



PARTNERSHIPS FOR GLOBAL HEALTH

# HPS Procurement Toolkit

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## Introduction

This document provides information and advice related to Procurement and is intended as a resource for all Health Partnerships. The information contained herein is produced for guidance only, and should be used together with contextually specific information and professional advice to create the necessary tools required to ensure that robust procurement policies are in place for your own programme.

THET has made these guidelines available to assist partnerships in this area, for which partnerships themselves must take responsibility. Health Partnership Scheme (HPS) grant holders in particular should take note of contractual obligations related to this area and ensure that they fully understand their roles and responsibilities.

## Basic Principles

Procurement is defined as the act of obtaining or buying goods and services. It refers to steps around the preparation and processing of demand as well as the end receipt and approval of payment.

For health partnerships, it may be one of the riskier areas of financial management, vulnerable to exploitation or abuse. Sound procurement policies are therefore important as they help to ensure that purchasing takes place in an open, fair and competitive way that represents value for money. Policies will include adequate internal controls to prevent possible abuse and enhance accountability, thus also helping to minimise opportunities for fraud, bribery and corruption.

(For more information on managing this, please see the HPS Fraud, Bribery and Corruption Toolkit.)

As with other elements of project governance and management, health partnerships should develop procurement policies appropriate to the size, scope and complexity of their work. It is likely that policies will exist at an institutional level – for the UK partner particularly – however it may be the case that additional measures aligned to these are required.

A good procurement policy will include elements to ensure that:

- Quality goods and services are purchased in a timely manner according to need and specification, achieving the best possible value for money
- Purchases are made fairly and transparently, minimising the risk of fraud
- Appropriate levels of authorisation are in place, guaranteeing accountability
- Issues around ethics, competition and conflict of interest have been considered and adequately addressed
- Purchases comply with relevant donor requirements and/or legislation

Ethical procurement involves additional consideration of factors beyond cost and quality such as environment and the means through which goods are produced. Having a policy around conflict of interest is also important, ensuring that purchases are made without bias which may bring material benefit to individuals who are part of the process.

Whilst it is important to have clear and comprehensive processes in place to manage procurement, these should not be overly bureaucratic and burdensome to the point that they are obstructive.

## Practical Steps

### Types of Expenditure

Steps for procuring goods and services will differ depending on the type of good or service in question and so too will the appropriate level of control required. For example, there should be greater controls in place for the purchase of high value pieces of equipment compared to everyday consumables such as stationery.

In considering appropriate procurement practices, a useful first step is to think about what makes up the bulk of expenditure in terms of individual value, frequency (one off or repeat) and means of payment (cash or credit, regular or as required). Following this, it is equally as important to think about instances where unexpected or exceptional purchases may be required. These could be within the budget, outside of it or related to emergencies.

### Separation of Duties

A key part of ensuring accountability within procurement is the separation of duties, although note that the extent to which this is possible will depend on the size of the partnership. At a minimum, good practice dictates that the person authorising payment for a good or service should not be the same as the person requesting its purchase.

Under normal circumstances, the budget holder will be responsible for authorising purchases. For high value items or those that are significant but not included within the budget, authorisation may be required from more than one person or alternatively someone with more seniority who has delegated authority as per the partnership’s governance structure. This will also be true if the budget holder is the one requesting the purchase.

### Mechanisms for Making Purchases

There are many stages of the procurement process, and many documents associated with this that need to be completed or collected and kept for audit purposes. A typical example is illustrated below although it should be noted this will vary depending on the complexity and value of the purchase.

<b>Procurement Step</b>	<b>Required documentation</b>
Decide the specification of goods or services to be purchased. This should relate clearly to the budget or may be subject to additional controls.	Budget
Formally request and gain authorisation for the purchase of the goods or services specified. Authorisation will usually come from the budget holder or, as discussed above, another nominated individual. They should check and confirm that there is a genuine reason for the purchase and that the specification conforms to any conditions set by the donor or other relevant party.	Purchase requisition form
Obtain quotations and select a suitable supplier in line with policy (see below for more information).	Quotations or Proposals  Purchase decision records
Issue a purchase order. This should be authorised by the budget holder or nominated individual and sent to the supplier as well as being kept on file.	Purchase order

The quotation should be attached to the PO and this will form a legally binding agreement between the two parties.	
Receive the goods or services, at which point they should be checked against the PO and verified. The invoice should then be matched up against the GRN, PO and quotation to ensure that the goods have been delivered and charged for as agreed.	Good Received Note Goods Delivery Note Invoice
Prepare and gain authorisation for the payment using relevant accounting codes and practices. Again this should be checked by the budget holder or another nominated individual. Payment should be made to the supplier within the specified payment terms and recorded into the accounts.	Payment request form Receipt

### Quotations & Choosing Suppliers

If goods or services to be procured exceed a certain value, they may warrant a competitive process in order for this to happen. This threshold may be set by the donor, partnership or at an institutional level. To help minimise the manipulation of quotations, the specifications and conditions of purchase should be clearly set out along with the minimum number of quotes required. All quotations received should then be confirmed in writing and clearly documented.

Quotations should be reviewed and the most suitable chosen. Selection should be based on price, quality, delivery and post-sales terms to ensure value for money. It will not always be the case that the cheapest quote is the best. For larger purchases, a purchasing panel or procurement committee may be convened.

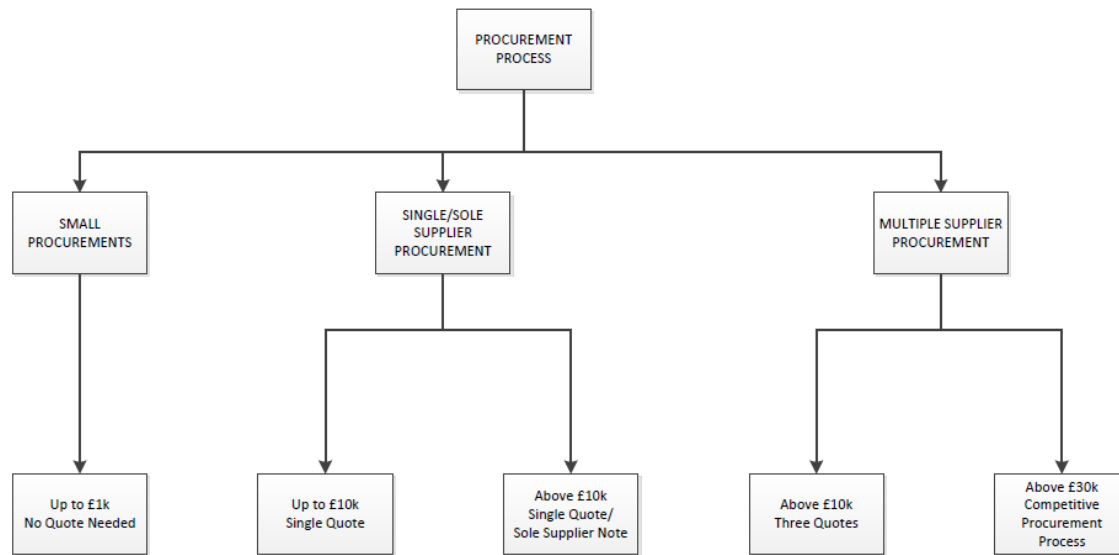
In cases where it is not possible or appropriate to get the minimum number of quotations required, there must be documentation to justify why this is the case. This could be through a sole/single source justification form.

It may be useful for partnerships to compile a list of suitable and eligible suppliers for frequently required goods or services. This will help to ensure that the bidding process is fair and transparent whilst also reducing the time required to source a supplier each time a purchase needs to be made.

### Communication and Training

Partnerships should have in place a Procurement Policy outlining clear instructions for the purchase of different types of expenditure. This should be shared with all staff and volunteers responsible for making purchases, however small or large, either in the UK or overseas. This policy should form part of any induction process and basic training to ensure full understanding of its content should be provided.

## THET Procurement Process



### NOTES:

1. The decision on which approach to procurement to adopt must be informed by the cumulative value of orders that will be placed during the life of the present-day funding arrangement. For the avoidance of doubt – making multiple procurements with the same supplier that cumulatively exceed £30k will require a competitive procurement process at the first procurement.

2. These rules apply to the procurement of all goods and services (including consultancy contracts).

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## Requirements for HPS Grant Holders

The following basic measures of good practice around the management of procurement practices are required for all partnerships in receipt of HPS funding. If grant holders feel that they are lacking in any particular areas, THET can provide further support and guidance.

Grant holders must:

- Have a formal Procurement Policy in place with clear and appropriate levels for making purchases up to specified financial limits
- Consider procurement as part of their risk and fraud management processes
- Communicate their Procurement Policy to all staff, volunteers and partners and provide relevant training to ensure that this is understood
- Notify THET immediately in cases where it is suspected or found that procurement policies are being manipulated resulting in fraud