTER IN MAL/ENGLISH
2. SIGNED IN INK
3. 15 DAYS AHEAD OF PUBLICATION OR
4. 25 DAYS AHEAD OF TENDER DATE
5. TENDER DATE/LAST DATE/OPENING/PAC

TIME SCHEDULE BETWEEN PUBLICATION OF NOTICE & SUBMISSION OF TENDERS

G.O (Ms) No.4/91/PW&T. Dt.22.01.1991

VALUE OF TENDER	TIME LIMIT
UPTO RS. 40000	7 DAYS
RS.40000 UPTO RS. 4.00 LAKH	10 DAYS
RS.4.00 LAKH UPTO RS. 10.00 LAKH	14 DAYS
RS.10.00 LAKH & ABOVE	3 WEEKS
PRE QUALIFICATION TENDERS	4 WEEKS

RECEIPT AND OPENEING OF TENDERS

A register in form NO.15 of the KFC 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 inclusion 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 subordinates. 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.

3. When the tender is not signed by the tenderer
4. When the tender is received late. A tender received by post after the date and time for their receipt but before the time fixed for their opening shall be considered provided the officer is satisfied that the delay is occurred in postal transit.

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**.

Other conditions being equal the lowest tender should be accepted and in case the lowest tender is not accepted due to bad quality or adverse terms of payment, 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.

Functions of Departmental Purchase Committee

All purchases which are not within the power of the Head of Department will be considered by the Departmental Purchase committee in Govt.. Head of the Department shall furnish the details of tenders obtained before the committee for **Purchase Sanction**. The concerned Administrative Department in Govt. will issue the **Purchase 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 Committee & Technical Committee

Purchase committee is constituted in Govt. to consider purchases beyond the power of Heads of Departments and to issue Purchase Sanction after considering the effective tenders received at the department level. (Para 50 & 98). Technical Committee is constituted at department level to get the specification drafted if necessary due to the sophisticated nature of the article to be procured and to examine the proposals received from prospective suppliers whose products have complex technical nature (Para 24(f)).

COMMUNICATION OF ACCEPTANCE OF TENDER

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** expires. A formal supply order should also be placed with the successful tenderer in the form prescribed in Appendix XIII of SP Manual. 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**.

SECURITY AND AGREEMENT

. An agreement has to be executed by the successful tenderer in the prescribed form on Stamp Paper of Rs.50/- after furnishing 5% of the total value of the contract, subject to a minimum of Rs.30/- as security amount. Purchase below Rs.5,000/- is exempted from the security deposit. Security may be taken in cash, Government Promissory Notes, National Savings Certificates, Treasury Savings Bank Deposits, Post

Office saving Bank Deposits, Post Office Cash Certificates and deposit receipt of recognized Banks. No security should be taken from government institutions, Small scale industries, and cottage industries, industrial co-operative institutions provided they produce the required certificates in this respect.

Agreement and security deposit are for the satisfactory fulfillment of the contract. Agreement should embody the condition of the contract necessary penal clause for breach of the conditions. 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. 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, to cover the extended contract.. Standard form of agreement is in Appendix XX of S.P. Manual. (Rule 78 (b) 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. 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. 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

Payment of supplies is not permissible unless stores have been received, verified and taken to stock. 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% may be paid in advance on receipt of the railway receipt 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.. Final payment will be made only on production of tax clearance certificates i.e., Agricultural Income Tax, sales Tax and Income Tax.

Stock Register and Stock Accounts

The officer who maintains the stock register must himself receive new stock. 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. .(Para 78(d)). He will also indicate the relevant purchase order number, page number of stock register etc. in the bill for easy future reference.

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 released within a period of three months of expiration of the contract.