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Internal Audit

Process Understanding

*Purchasing Section Review*

**Document Information and Revision History**

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| **Background** | With the aim of aligning and consolidating the efforts made in the field of Purchasing Section, the roles and responsibilities of Purchasing Section is operating under the Support Services Function within the UPP. |
| **Purchasing Section - Overview:**  **Detailed Processes** | **Introduction:**  The Purchasing Section is have 2 employees and centralization for the three company Sharjah Media City Authority, Shams Media Services and Shams Development and Investments.  **Formation of Committees:**  There are two committees formed by the management to run the core activities related to tendering / bids opening, evaluation and Auctions undertaken by the Procurement Section. The committees are:   1. Bids opening committee. 2. Purchasing committee (bids evaluation committee).   ***Overview of Purchasing Activities***  The purchasing process shall be applicable to all purchases of materials, services and capital assets carried out by Sharjah Media City Authority, Shams Media Services and Shams Development and Investments.   |  |  |  | | --- | --- | --- | | **Description** | **Value (AED)** | **Nature of Purchasing** | | Request for Quotation (RFQ) | Between 1 and 3,000 | Direct Purchasing. | | Between 3,001 Up to 500,000 | With three Quotation. | | Tender purchasing | More than 500,000 and above | Tender requires at least invitations to a minimum of 3 vendors. |   **The core processes are classified into the following :**   1. **Purchasing Planning** 2. **Suppliers Management** 3. **Purchasing Process** 4. **Tendering Process** 5. **Contracts Administration** 6. **Performance Evaluation of Suppliers** 7. **Purchasing Planning**   There is no annual purchasing plan developed by the purchasing Section.  Currently, the purchasing process is being undertaken on an ad-hoc basis. Thus, on receipt of the purchase requests.   1. **Suppliers Management**    1. *Creation of Suppliers Master File:*   New vendors are identified by the purchasing Section using different sources such as; recommendation by User Section, newly found in the market, new approaching suppliers approaching the SHAMS and through purchasing process.  In order to create new supplier file in the Zoho System, a supplier registration form is filled by the supplier and submitted to purchasing Section Head for approval. The form shall be attached with the trade license, company profile etc.  On receipt of the approved form from the Section Head, the Purchasing team creates the code in the new system.   * 1. *Update of supplier Master File:*   The supplier master files not updated on an ad-hoc basis. And not clean.   1. **Purchasing Process**   Purchase transactions are initiated on the basis of approved Purchase Request “PR” received manually by the purchasing Section. The PR are either received from user sections or stores. However; prior to sending the PR to Purchasing Section, the PR are routed through the finance function for budget review / check purpose.  All approved PR are sent to purchasing Section Head, who in turn, assigns PR to purchasing Officer for processing.  The Purchasing Officer then review the PR for validity and completeness of supporting data attached with each PR.  Purchasing Officer prepare a list of potential suppliers in coordination with the Section Head. Basis for selecting potential suppliers from approved list.  The Purchasing Officer then prepare RFQ following the terms and conditions stated in the approved PR. All RFQ are prepared in coordination with the Section Head.  After that, RFQ is floated to potential suppliers as prepared earlier in the potential suppliers list. The RFQ is sent to potential suppliers by email.  Clarification / queries raised by suppliers are managed by the Procurement Officer / Section Head. Quotations are received via email.  On receipt of quotations, comparison sheet of is prepared by the purchasing Officer in coordination with the Section Head. The comparison sheet of quotations includes the technical / financial aspects incorporated in each quotation. All summary sheets are approved by the Section Head.  Comparison sheet of quotations is then forwarded to User Section for recommendation and selection (only technical quotations / bids).  All the support documents is routed through the management for review and approval.  Purchasing Section proceeds with issuing PO / LPO to the selected suppliers as per the DoA.  The PO / LPO is initiated in the Zoho System and put as “in process” stage. A copy of the draft PO / LPO is printed and sent to management for approval as per the DoA.  The approved PO / LPO are then forwarded to the selected suppliers by email. An acknowledgement shall be obtained from the suppliers.  On receipt of the goods / services by the receiving Point, Delivery Note shall be signed by receiving Point and forwarded to Finance function for payment processing with green stamp, if any reject goods/ services forwarded to purchasing section with red stamp. (The receiving point start on July 2022).  ***Petty Cash Purchases – up to AED 1,000***  This method of purchasing may be used by the purchasing Section in case of urgent, low value and infrequent purchases.  Petty cash purchase starts from the point of receiving petty cash request form from the User Section. Forms are usually received by the Section Head who in turns forwards them to Purchasing Officer for processing.  Purchasing Officer reviews the form for accuracy, validity and completeness of supporting documents and process the form.   1. **Tendering Process**   Tendering process is initiated on the basis of approved PR received manually.  All approved PR are sent to Purchasing Section Head, who in turn, assigns PR to Purchasing Officer for processing. PR are assigned to Purchasing Officer based on their expertise in different field as determined by the Section Head.  Purchasing Officer then review the PR for validity and completeness of supporting data attached with each PR.  Purchasing Officer prepare tender documents in coordination with Purchasing Section Head and User Section.  List of potential vendors is prepared by Purchasing Officer in coordination with the Section Head and User Section. Potential vendors selected from approved list.  The RFP is then floated to the vendors as per the approved list. RFP is sent to potential suppliers by email.  Proposals / sealed envelopes are received from suppliers by hand delivery. All sealed envelopes / proposals are deposited in the designated tender box for this purpose. Keys of tender box are available with Bids Opening Committee. Technical / commercial bids are submitted in separate envelops by suppliers.  On receipt of all RFP, Bids Opening Committee shall meet in order to open the received bids. Tender Opening Form is then prepared and signed by members. Such a form includes the details of the received bids such as; name of suppliers, no of received envelops, rates provided by each bidder, etc.  Post preparation of Tender Opening Form, a file is maintained by the Purchasing Officer containing the related documents for the tender. The file contains various documents such as; tender documents, Tender Opening Form, summary of bids received etc.  The file is then sent to User Section for recommendation and selection (only technical proposals). The file also includes a form for technical evaluation to be carried out by the Technical Committee / User Section.  On receipt of final recommendation from User Section, the final recommendation / selection sheet is then approved as per DOA.  Awarding letter is prepared and sent to the winning bidder. Awarding letters shall be approved by Purchasing Section Head.   1. **Contracts Administration**   After issuing the award letter, winning bidders are required to provide performance bond. Bid bonds are returned to winning bidder on receipt of performance bond / guarantee check.  A contract template is being used and followed by Purchasing Section. Such a template includes the necessary admin / legal clauses.  A draft contract is prepared by the Purchasing Section following the technical / commercial terms and conditions as incorporated in the RFP. Draft copy is also discussed and reviewed by the Section Head.  After that, the draft copy of contract is sent to legal function of SHAMS for review and approval.  On receipt of the final draft version of contract from legal function of ADMC, dual copy of contract is made and forwarded to the winning bidder for signature.  After receiving the signed copies from the winning bidder, both the copies of signed contract are sent for approval as per DoA.  On receipt of the approved copy by SHAMS Management, one copy is provided to supplier, another copy is kept with Purchasing Section. Other copies are made and distributed to User Section and Finance Section.  After that, contract shall be administered by the User Section for receipt of services / goods as per contract terms and conditions. Compliance with contract terms and conditions shall be ensured by User Section.  On completion of services / goods delivery by supplier, delivery note / Completion Report is prepared by the User Section and forwarded to Finance Section for processing.   1. **Performance Evaluation of Vendors**   There is a mechanism in place undertaken by the Purchasing Section to regularly assess and evaluate the performance of suppliers on the basis of defined criteria. |
| **Production Department - Organizational Structure** |  |

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| **Approvals** | | | |
| **Name** | **Task** | **Role** | **Signature** |
| :Jad | Prepare | Senior Auditor |  |
| Sahar Hussein | Review | Internal Audit Manager |  |