

An Internship Report
Of
Purchase and Procurement Policy of LAMB Hospital

Submitted by

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**This report has been prepared for submission to the Department of Accounting,
Faculty of post Graduate Studies, Hajee Mohammad Danesh Science and Technology
University as a partial requirement for the fulfilment of degree of Master of
Business Administration-MBA (Evening) Program.**



HAJEE MOHAMMAD DANESH SCIENCE AND TECHNOLOGY UNIVERSITY, DINAJPUR

Date: 4 May 2016

Title of the Study

“Purchase and Procurement Policy of LAMB Hospital”

Letter of Transmittal

04/05/2016

To,

Md. Kutub Uddin

Associate Professor

Department of Management

Faculty of Business Studies

HSTU, Dinajpur, Bangladesh

Subject: Submission of Internship Report of MBA (Evening) Program.

Dear Sir,

*It is a great pleasure and privilege to present the internship report titled “**Purchase and Procurement Policy of LAMB Hospital**” which was assigned to me as a partial requirement for the completion of MBA Program.*

Throughout the study I have tried with the level best of my capacity to accommodate as much information and relevant issues as possible and tried to follow the instructions as you have suggested. I tried my best to make this report as much informative as possible. I sincerely believe that it will satisfy your requirements. I however sincerely believe that this report will serve the purpose of my internship program.

I am grateful to you for your guidance and kind cooperation at every step of my endeavour on this report. I shall remain deeply grateful if you kindly take some pan to go through the report and evaluate my performance.

Md. Mofasser Hossain

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Student's Declaration

*I hereby declare that the report of internship namely “**Purchase and Procurement Policy of LAMB Hospital**” has been made by me after the completion of internship at LAMB, Parbatipur, Dinajpur through comprehensive study of the existing activities and policies of LAMB.*

I also declare that this paper is my original work and prepared for the academic purpose which is a partial requirement of MBA (Evening) program at Hajee Mohammad Danesh Science and Technology University, Dinajpur.

.....

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Supervisor's Declaration

*I hereby declare that the concerned report or any part of this report entitled “**Purchase and Procurement Policy of LAMB Hospital**” does not match with any other reports to the best of my knowledge. This Original report is prepared by Md. Mofasser Hossain, Student ID No.E130502023, Faculty of Post Graduate Studies, Hajee Mohammad Danesh Science and Technology University, Dinajpur. He has completed his internship under my supervision and submitted for the partial fulfilment of the requirement of the degree of Master of Business Administration (MBA).*

I wish him every success in life.

.....

Supervisor

Md. Kutub Uddin

Associated Professor

Department of Management

Faculty of Business Studies

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Co-Supervisor's Declaration

*I hereby declare that the concerned report or any part of this report entitled “**Purchase and Procurement Policy of LAMB Hospital**” does not match with any other reports to the best of my knowledge and worked by Md. Mofasser Hossain, Student ID No.E130502023, Faculty of post Graduate Studies, Hajee Mohammad Danesh Science and Technology University, Dinajpur. He has completed his internship under my supervision and submitted for the partial fulfillment of the requirement of the degree of Master of Business Administration –MBA (Evening).*

I wish him every success in life.

.....

Co-Supervisor

Md. Reiazul Haque

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HSTU, Dinajpur, Bangladesh

Preface

This report is one of the terminal formalities of the internship program for the degree of Master of Business Administration-Evening (Major in Accounting and Information System), Faculty of Post Graduate Studies at Hajee Mohammad Danesh Science & Technology University, Dinajpur which is compact professional progress rather than specialized. This report has prepared as per academic requirement of after the successfully completion of internship with the view to familiarize the students with the practical implementations of the knowledge provides the theoretical aspects of practical life.

*It is my pleasure and great privilege to submit my report titled “**Purchase and Procurement Policy of LAMB**” as the presenter of this report, I have tried my level best to get together as much information as possible to enrich the report while working in this regard. I believe that it was a fascinating experience to work in this regard and it has enriched both of my knowledge and experience.*

However, after all this, as a human being, I believe everyone is not beyond limitation. There might have problems regarding lack and limitation in some aspects and also some minor mistake such as syntax error or typing mistake. Please pardon me for that mistake and clarify these of my further information on those matters.

.....

Md. Mofasser Hossain

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Acknowledgement

For the very first of all I would like to express my gratefulness and harmony to the ALLMIGHTY ALLAH the supreme authority of the Universe, without Whom we would be nothing, next I would like to express my kindness to my beloved Parents & Family members & colleagues whose continuous inspiration enragés me to make a right move in my life.

A single individual can achieve no noble objective. Words actually will never be enough to express how grateful I am nevertheless will try my level best to express my heart full gratitude towards some respected persons for their advice, suggestions, direction and cooperation which have enabled me to have an experienced in the dynamic environment such like in LAMB Hospital.

*First of all I would like to thank my supervisor **Md. Kutub Uddin**, Associate Professor, Department of Management, Hajee Mohammad Danesh Science and Technology University, Dinajpur without those help, suggestion and cooperation the total report will be valueless.*

*I would also like to thank my Co-supervisor **Md. Reiazul Haque**, Assistant Professor, Department of Accounting, Hajee Mohammad Danesh Science and Technology University, Dinajpur for helping me and giving assistance in preparing the report.*

*The key person of LAMB to whom I would like to convey my gratitude is the Executive Director **Kyle Scott** of LAMB for his kind consideration to give me an opportunity to complete my internship. I would also thankful to my official superior **Mr. Benedict Hasdak**, some other key persons such as **Dr. Steve withington**, **Ms. Joanne G Nout**, **Dr. Nelson Mondal**, and **Mrs. Chandra Mondal** whose valuable advice and kind cooperation helped me gather more knowledge. I would like to thank from the deep of my heart to those people who are related with making of this report and make it a success.*

At last but not the least, the Hajee Mohammad Danesh Science and Technology University, Dinajpur, Bangladesh for giving me an opportunity to complete my MBA degree and give me a scope gather practical experience and enrich my knowledge.

May ALLMIGHTY ALLAH bless all of them.

.....
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TO WHOM IT MAY CONCERN

*I do hereby certify that Md. Mofasser Hossain, student of MBA (Evening), major in Accounting and Information System (AIS) of Hajee Mohammad Danesh Science and Technology University, Dinajpur works with our organization as an intern on the “**Purchase and Procurement Policy of LAMB**” from March 7, 2016 April 20, 2016.*

I found him intelligent, amiable and responsible.

I wish him every success in life.

.....
Benedict Hasdak

Board and Executive Administrator

LAMB

Parbatipur, Dinajpur-5250

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1.1 Abstract

Every organization has to purchase to perform its activities therefore most of the established organizations have a purchase and procurement policy as well as set up separate purchase and procurement Department. Similarly LAMB has also a purchase and procurement policy as well as separate Department of purchase and procurement. The policy are discuses shortly in below.

Users/staff writes purchase request with details as per their needs and get approval from the budget manager or Respective Director and send it to purchase box. Purchase officer collect the request and see the items and approximate price as well as quantity. If the amount below Tk 25,000 requests are distributed among the purchase coordinators for purchasing the goods. If the item amount is above Tk 25000, invitation of quotation letter has to be prepared and ask to the supplier to submit their sealed quotation. Tender box are open (every Wednesday morning) by the purchase Directors and sign the quotation and send to purchase officer to make a comparative statement.

Purchase officer prepared the comparative statement and placed in purchase committee meeting for making decision regarding the items. After taking decision by the purchase committee purchase officer issuing an work order for the supplier under some terms and conditions.

A purchase meeting minutes also need to be prepared by me (Purchase Officer) regarding the meeting.

After getting or collecting the product purchase coordinators/Assistant send the item in LAMB central store with all related documents. Store coordinator and assistant check the quality of the product and quantity between the work order and the invoice. If the products seems okay products are receive and entry in the database software and keep the product in a specific place. The invoice of the product are sealed and signed by the Store coordinator/ assistant. The purchase coordinator/ assistant get approval from the purchase Director and submit the bill in the Finance Department. Finally finance Department issue a cheque for the supplier and given to him. Thus the process comes to an end.

1.2 Introduction

The term “Purchasing” refers to the process of ordering and receiving goods and services. It is a subset of the wider procurement process. Generally, purchasing refers to the process involved in ordering goods such as request, approval, creation of a purchase order record (a Purchase Order or P.O.) and the receipting of goods.

To define procurement broadly, “Procurement” is the overarching function that describes the activities and processes to acquire goods and services. Importantly, and distinct from “purchasing”, procurement involves the activities involved in establishing fundamental requirements, sourcing activities such as market research and vendor evaluation and negotiation of contracts. It can also include the purchasing activities required to order and receive goods

1.3 Background of the report

Purchase policy and procurement policy are very important for every organization as well as for the suppliers. If the management maintain their purchase and procurement policy and procedure properly then organization’s financial statements show the true and fair view of the organization as well as express the good reputation. If there is in problem arise regarding purchasing organization can solve this problem following the policy. As a part of my MBA course and my job is a purchase and procurement Officer therefore my interest was about the purchase and procurement policy and under the direction, control and guidance of my internship supervisor, I have taken to initiative this study and complete this internship report sincerely, carefully and with much precision and by being completely unbiased.

1.4 Importance of the report

Purchase and procurement policy is very important for the organizations. Unless a good purchase and procurement policy organization could not operate its activities properly. There will be deficit of accountability. Purchase and procurement policy is very much related with financial activity. Unless a good purchase and procurement policy organization's financial statements could not able to show a true and fair view of an organization. For smooth running of an organization, a good purchase and procurement policy is very much needed. It will insure the accountability as well as give a true and fair view of the organization.

1.5 Purpose of the purchasing and procurement Policy

The purchase of goods and services is necessary for the smooth operation of the organization. The aim of the internal control system for the supplying of goods and services is to ensure orders are handled by individuals having skills in evaluating what purchases are required from suppliers offering the best deals, to ensure purchases made do not exceed the budget provided and to ensure purchased goods and services conform with the quantity and price specified in the order.

- The purpose of this policy is to ensure that financial probity is assured by prescribing a range of appropriate methods for purchasing and procurement, including, where appropriate, a competitive tendering and contracting (CTC) process.
- Purchasing, tendering and contract letting are substantially devolved activities. This carries the risk of different practices operating at different standards creating exposure to liabilities caused by poor control over procurement and purchasing standards. This policy provides a framework that is practical for such a devolved environment.
- As a consequence of adhering to this policy, the LAMB shall:
- Obtain the best value for its purchases, in both cost and quality
- Have a fast and efficient purchasing process; demonstrate financial probity and accountability to its clients, stakeholders and the public interest.

- Successfully manages and prevents the potential for conflicts of interest
- Utilize a transparent CTC (competitive tendering and contracting) process where chosen
- Monitors and evaluates performance in purchasing and procurement
- Be protected from complaints and legal actions mounted by potential suppliers who believe they have not received fair treatment
- Calculating VAT & TAX accurately and pay to Government.

1.6 Methodology

- I have done the report by day to day observation, daily working experience and practice.
- I have noticed that LAMB follows certain methods in purchasing goods, equipment and services required for the needs of the organization or its projects. Use of competitive bidding shall be a priority practice. The first criterion in choosing a supplier shall be the lowest bid. However, if a supplier does not provide the required level of service or an adequate guarantee, then other criteria shall also be considered.
- For purchases under Tk. 25000, a price survey by telephone or directly of two suppliers will be sufficient for determining the supplier.
- For purchases above 25,000, a quotation/invoice shall be obtained from at least three suppliers.
- The purchase file shall contain all the documents pertaining to each transaction, i.e. the purchase requisition, asking quotation letter, quotations, comparative statement, contact information of suppliers purchase contracts or orders, invoices, delivery slips and any other pertinent documents.

2.1 Over View of LAMB Hospital

LAMB hospital is an NGO Hospital serving the poor & under-privileged, especially women and children of North- west of Bangladesh. It is under Dinajpur District at parbatipur upazilla. It is 28 km far from Dinajpur District. The main hospital placed at Parbatipur Thana; two kilometer west from the Parbatipur town. It has village level clinics in over 100 unions of Dinajpur, Rangpur & Nilphamary districts.

LAMB Hospital Established in 1983 Bed capacity: 115.

However LAMB is recognize as a Hospital but it is one of the main Department of LAMB. LAMB has many other Department, programs and activities. We have a nursing institute where students can get a diploma certificate after competition his nursing study. We have an English medium school inside the campus of “O” level category under Cambridge curriculums. We have many awareness rising programs such as water and sanitation awareness rising, adolescent health care awareness, women self defense (karate) program at school level. We have also contributed in developing people living standard therefore we distributed cows, goats, sewing machine, houses, make latrine and installation tubewell among people in the community.

2.2 Mission

The mission of LAMB project is to serve God by serving the poor and under-privileged, especially women and children of Bangladesh.

2.3 Vision

The vision of LAMB project is to see people living as God intended in spiritually, physically, socio-economically and emotionally healthy communities with the capacity to develop and utilize sustainable, holistic, and reproducible health and development programs.

2.4

LAMB Purchase Department Organogram

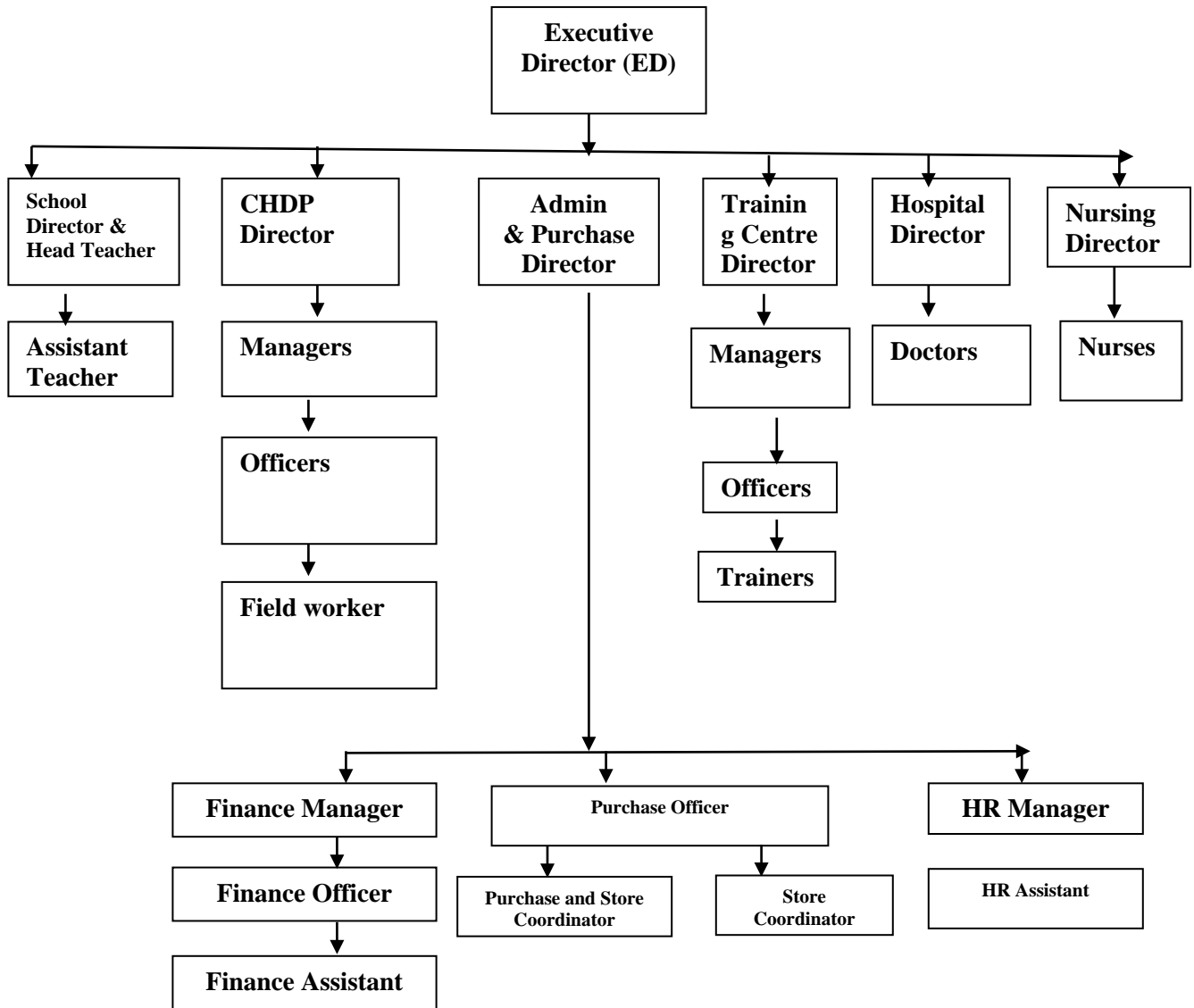


Figure 1: Organization organogram

Purchase Department is under admin department. Admin director is supervised Finance and purchase department. Purchase officer supervised the purchase coordinator and store coordinator. Purchase officer is accountable to purchase director to his job.

3.1 **List of Items need to purchase for LAMB**

LAMB is a hospital based organization and operated other programs too. Therefore we need to purchase thousands of different type of items. We have categories the items such as

-

- Medicine
- Medical equipment
- Surgical items
- Stationary items
- Grocery items
- Constructions items (Bricks, Cement, Rod, sand etc)
- Printing items
- Painting items
- Petroleum items (diesel, petrol and kerosene)
- Cloth and uniform
- Electrical items
- Cookeries items
- Vehicle (cycle, motor cycle, car, micro)
- Computer items
- Furniture's items
- Hardware items
- Food items and so on.

3.2 List of items and vendors

Table No-1

	Stationaries item	Hardware	iron rod work	Bag ,Raincoat & umbrella
	Anwer stationary, Rang	Rusel hardware, Syd	Liakoth steel, Pbt	Purnima general store, dnj
	sydpur paper house,syd	Moon electronics,pbt	Tata steel, dnj	Mahabub store, dnj
	Nobarun papers,Dnj	United hardware, Pbt	Mazid Traders, Dnj	Beauty store,pbt
	Binimoy papers,dnj	Ansary traders	Janata steel, Dnj	Bismillah store,syd
	Kagoj ghar, dnj	Sonali hardware,Dnj	Rojario steel, Dnj	Lucky store, pbt
	S.M Departmental store,dnj	Mizan Brothers,Dnj	Abdul hakim iron store, syd	Kamal traders, dnj
	Lucky variety store,pbt	Soudia Sanetary,Dnj		Zia garment, Rangpur
	Wooden Furniture/Board	Furniture otobi/pertex	Bricks	Cement
	Vaivai furniture, pbt	Tuba furniture, dnj	New RS Brick, CBD	MS Need, Rang
	Moksed so mills, pbt	Birdsfly, dnj	BM brick, CBD	Ataur traders, dnj
	Yousuf furniture, syd	Mowla traders,navana, dnj	DA bricks, PBT	Liakoth steel, pbt
	Adhunik furniture, Dnj	Partex amin traders dnj	M/S Rafique Ent, DNJ	Al-amin traders, dnj
	Tithi furniture, pbt	Masuma traders,partex	M/S Badsha manf, CBD	M/S Sarker Brothers, Pbt
	Meherab furniture,pbt	Parvin enterprise,Dnj	New MH Brick	M/S Uttora Mills, syd
	Construction	Electrical work	Rod	C.I Sheet/Tin
	Amin Traders, PBT	Biddut decorator, Dinajpur	Ataur Traders, Dnj	Belal cooperation,dnj
	Karim constraction, Dnj	Robiul islam, Dinajpur	Steel corner, syd	sarker traders,pbt
	M/S Ramjan Ali, Dnj	Moon electronics, Pbt	Sarker traders	Tin bitan, syd
	Motor cycle	Bicycle	Painting items	Computer item
	M/S Ahmed and sons, Dnj	Bangladesh cycle store, DNJ	Rusel hardware, Syd	Silicon computer,Dnj
	Raju traders, Dnj	Beauty cycle store, Sydpur	Dipok Hrdware,Pbt	Star Computer,Dnj

Continued of table -1				
	Arju motors chirirbandar	New cycle Traders, Rangpur	United hardware, Pbt	computer bazar,Dnj
	MH Motors, chirirbandor	New modern cycle store,Rang	Mirza Trading,Dnj	startech,Dhk
	Zarif Enterprise, Chirir	Janata cycle store	Mizan Brothers,Dnj	Rishit computer, Dhk
	SK Motor,dnj		Soudia Sanetary,Dnj	G force,Rangpur
	Bajaj mela,Pbt		Rony traders, SYD	Computer source,Rangpur
	Grocery item	Electric Item	surgical items	Thai Glass work
	Ekota store,pbt	Glory electronic,Dnj	Life science,dhk	liakoth steel
	Prodeep store	Habib electronic,Dnj	Dymon science park	Mazid traders
	SM Departmental store,Dnj	Eva electronics,Dnj	RectanglePvt Int Ltd	Firoz thai and glass
	Ekramul store,Dnj	prodip electronic,Pbt	Sourov surgical	
	Aminul Store,pbt	Moon electronics, pbt	Jewel scientific store, dnj	
		Habibco,DHK	Mars International	
			Delonix International	
	Flexi load	Mobile	Cloth items	Cookeries Items
	Maa teledmedia, pbt	Silicon computer,Dnj	New cloth center	M/S Mizan Brothers
	lucky electronics, pbt	Star Computer,Dnj	Gulistan	Talukdar Alluminium
	S.M departmental store,pbt	Lucky electronics, dnj	Thanks Cloth, Syd	Sayma Cookeries
		Maa teledmedia	Sumon tailers,pbt	M/S Bhai bhai Traders
			Carpet king,dnj	Lucky store
	Sand	Printing Items	Tailoring items	Diesel/keroshin/petrol
	Musa Enterprize, pbt	Anik press,Dnj	Sumon tailers,pbt	DA Filling station
	M/S M.H Bricks, cbd	Xebec Communication,DHK	Joti tailers, pbt	Anjur Rashid
	Messers Sathi Enterprize,pbt	Needle Art, Dhaka	New cloth Center	Real filling station
	D.A.Bricks,pbt	Tisha Printers ,Dhaka		

Source: Finance Department

3.3 Location of purchase items

There are lots of items need to be purchased for LAMB. Normally purchases are done from Dinajpur, parbatipur, Sydpur, Rangpur. Special types of items those are not available in locally that need to be purchased from Dhaka such as equipment, machinery. There are also some other items that need to purchased from aboard.

3.4 Category of items

There are two category of items that are maintaining by LAMB. These are-

Stock items: We called stock items of those items that we purchase and kept in our central store for immediate supply demand. There are some items that are needed for various departments as regular basis. These types of items we purchase for the store. If any staff needs any of these items, he has to fill up a supply request with accounts code and store will issue the product for him by receiving the supply request e.g. Medicine, surgical item, medical items, some stationary items, some grocery items.

Transit items: we call transit items of those items that are not kept/ available in central store as stock items. We do purchase after receiving a purchase request by the staff. Time should require to purchasing from the vendor/shop and supplying the product. It will not gettable as per immediate demand.

3.5 Contract with the Suppliers

Standing contracts shall be used to allocate all or most work of a given type to a dedicated provider for a fixed period, usually six month or one year. This usually occurs where the good or service is repeatedly or regularly used such as Stationary items, grocery items, medicine, and often incorporates bulk discounts for volume and streamlined payment arrangements. The renewal of any standing contract shall not be re-considered at the end of the contract period.

All staff members are encouraged to use LAMB-preferred suppliers in the first instance. If a staff member decides to purchase goods and services from a supplier other than a LAMB preferred supplier, they are required to demonstrate to the satisfaction of the LAMB's Procurement Manager that either:

The alternate supplier can provide the goods or services at a significantly lower cost than the LAMB preferred supplier (in this case written quote required); or

The goods or services available from the LAMB preferred supplier are not fit for the purpose required (the decision shall be supported by evidence).

3.6 Vendor's selection and evaluations

We have purchase different types of items from different types of vendors. Generally we do purchase from that shop who actually sold those items such as stationary items from stationeries shop, grocery items from grocery shop, Electronics items from electronics shop, computer items from computer shop, Medicine and medical items from medicine and medical shop etc. We do purchase from that shop that LAMB do business for a long time. If new suppliers interested to supply his product he needs to send a formal application letter regarding supply. He needs to attach Trade license copy, VAT registration certificate, Bank statement and a testimonial from a reputed organization with his application. If management happy to his document then he can include in the vendor list. Quotations are asked to the vendor for the items that he sold when necessary. If he offer lowest price then purchase committee agrees to give him an work order for the materials. This is the way of our vendor selection and evaluation.

4.1 Purchasing Committee

LAMB Purchasing Committee is appointed by the admin Meeting, the member of the committee at present are the Executive Director (ED), Purchase Director, Finance manager, Admin director and some other Departments representative selected by ED. The Committee has overall responsibility for all procurement, and specific responsibility for the approval of large purchases. These are currently items or services costing over Taka25,000 per unit or Taka 50,000 per vendor,

Purchasing may be done by other staff but only if there is a good documented reason, agreed with the PSS Manager in advance. In this case the written explanation needs to be included with the invoices why staff needs to purchase by themselves.

4.2 General purchase process (Except medicine)

The general purchase process is summarised in the following chart.

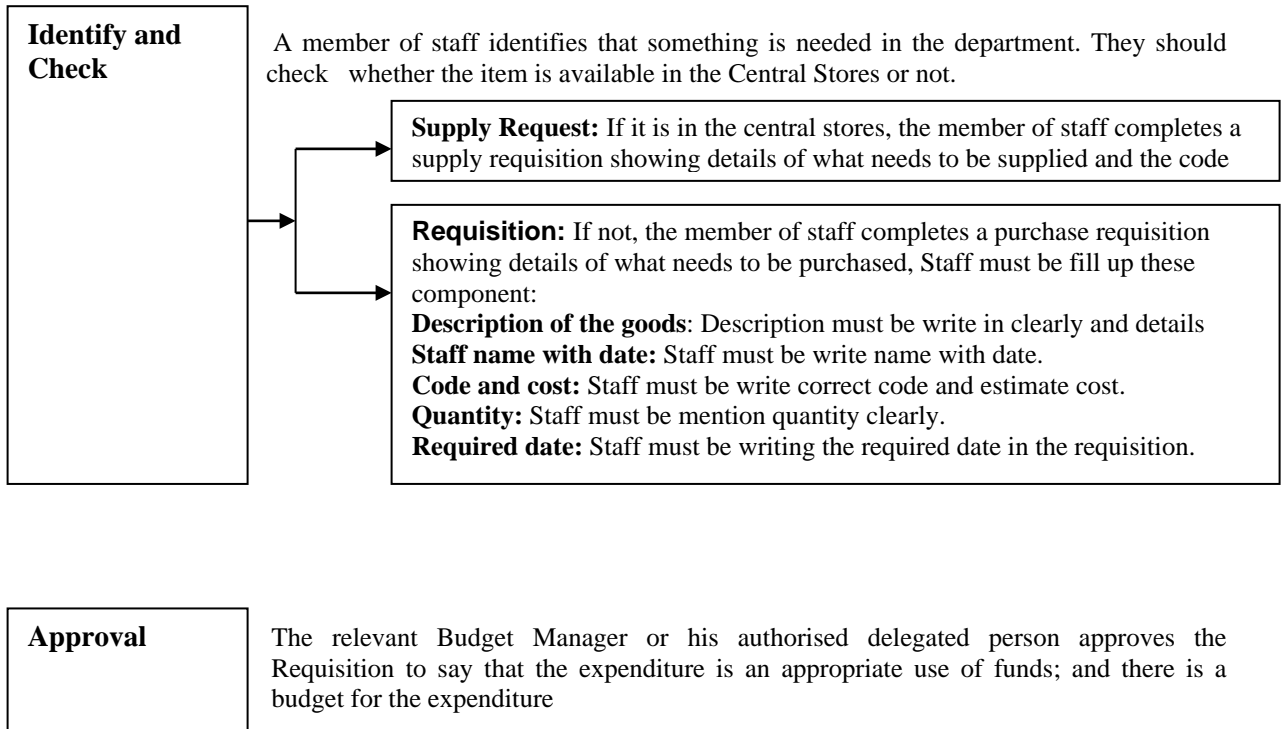


Figure2: Purchase and Procurement Process

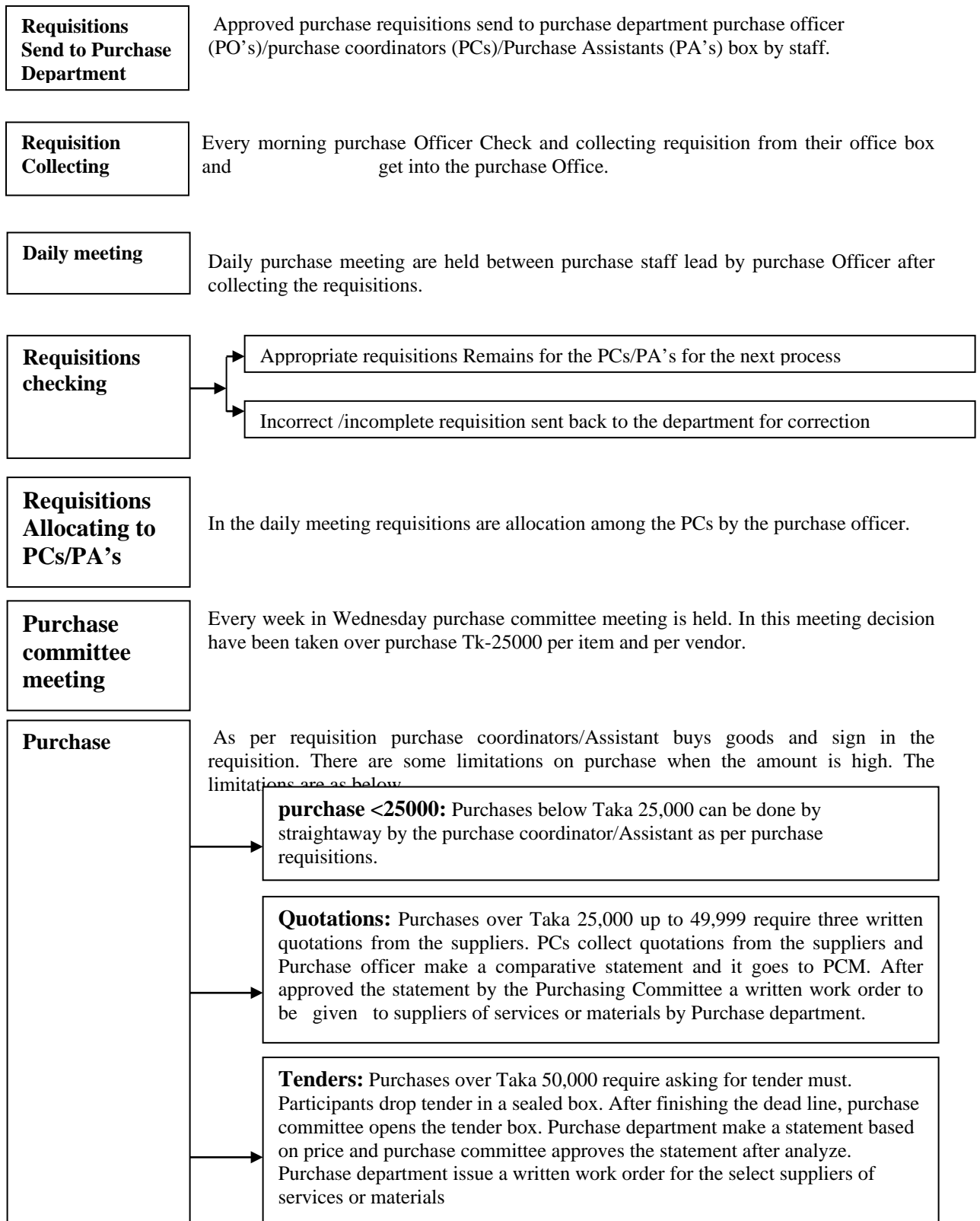


Figure2: Purchase and Procurement Process

After purchase goods and invoices send to stores by PCs/PAs

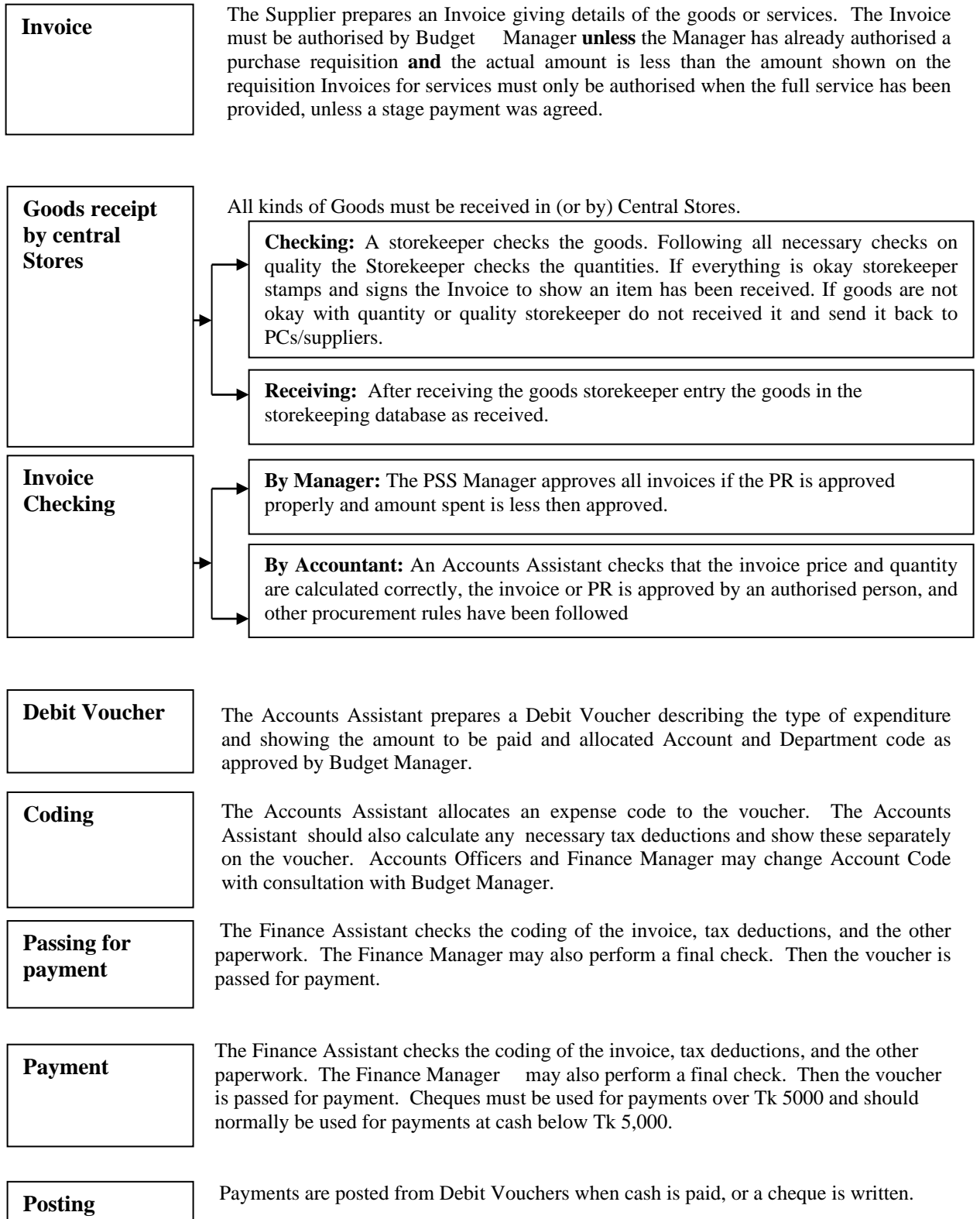
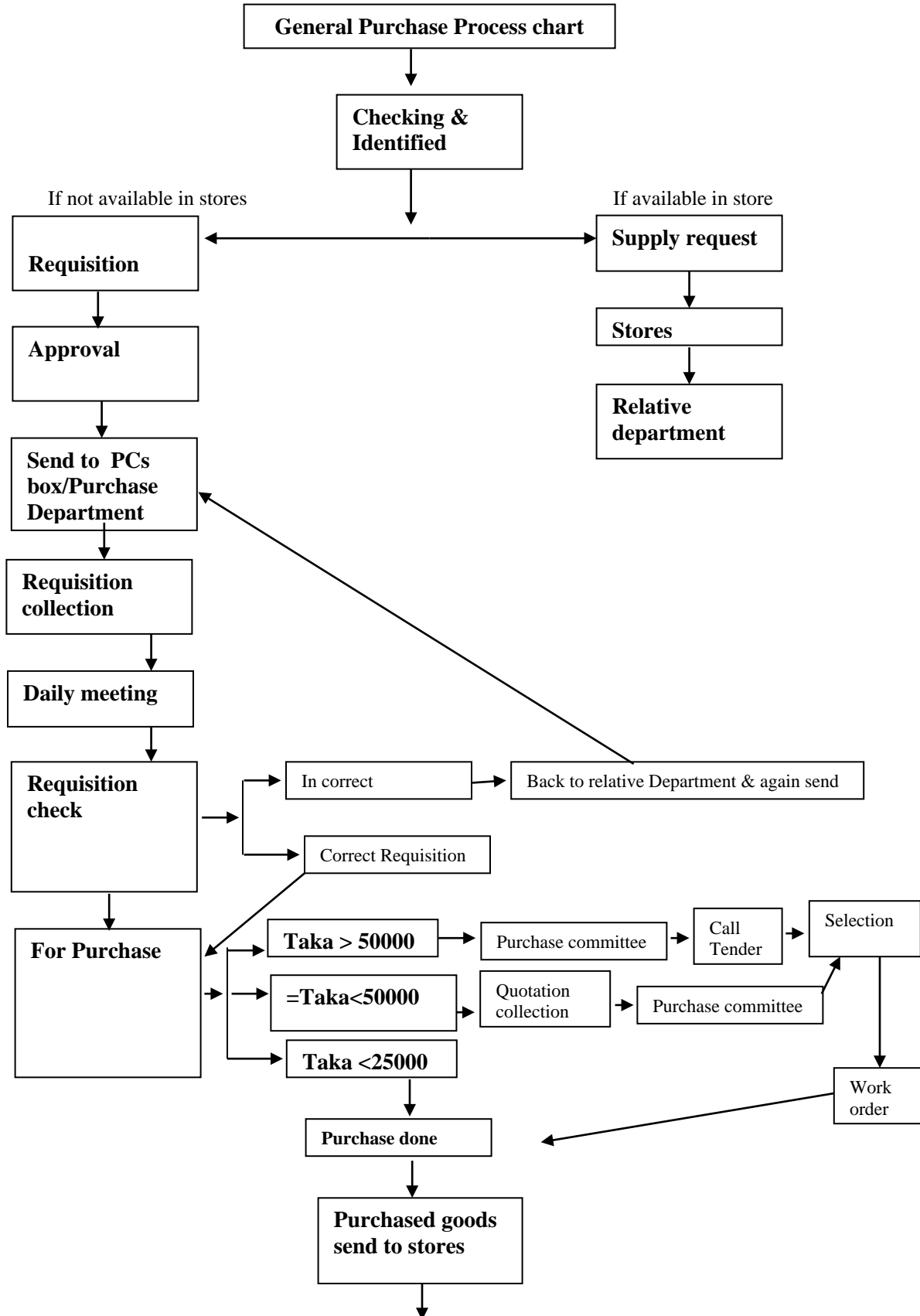


Figure2: Purchase and Procurement Process

4.3



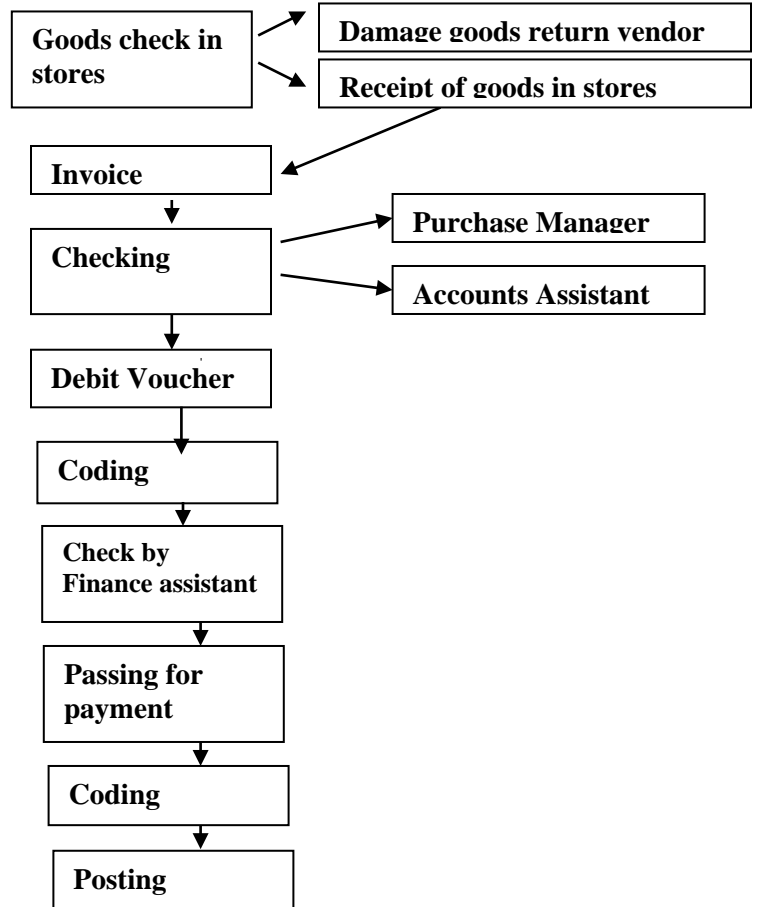


Figure 3: Purchase and Procurement Chart

4.4 Purchase of Medicines

The Purchasing Committee appoints a subcommittee, the Drug & Medical supply Committee (DMSC), to select companies obtain tenders for specific medicines at least once a year.

In exceptional cases those medicines are not available by tender; the Hospital Pharmacy or central stores will fill up PR and approve as normal purchase procedures for local purchases of small amounts of medicine.

The medicine purchase process is summarised in the following chart.

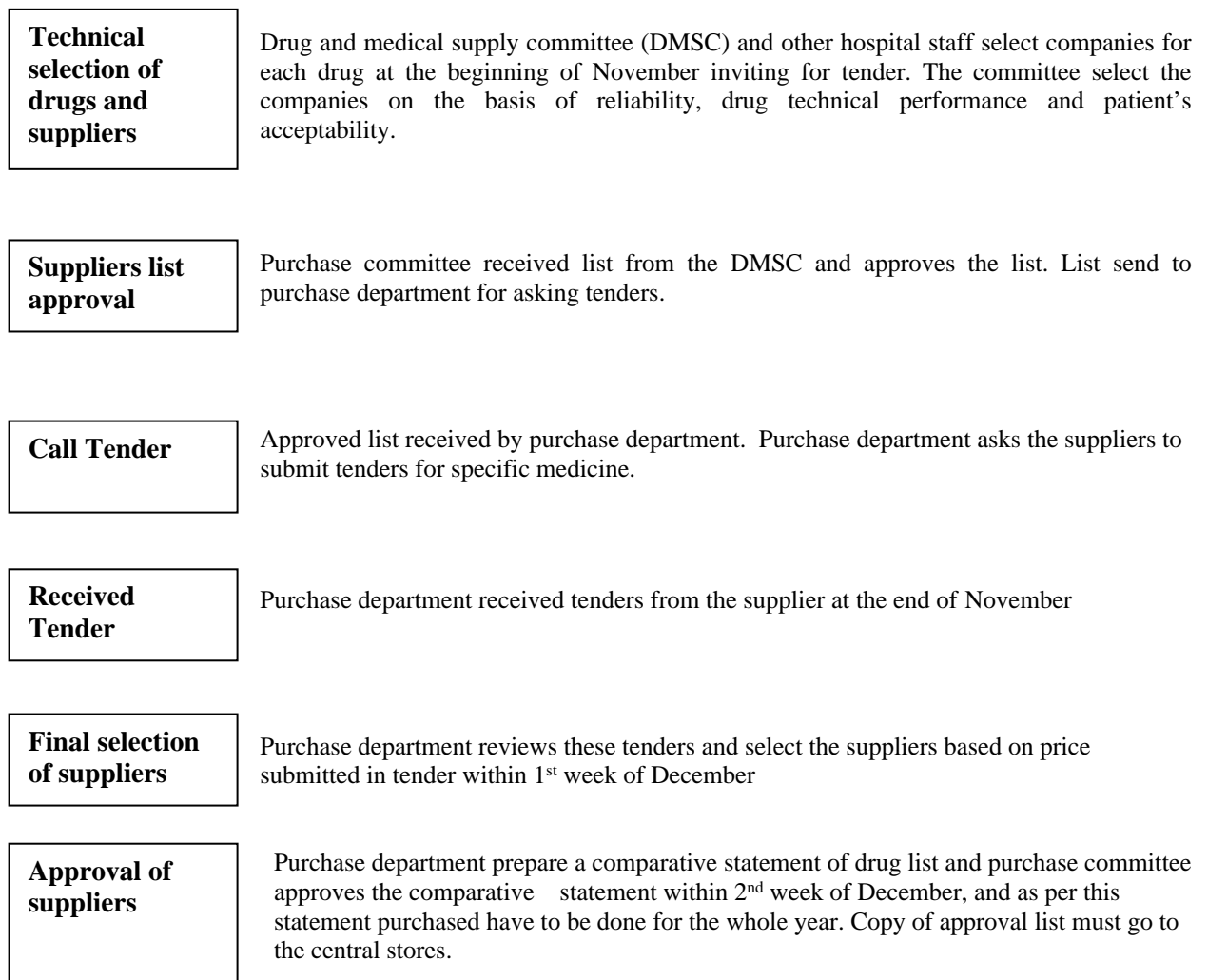


Figure 4: Purchase and Procurement Process of Medicine

Notify the companies	Purchase department notify the companies about supply order confirmation within 3 rd week of December after approved that which companies supplies which medicine. In the supply order term and condition is written.
Purchase order	Whenever medicine needs to be purchased, central stores or pharmacy fills up a PR form with the quoted price and purchase manager approves it. Purchase order and notification to the companies can be dispatch at a time 3 rd week of December.
Failure by supplier	Incase failure of supply medicine, purchase order will cancel and immediate next tendering supplier will receive purchase order issued as above.
Checking with Purchase order	Store keeper checks that the rate charged by the company is consistent with the rate quoted in the company's tender and in the Purchase Order.
Drug receive in store	A Storekeeper checks the quantity on the invoice against the actual amount supplied. They also review the goods for any obvious damage or defect [See General Purchase Process]. Evidence of checking is by use of rubber stamps and a signature.
Debit voucher	Upon receipt of the approved invoice the Accounts Assistant prepares a Debit Voucher describing the type of expenditure and showing the amount to be paid and issue a cheque.
Posting	Payments are posted from Debit Vouchers when cheque is written or cash is paid.

Figure 4: Purchase and Procurement Process of Medicine

4.5 Purchasing in Dhaka / Purchasing by Dhaka Office Staff

Where possible, purchasing is done locally to LAMB. However, some purchasing of specialist supplies has to be done in Dhaka. Purchasing Assistants go to Dhaka periodically for bulk purchasing of items that are not available locally.

Normally, purchases from Dhaka are planned in advance. In special cases, Dhaka Liaison Office staff are authorized to purchase items for LAMB, under the authority of Purchasing Department, but only if they receive a written purchase requisition from LAMB. In an emergency, the Dhaka Office may purchase items on receipt of an e-mail message detailing the goods to be purchased and the estimated price; it can be a scan electronic copy of a requisition. Dhaka office completes the purchase, attaches a copy of the email and the original invoice, and sends the purchase to LAMB Central Stores. Purchase department then processes the purchase requisition similar to local purchases. [See general purchase process]

In case of goods to be returned or found damaged, the PSS Manager and Finance Manager will together solve any problem arising. Any proposal to pay by cash rather than cheque in conflict with normal rules must be approved by the Finance Manager/ ED.

Overall purchase process is same as normal purchase process. [See general purchase process]

4.6 STORES AND STOCK BALANCES AND PROCESS

The Central Stores maintains a record in the Stores Ledger which is a stock balance database. This is a record of the quantity and cost of each item in stock. It is updated whenever new stock is received in Stores, and whenever stock is issued to departments.

All items are received into stores by someone separate from those involved in the requisition and purchasing. The exception to this is stores/ stock items, where Central Stores staff writes the request.

Regular stock items – every receipt is an addition to stores stock. Stock items are kept in stores until issued.

Transit items –upon receipt items are immediately issued to the user department. No stock balance is maintained. A member of staff from the department that requisitioned items in the Transit Register signs the Issue Invoice when they collect the goods from the stores.

Central stores staff can decide when to raise to a purchase requisition for any stock item where the holding as fallen to a low level. This decision is made on the judgement of stores staff with no prior approval.

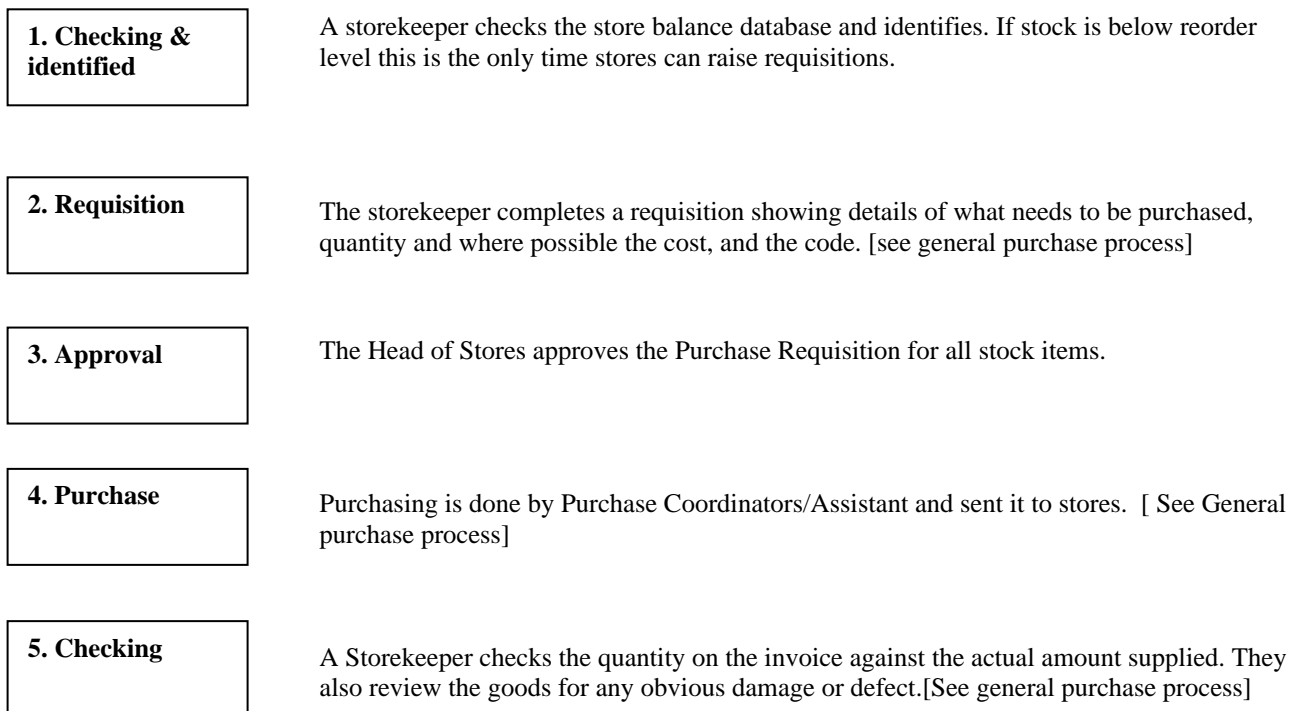


Figure 5: Store and Stock balance Process

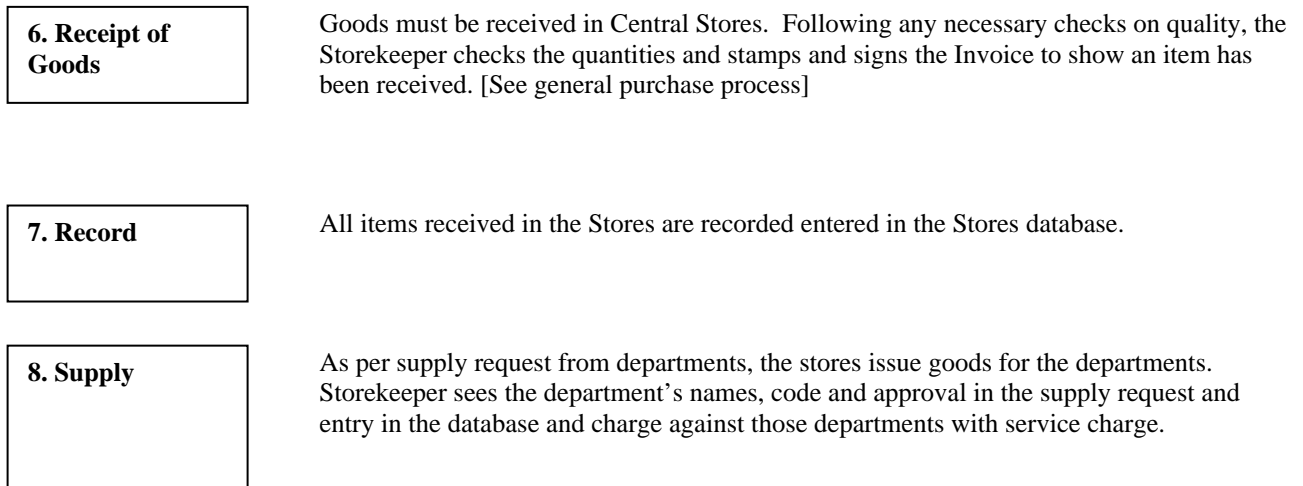


Figure 5: Store and Stock balance Process

4.7 Direct Sales from Stores

Some items are directly sold from stores they are

- Medicine – to HCC's (LAMB purchase ensures quality)
- Other items in emergency. Cash billing only.
- Calendars/ diaries/electronics items
- The Cash office receives the cash and issues a credit memo to the purchaser. Upon presentation of the credit memo stores issues the item to the purchaser and files the copy of the credit memo.

5.1 Auction Arrange by purchase Department

There are various types of scrap/old items need to be sold by the purchase Department.

An auction has to be arranging by the department following maintaining below procedures. Initially a circular has been issuing by asking to the Department to provide a list of scrap/damage items that is the Department has their scrap/damage item such as electronics items, electric items, furniture, machineries etc.

If the department has any scrap items they will provide a list of those items. Purchase Department collected those scrap item according their list from the various Department.

Purchase Department shorting those items and makes different type of pile for different type of items. Then we put pile number in each pile.

After completing the pile a circular of auction notice will circulated in the news paper or local notice board by mentioning the items and the schedule collecting date and closing date. A sealed tender box has been prepared by this time and kept in the admin office.

Finance Department sells the schedules. In the schedule it has been mentioned when the schedule will open and other terms and conditions regarding the tender. Minimum 10% bank over draft are asked from their quoted rate.

Generally last tender dropping time is at 10 am and tender box are open immediate after the closing time by the management in front of the schedule holder.

Quoted price are entry in the computer that are display through the projector so that everybody could see the quoted price.

After entry all the quoted price every one can see the height bidders that are approve by the management. A letter will issue in favor of the height bidder asking to receive the items by submitting the quoted price. After deposit the goods amount in the finance Department the bidder could collect the scrap goods and the process will finish.

5.2 Conclusion

Purchase and procurement policy is very important for the organizations. The aim of the internal control system for the supplying of goods and services is to ensure orders are handled by individuals having skills in evaluating what purchases are required from suppliers offering the best deals, to ensure purchases made do not exceed the budget provided and to ensure purchased goods and services conform with the quantity and price specified in the order.

Unless a good purchase and procurement policy organization's financial statements could not able to show a true and fair view of an organization. For smooth running of an organization, a good purchase and procurement policy is very much needed. It will insure the accountability as well as give a true and fair view of the organization.

The purchase of goods and services is necessary for the smooth operation of the organization. LAMB has followed a nice purchase and procurement policy. Every year the auditor audits LAMB and given a positive report for maintaining every policy and procedures accurately.

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