

SECTION 5: PROCUREMENT PROCEDURES

5.1 Procurement means to obtain through purchase. Procurement of goods and services means purchase of goods and services.

5.1.1 Purchase of goods and services must be planned in advance to allow adequate time for purchase to be made. Since Local-level Government budgetary appropriations are annual, orders for purchase shall be raised well before time to allow for delivery and payments to be made before the close of the financial year.

5.1.2 For purchase of stores, hiring of plant and equipment or printing needs, the appropriate specialist Government agency such as Government Printing Office or National Mapping Bureau shall be used.

5.1.3 Where goods and services cannot be purchased from the established Government suppliers, purchase can be made from the open market.

5.2 All overseas purchases up to K2000 may be made directly by the Financial Delegate using Bank Drafts.

5.3 District Administrators may appoint certain officers as procurement officers if purchases from the open market are substantial in quantity, value and need building up of in-house stock.

5.4 Approval/Authorisation of Expenditure

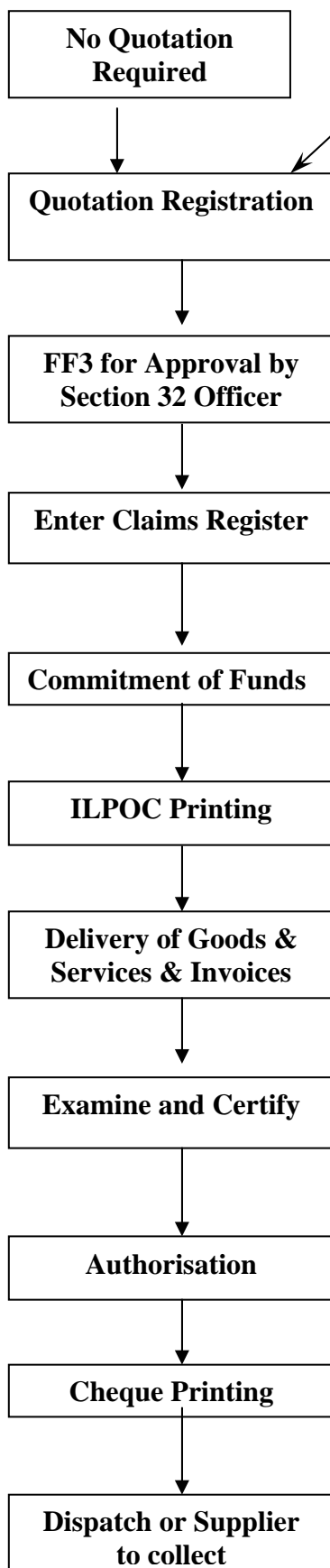
All expenditure decisions are taken by **Section 32 Officer (District Administrator)**. The appointment of Section 32 Officer is made by the Departmental Head under **Section 32 of the Public Finances (Management) Act**.

This power or authority does not override the necessity to follow the prescribed financial procedures for purchases.

All approvals of the requisitions, for expenditure will be made by the appropriate Section 32 Officer under Section 32 of the Public Finance (Management) Act. Any requisition beyond the officer's delegation must be referred to the Provincial Administrator for approval.

FLOW CHART FOR PROCUREMENT PROCEDURES

(a) Purchases K500 and below (b) Purchases K501-K5000 (c) Purchases K5001-100,000



1. Purchases K500 & Below

STEPS:

(a) Identify any one Supplier and raise requisition for expenditure (FF3)

- **For ILPOCs**
- **FF4 for Cheque (bill)**

(b) Enter FF3/FF4 in the claims register.

(c) Commitment of Funds/Certified by the Financial Delegate.

(d) Issue ILPOCs to Suppliers or FF4 for Cheque Printing

(e) Delivery and Receiving of Goods and Services

2. Purchases K501-K5000

STEPS:

(a) Identify Suppliers and obtain (3) verbal quotations

(b) Enter details of the (3) quotations in the quotations register.

(c) Select quotation with the lowest value and raise requisition for expenditure (FF3)

(d) Obtain approval from Section 32 Officer.

(e) Financial Delegate to certify funds availability.

(f) Enter details of FF3 in the claims register.

(g) Commitment of funds and issue ILPOCs or print cheque if FF4 is issued

(h) ILPOCs are issued or cheque printed and delivered to the Suppliers.

(i) Delivery and receiving of Goods and services from Suppliers.

3. Purchases K5001-K99,999

STEPS:

(a) Identify Suppliers and obtain (3) written quotations.

(b) Enter details of the (3) quotations in the Quotations Register.

(c) Select a quotation with the lowest value and raise FF3

(d) Obtain approval from Section 32 Officer.

(e) Financial Delegate to certify funds availability.

(f) Enter details of FF3 in the claims register.

(g) Commitment of funds and issue ILPOCs or cheque print for bills.

All Financial Delegates (Council Executive Officer) or the alternate have been authorised to approve expenditure up to K500 only.

It is unlawful to by-pass the limits on the powers given under Section 32 of the Act or other limits laid down under this part of the manual by intentionally splitting the requisitions or purchase orders.

If the claim is below K500, the requisition for expenditure with the attachments must be submitted to the financial delegate (Council Executive Officer) for pre-commitment and approval.

If it is over K500, the requisition for expenditure with the attachments must be submitted to the appropriate Section 32 Officer for approval.

5.5 Commitment Control

All purchase orders must be pre-committed using the appropriate accounting systems (PGAS) or manual commitment ledger under the control of the financial delegate.

5.6 Purchases Over K100,000

All purchases costing over K100,000 will be referred to the appropriate Supply & Tender Boards, except under certain circumstances where the tender procedures will be exempted.

(Refer to Section 6 on this manual)

5.7 Purchases estimated to cost K100,000 or Less

Depending on the value of the order to purchase it may be necessary to either obtain quotations or call for tenders.

The following procedures should be strictly adhered to before placing orders to purchase goods and services.

5.7.1 Quotations

(a) Purchases under K300

If the total cost of purchase is **under K300**, it is not necessary to call for quotations and purchase may be made from any supplier.

(b) Purchases estimated at K301 and under K5000

If the estimated cost is **over K300 but less than K5000 three verbal quotations** should be obtained from different suppliers and recorded in the Quotations Register.

(c) Purchases estimated at K5001 and under K100,000

If the cost **exceeds K5000 but less than K100, 000** it is essential to get **three written quotations** from different suppliers and recorded in the Quotation Register.

Under special circumstances where only one or two suppliers are available and it is not possible to obtain three quotations, this fact with relevant reasons should be noted in the Quotations Register and in the file holding the documents relating to suppliers.

5.7.2 Quotations Register

A register should be maintained at the Local-level Government office to record all the purchases requiring verbal and written quotations.

All the details including the dates of Quotation, the names and addresses of supplier's description of the goods and/or services should be recorded.

All three (3) quotations both verbal and written must be registered in the Quotations Register. This is an important register for audit verifications.

5.8 Requisition for Expenditure (FF3)

After obtaining and recording the quotations in the register, select a Supplier from the three (3) given quotations and complete the FF3.

All requisitions for expenditure should be, raised by Section Heads or authorised Requisition Officer.

A register should be maintained to record all Requisitions for Expenditure (FF3).

The steps required to complete the requisition for expenditure (FF3) are clearly shown below:

STEP 1

In column one (1), note the following descriptions:

(a) To.....
(Financial Delegate)

In the space provided above insert **financial delegate**.

(b) From.....Section In the space provided

above insert the Branch or Section making the request E.g.:
Administration or Accounts

- (c) Department of..... In the space provided above insert the name of the Local-Level Government making the request, for example, Rigo Inland
- (d) Subject to availability of funds, purchase of the under-mentioned goods/services is approved for delivery

to.....
In the space provided above insert Administration or Accounts (refer (b) above)

Reasons.....

.....
In the space provided above insert Purchase of office stationery

| DIV | FN | ACT | ITEM | AMOUNT |
|---------------------------|----|-----|------|--------|
| This Financial Year 573 | | | | |
| | 01 | 101 | 143 | 300.00 |
| Subsequent Financial Year | | | | |

In the above boxes, indicate DIV, FN, ACT, ITEM and AMOUNT. Under each description insert the relevant account code/vote number from which the goods/services will be charged to. An example is shown above in the box.

STEP 2

- (a) Under **Suppliers Address** and in the space provided insert the name of the **Supplier** and the **postal address** of the Supplier. An example is shown below:
- E.g.: Air Niugini
C/- P.O. Box 7186
Boroko
- (b) Under column three (3) on **Particulars**, in the space provided state the particulars of the goods/services being requested.
- (c) Under column four (4) on **Quantity**, insert in the space provided the quantity expressed in number. E.g.: 10

- (d) Under column five (5) on **Rate** insert in the, space provided the unit rate (rate per unit) of the items.
- (e) Under column six (6), on **Amount** insert in the space provided the total amount of goods and services and where it says **TOTAL insert the total of all the requests on the FF3.**
- (f) Ensure that all parts are completed correctly, all supporting documents are attached and authorised by the Authorised Requisitioning Officer before submitting for authorisation by the Section 32 Officer/Financial Delegate.