



**INTERNATIONAL ISLAMIC UNIVERSITY
MALAYSIA**

**MANUAL OF PURCHASING POLICIES
AND PROCEDURES**

UPDATED 22ND APRIL 2014

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A. INTRODUCTION

The IIUM Purchasing Policies and Procedures are the procedures applicable to the activities of the purchasing functions, prescribing individual responsibilities, limit of authority and the general conduct of function. The policies and procedures as prescribed in this manual are applicable to all departments and units within the University.

ENFORCEMENT DATE

These Purchasing and Procedures take effect from 27th July 1990 and amendments thereto from 18th October 2012.

DEFINITIONS

“The Board” means the Board of Governors of the University.

“University” means the International Islamic University Malaysia as constituted and established under Section 5A of the Universities and University Colleges (Amendment) Act, 1983.

“Rector” means the Rector of the University who is appointed under Article 21 of the IIUM Constitution.

“The Standing Finance Committee” means the committee to regulate, control and manage the finances of the University.

“The Tender Committee” means the Committee to approve the tender of the University.

“Executive Director of Finance” means the Head of the Finance Division who is accountable to the Rector for managing the accounting and financial affairs of the University.

“Ministry of Finance” means the Ministry of Finance of Malaysia, the Host Government.

“Finance Officer” means an officer who is responsible for making collections, maintaining accounts, making disbursement and disposal of the University’s assets and suppliers.

“Management” means the Rector, Deputy Rectors, Executive Director of Finance and Executive Director of Management Services Division.

“Department” means every Kulliyah, Department, School, Institute, Centre and Unit of the University.

SECTION 1 – GENERAL POLICIES

B. THE FINANCIAL STRUCTURE

The University shall form the following committees which are responsible in managing the relevant financial affairs of the University:

MAIN COMMITTEES

1. The Standing Finance Committee
2. The Tender Committee
3. The Budget Committee
4. The Investment Committee
5. The Audit Committee

OTHER COMMITTEES

1. The Tender/Quotation Opening Committee
2. The Quotation Committee
3. The Tender Evaluation Committee
4. The Quotation Evaluation Committee

B.1 STANDING FINANCE COMMITTEE

MEMBERSHIP : Vice-Chairman of the IIUM Board of Governors as Chairman
Rector or his representative
A representative from public service of the Host Country
Executive Director of Finance as Secretary

TERMS OF REFERENCE:

1. To regulate, control and manage the finances of the University.
2. To prepare the University's Financial Policies, Rules and Regulations for approval of the Board of Governors.
3. To prepare the University's budget, operating, development, research for approval of the Board of Governors.
4. To approve expenditure in excess of 10% of the approved estimate in accordance with the Financial Policies, Rules and Regulations.
5. To approve virement or reallocate any money assigned to:
 - a) One item of annually recurrent expenditure to another item of annually recurrent expenditure
 - b) One item of capital expenditure to another item of capital expenditure

The above provisions shall not apply to:

- a) Monies donated or grant of gift for any specific purposes
 - b) Monies deposited with the University where such sum shall become payable
 - c) Monies collected and credited to the funds of the University in error
 - d) Monies payable by the University under any judgment or order of the Court.
 - e) Monies expended by the University in instituting or defending legal proceeding
6. To prepare the University's annual Financial Statements for the Board of Governor's approval.
 7. To monitor the Operating and Development expenditure to ensure that they are within the approved budget.
 8. To approve variation orders valued above RM3 million for works.
 9. To approve re-measurement of Provisional Sum exceeding RM3 million for works.
 10. To approve the opening of bank accounts.

11. To approve the appointment of Investment institutions.
12. To approve the appointment of consultants for cost of physical development project up to RM200 million, cost of study/research work up to RM5 million and cost of surveyor work up to RM5 million.
13. To approve the appointment of consultants for other than works, for fees above RM100,000.
14. To approve abortive fee payment to consultants.
15. To approve variation order for goods and services for total contract sum, after adding the variation order amount, which exceeds RM500,000.
16. To approve the disposal of assets above RM500,000.
17. To approve and regulate student fees and other fees charged by the University.
18. To approve policies which have direct and major financial implications.

B.2 TENDER COMMITTEE

The Tender Committee shall comprise of 2 sub-committees:

Tender Committee A (above RM20 million to RM30 million)	
Chairman	- Chairman of the Standing Finance Committee
Member	- Representative from the Treasury
Member	- Representative from the Ministry of Higher Education
Member	- Rector
Secretary	- Executive Director of Finance
Tender Committee B (More than RM500 thousand to RM20 million)	
Chairman	- Rector
Member	-Deputy Rector (Research and Innovation)
Member	- Representative of the Majlis
Member	- Representative of the Ministry of Higher Education
Secretary	- Executive Director of Finance

TERMS OF REFERENCES:

1. To consider the recommendations from the Tender Evaluation Committee and to accept the most beneficial offer by taking into account the price offer, service or usefulness of item, quantity, quality, completion period and other relevant factors.
2. To consider the Tender Evaluation Committee's report on the copy of advertisement, specifications, tender documents, tender opening schedule and technical reports, if relevant.
3. To consider the Tender Evaluation Committee's report on the tenderer's technical and financial capability.
4. To recommend a retender exercise if the procurement procedure is not followed.
5. To accept the tender unanimously in line with the approved financial limit.
6. If any of the members of The Tender Committee or officer needs further information or clarification after tender closing date, a written approval must be obtained from the Chairman of the Tender Committee first.
7. If any of the Tender Committee members have any interests in any of the Tenders, he/she must declare his/her position and withdraw from the Tender Committee meeting and this matter must be minuted.
8. No decisions can be made without the presence of the Ministry of Finance representative.
9. To approve the appointment of consultants for cost of physical development project up to RM20 million, cost of study/research work up to RM2 million and cost of surveyor work up to RM2 million.

B.3 BUDGET COMMITTEE

MEMBERSHIP : Rector or anyone assigned by the Rector - Chairman
Deputy Rector (Academic and Planning)
Executive Director, Management Services Division
Dean, Office of Corporate Strategy and Quality Assurance
Director, Development Division
Director, Information Technology Division
Chief Information Officer
Two (2) Deans as representatives of the Kulliyahs
Secretary – Executive Director of Finance

TERMS OF REFERENCE:

1. Formulate policies and procedures for budget controls
2. Plan budget strategy
3. Decide priority of budget plans for various cost centers based on budget strategy
4. Formulate policy on budget distribution
5. Hold discussions on distribution and implementation of controls
6. Hold discussions on preparation of annual budget

B.4 INVESTMENT COMMITTEE

The Investment Committee shall consist of at least 3 members.

Membership: Chairman – Rector
 3 members with expertise or experience in investment, risk
 management, accounting, finance, economics and legal
 Executive Finance Director
 One Independent Member (not staff of University)
 Head of Investment Unit, Finance Division serves as the Secretary

TERMS OF REFERENCE:

1. Responsible for making investment decisions and will be accountable for the overall management of the University investment.
2. Ensure that the fund is managed professionally and managed in accordance with the fund objectives.
3. Formulate appropriate investment policy and strategies in consistent with fund objectives and provisions of fund's mandate.
4. Monitor the fund's performance and identify principal risks and other related risks.
5. Establish and implement a system of controls of the investment activities and related risks
6. To appoint one or more professional fund managers to help manage the investment of the University and to be monitored on a regular basis.

B.5 AUDIT COMMITTEE

NAME OF COMMITTEE : AUDIT COMMITTEE

MEMBERSHIP : One representative of the Majlis
One representative of the Board of Governors
One or two more non-executive members of the management appointed by the University
Secretary – Head of the Internal Audit Unit

TERMS OF REFERENCE:

1. To study the needs of the Internal Audit Unit including its charter
2. To study the effectiveness and the adequacy of the internal control
3. To study the audit programs of the Internal Audit Unit encompassing the scope of work, schedule, membership and coordinate the work between the Internal and External Auditors.
4. To study the Internal and External Audit reports and recommend appropriate action to the Board.
5. To study and advise the Board of Governors with regard to financial statements, prospectus and other financial reports issued.
6. To study and advise the Board of Governors with regard to the quantitative performance of the activities being audited and other activities that relate to accountability as resolved by the Board.
7. To follow-up with investigations into non- compliance with procedures and malpractice discovered and report to the Board for disciplinary action.
8. To ensure continuous adaptations of working procedures to incorporate changes as recommended by recognized accounting bodies.
9. To perform functions as dictated by the Board of Governors from time to time.
10. To report to the Management on personnel who are found committing fraudulent acts.

B.6 TENDER/QUOTATION OPENING COMMITTEE

NAME OF COMMITTEE : TENDER/QUOTATION OPENING COMMITTEE

MEMBERSHIP : One representative from the Finance Division
One representative from user department
One representative from the Consultant (if relevant)

TERMS OF REFERENCE:

1. To open the Tender/ Quotation Box at a specified time
2. To initial and give a code number to each of the tender/ quotation statements being opened.
3. To complete tender / quotation opening schedule, indicating the name of the tenderer, tender amount and completion period and to sign on the said schedule.
4. To initial any amendments made on the tender / quotation document by the tenderer.
5. To make notes on the tenderers who did not sign or fill in the Form of Tender.

B.7 QUOTATION COMMITTEE

NAME OF COMMITTEE : QUOTATION COMMITTEE

MEMBERSHIP : Chairman – Deputy Rector (Research & Innovation)
Executive Director of Finance or his representative
Director of Development Division or his representative
Head of Procurement Unit, Finance Division serves as the Secretary

TERMS OF REFERENCE:

1. To scrutiny the evaluation for procurement of goods and services and works made by the technical and financial evaluation committee.
2. To approve the procurement of goods and services and works with financial implication of more than RM200,000 to RM500,000.
3. To approve the procurement of goods and services and works on a direct negotiation/award basis with financial implication of more than RM200,000 to RM500,000

B.8 TENDER EVALUATION COMMITTEE

NAME OF COMMITTEE: TENDER EVALUATION COMMITTEE

MEMBERSHIP: Head of User Department as Chairman
Representative from the Finance Division
Representative from the User Department
Representative from the Technical Department (if relevant)
Representative from the Consultant (if relevant)

TERMS OF REFERENCE:

1. To prepare the evaluation reports and make recommendations to the Tender Committee.
2. To check and scrutinize copy of the advertisement and tender opening schedule.
3. To check on compliance with conditions of tender.
4. To check tender prices for arithmetic error.
5. To evaluate the tenderer's data / equipment offered against specifications.
6. To evaluate the tenderer's financial status, past experiences, on-going works, personnel background and strengths.
7. To make site visits or hold tender clarification meetings, if relevant.

B.9 QUOTATION EVALUATION COMMITTEE

NAME OF COMMITTEE: QUOTATION EVALUATION COMMITTEE

MEMBERSHIP: Head of User Department as Chairman
Representative from the Finance Division
Representative from the User Department
Representative from the Technical Department (if relevant)
Representative from the Consultant (if relevant)

TERMS OF REFERENCE:

1. To prepare the evaluation reports and make recommendations to the approving authorities.
2. To verify the details in quotation opening form with the quotations received.
3. To check on compliance with conditions of quotation.
4. To evaluate the bidder's data / equipment offered against specifications.
5. To evaluate the bidder's financial status, past experiences, on-going works, personnel background and strengths.
6. To make site visits or hold quotation clarification meetings, if relevant.

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Policy No.: 1

Version No : 01

Revision No : 00

Effective Date:
1st March 2012

**PROCUREMENT OBJECTIVES,
DEFINITIONS, LEGAL
CONSIDERATIONS AND
DEVIATIONS**

1.0 OBJECTIVE

The purpose of this policy is to describe the objectives, definitions, legal considerations and deviations of the procurement.

2.0 POLICY STATEMENT

A. PROCUREMENT OBJECTIVES

The overall procurement objectives of the University are

- i. To secure required materials, supplies, equipment and services as needed at the most economically favorable terms after considering the quality, quantity and delivery/ completion date.
- ii. To manage procurement activities in the most effective and efficient manner.
- iii. To ensure the effective management of assets and supplies.

The University's procurement process is based on the following principles:

- i. Accountability.
- ii. Transparency.
- iii. Best value for money.
- iv. Competitiveness.
- v. Fairness and justice.

Procurement activity is well documented. Purchase orders and procurement contracts are structured to promote efficient administration during performance. The policies contained in this manual control all procurement requirements, including the identification and selection of vendors, the development of purchase and contract documents, the promotion of competition and the timely delivery of products and services.

B. DEFINITIONS

The following definitions are provided:

Agent or Agency - The relationship in which an individual or organization is authorized to act for or represent another individual or organization. For example, the University may elect to authorize another firm as its representative for the purpose of procurement materials to be paid, for by the University. The contractor becomes the agent of the University for that purpose and can bind the University to a contract for the purchase of such materials. The agent, under certain conditions, can also obligate the University to third parties, even though the agent exceeds his authority in a particular instance.

Agreement – In the context of this manual, an “Agreement” is another term for a “Contract”.

Bidder - An organisation willing to provide goods or services required as evidenced by a proposal or quotation submitted in response to a University solicitation.

Broker – A third party engaged to negotiate with potential vendors on behalf of the University but who is not empowered to commit the University to a transaction or contract.

Contract – A formal understanding with a supplier to provide goods or services in conformity with documented descriptions and terms. While legally a contract may be either oral or written, it is University policy that all procurement contracts shall be in writing, except as noted herein. Contracts are normally used in more complex purchasing actions, while purchase orders are used for purchases of stock items or items of easily definable specifications.

Contracts Administration Function - The organisation which has been assigned procurement authority for those goods or services ordered by the University by contract, rather than by purchase order.

Value Analysis - The process of assessing the relative cost and benefit of a proposed action.

Vendor - The firm selected by the University to provide goods or services.

C. LEGAL CONSIDERATION OF THE PURCHASING PROCESS

Many daily business activities performed by University employees may legally commit the University to a contractual obligation. Therefore, it is important that employees (particularly those outside the procurement organisation) understand both the specific actions which should be followed within the purchasing process and those actions which should be avoided. The following summarizes some of the significant items of consideration related to legal issues. Additionally, use of legal assistance should be made where personnel are unsure of the legal implications involved. Areas which may require legal assistance during the preparation of contract or purchase orders include, but are not limited to:

1. Force majeure clauses (unique or extraordinary clauses having a potentially major or significant impact upon contract performance or cost).
2. Escalation clauses.
3. Warranties and guarantees.
4. Insurance.
5. Consequential damages.
6. Arbitration clause.
7. Resource clauses against contracted parties.
8. Taxes, and
9. Exculpatory clauses.

D. REVISIONS AND EXCEPTIONS

Changes in business conditions and practices will often require the periodic modification of the University's policies and procedures. Policy No. 2 represents the University's policy on revising this manual. Each officer and employee involved in purchasing activities is responsible for recognizing those circumstances in which the need for exemption from established policy does exist, to document such action and to secure appropriate approvals.

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Effective Date:
1st March 2012



Policy No.: 2

Version No : 01

Revision No : 00

**REVISION TO PURCHASING
POLICIES AND PROCEDURES**

1.0 OBJECTIVE

The purpose of this policy is to revise the purchasing policies and its procedure.

2.0 POLICY STATEMENT

The Executive Director of Finance is responsible for reviewing all proposed revisions to the University Purchasing Policies and Procedures. All proposed revisions must be guided by the Prevailing Government Financial Rules and Regulations.

All proposed revisions must be approved by the Standing Finance Committee.

Document No:
IIUM/PURPOL-01



Policy No.: 3

Effective Date:
1st March 2012

**REQUIRED APPROVALS FOR
EXEMPTION FROM
ESTABLISHED PURCHASING
AND POLICIES &
PROCEDURE**

Version No : 01
Revision No : 00

1.0 OBJECTIVE

The purpose of this policy is to describe the required approvals for exemption from established purchasing and policies & procedure.

2.0 POLICY STATEMENT

It is the intent of management that exemptions from established policy are kept to a minimum. However, where exemptions are required due to restrictions prescribed in this Policy and Procedure which inhibit effective operation, consideration should be given to the proposal of a revision, according to Policy No. 2.

For those instances where a revision is not appropriate, but where exemptions from continuing policy on a case-by-case basis are, those proposed exemptions shall be documented in writing along with their justification. This document must be reviewed and approved in writing by the Approving Authority as per Policy no 4 prior to the initiation of the procurement action.

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**ORGANIZATION AND
DELEGATION OF
PURCHASING AUTHORITY**

Policy No.: 4

Version No : 01

Revision No : 00

1.0 OBJECTIVE

The purpose of this policy is to describe the organization and delegation of purchasing authority.

2.0 POLICY STATEMENT

A. **ORGANIZATION AND DELEGATION PHILOSOPY**

The University has a continuing need for the acquisition and control of materials and services at its operating locations. Scrutiny of purchasing and contracting enables the University to ensure that it is receiving products and services of high quality at competitive prices. This, in turn, allows the University to be a valued source of supply to its customers. In recognition of the organization structure and in order to delegate and maximize procurement authority effectively the following arrangement is made with regards to the approval of procurement of works, goods and services.

<u>AMOUNT</u>	<u>MECHANISM</u>	<u>APPROVING AUTHORITY</u>
Not Exceeding RM 20,000	Direct Purchase/ Competitive Bidding	Head of Department equivalents to Dean/Director
> RM20,000 to RM200,000	Competitive Bidding/ Quotation	Rector and Executive Director of Finance
> RM200,00 to RM500,000	Competitive Bidding/ Quotation	Quotation Committee
>RM500,000 to RM30 million	Tender	Tender Committee
>RM30 million for development works/goods and services tender	Tender	Ministry of Finance

MEMBERSHIP FOR QUOTATION OPENING COMMITTEE

The Quotation Opening Committee will give recommendations to the Approving Authority after being satisfied with the justifications for the award, the capability of the proposed vendor and other related factors.

Procurement > RM20,000 to RM200,000

Chairman	-	Head of User Department
Member	-	Representative from the Finance Division
Secretary	-	Assistant Director, User Department

Procurement > RM200,00 to RM500,000

Chairman	-	Executive Director of Finance*
Member	-	Head of User Department Representative from the Technical Department (if necessary) Representative from the Finance Division
Secretary	-	Assistant Director, User Department

Note* Delegation of Chairmanship must be up to Professional and Management Group 41 and above only.

MEMBERSHIP OF QUOTATION COMMITTEE

Chairman	-	Deputy Rector (Research and Innovations)
Member	-	Executive Director of Finance or his representative* Director of Development Division or his representative*
Secretary	-	Head of Procurement Unit, Finance Division

Note* The representatives of the members must be from Professional and Management Group 41 and above only.

MEMBERSHIP OF TENDER COMMITTEE

TENDER COMMITTEE A (amount > RM20,000,000 to RM30,000,000)

Chairman	-	Chairman SFC
Member	-	Rector
		Representative of the Treasury
		Representative of the Ministry of Higher Education
Secretary	-	Executive Director of Finance

TENDER COMMITTEE B (amount > RM500,000 to RM20,000,000)

Chairman	-	Chairman SFC
Member	-	Representative from the Majlis
		Representative of the Ministry of Higher Education
Secretary	-	Executive Director of Finance

Approval for Selective/Restricted Tender and Direct Negotiations

	Financial Limit	Approving Authority
a.	For works and goods & services value more than RM20,000 up to RM200,000	Rector and Executive Director of Finance
b.	For works and goods & services value more than RM200,000 up to RM500,000	IIUM Quotation Committee
c.	For works and goods & services more than RM500,000 to RM30 million (Selected/Restricted Tender)	The Tender Committee
d.	For works and goods & services more than RM500,000 to RM30 million (Direct Negotiation)	The Standing Finance Committee
e.	For works and goods & services above RM30 million	The Ministry of Finance

Any Information and Communication Technology (ICT) procurement shall be read together with the prevailing ICT Regulations. All procurements above RM500,000 must be offered through tender. Departments are not allowed to break the procurement in order to avoid the calling of quotation/ tender or bypass the approval limits. Any exception to this procedure must be forwarded to the Standing Finance Committee for approval.

Variation Orders Approving Authority

No.	Financial Unit	Description	Approving Authority
1.	Variation orders for contracts for goods and services	The total contract sum after adding the variation order amount is still within the financial limit of the original approving authority	Original approving authority
		The total contract sum after adding the variation order amount exceeds the threshold amount of the original approving authority	The approving authority of the variation order will be based on the new contract sum
		The total contract sum after adding the variation order amount exceeds RM500,000	Standing Finance Committee

2.	Variation Orders for works	If the actual contract sum does not exceed RM5 million and the proposed variation (cumulative) does not exceed 20% of contract sum or if the actual contract exceeds RM5 million and the proposed variation (cumulative) does not exceed RM1 million whichever is lower	A committee chaired by the Superintending Engineer (S.O's Representative)
		If the actual contract sum does not exceed RM10 million and the proposed variation (cumulative) does not exceed 30% of the contract sum or if the actual contract exceeds RM10 million and the proposed variation (cumulative) does not exceed RM3 million whichever is lower	A committee to be chaired by the Superintending Officer
		All other cases	Standing Finance Committee
3.	Re-measurement of Provisional Sum for works	If the re-measurement sum does not exceed RM1 million	A committee chaired by the Superintending Engineer (S.O's Representative)
		If the re-measurement sum exceeds RM1 million but does not exceed RM3 million	A committee to be chaired by the Superintending Officer
		All other cases	Standing Finance Committee
4.	Variation order/ re-measurement for renovation/upgrading works	If the actual contract sum does not exceed RM5 million and the proposed variation (cumulative) does not exceed 20% of contract sum or if the actual contract exceeds RM5 million and the proposed variation (cumulative) does not exceed RM1 million whichever is lower	A committee chaired by the Superintending Engineer (S.O's Representative)
		If the actual contract sum does not exceed RM10 million and the proposed variation (cumulative) does not exceed 30% of the contract sum or if the actual contract exceeds RM10 million and the proposed variation (cumulative) does not exceed RM3 million whichever is lower	A committee to be chaired by the Superintending Officer
		All other cases	Standing Finance Committee

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**GENERAL PROCUREMENT
RESPONSIBILITIES**

Policy No.: 5

Version No : 01

Revision No : 00

1.0 OBJECTIVE

The purpose of this policy is to describe the responsibilities of general procurement.

2.0 POLICY STATEMENT

- A. The Procurement Management Unit is responsible for :
1. Analysis and definition of University materials and service requirements.
 2. Analysis of short and long-term market conditions.
 3. Development of short and long-term procurement strategies for review by the Executive Director of Finance.
 4. Identification of reliable sources of supply capable of rendering delivery at the time and place required.
 5. Determination of proper form of contract (fixed price, cost reimbursable, etc.).
 6. Development of bidder's lists.
 7. Development of bid specifications, as required, and/or with technical assistance.
 8. Development and issuance of solicitation documents.
 9. Evaluation of bids and proposals by the Evaluation Committee.
 10. Determination of contract development strategy when needed.

11. Contract preparation, routing and approval.
12. Management of the internal review process to ensure that adequate internal reviews have taken place before a contract is recommended for execution by the University.
13. Insurance of contracts and purchase orders.
14. Control over all correspondence with vendors and potential vendors.
15. Contract review, extension and modification.
16. Maintenance of adequate records and files.
17. Sale of scrap and surplus materials and equipment.
18. Close-out of work.

The performance of the above steps requires input from various technical personnel within the requisitioning department.

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Policy No.: 6

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Version No : 01

Revision No : 00

**PROCUREMENT STANDARD
OF CONDUCT**

1.0 OBJECTIVE

The purpose of this policy is to describe the standard conduct of procurement.

2.0 POLICY STATEMENT

A. The University has established the following standards and policies in relation to procurement ethics, conflict of interest and detection of possible collusion among vendors.

B. **ETHICS**

It is University policy that all procurement activities to be carried out in a manner consistent with the highest professional, ethical, moral and legal standards. Figure 1 sets forth a “Standards of Procurement Practice”, developed by the National Association of Procurement Agents in the United States. Nothing in that code, however, is intended to supersede any item in this procurement policy.

C. **CONFLICT OF INTEREST**

All procurement actions made on behalf of the University shall be made by individuals or University authorized representatives solely representing the interests of the University. Any such individual or authorized University representative with procurement responsibility who finds himself in a conflict or a potential conflict of interest situation shall report such a situation as soon as possible to his supervisor and the Executive Director of Finance. They shall evaluate the situation and determine if a conflict exists. If it is determined that a conflict does exist, the supervisor shall be responsible for insulating the employee or representative in conflict from the

specific purchase involved. The following activities shall not be performed by any employee or representative without written approval;

1. Development of inquiry documents and bid specifications.
2. Development of bidders lists, qualification and/or evaluation of bidders or potential vendors.
3. Meetings, negotiations and related discussions with bidders or potential vendors.
4. Selection of the successful bidder.

Typical criteria to be used in determining whether or not a conflict of interest exists are situations in which an employee or representative:

- a) Directly or indirectly holds a significant financial interest in any individual or firm supplying services or proposing to supply services to the University.
- b) Has been, within the past three years, in the employ of any supplier or potential supplier involved in the specific purchasing action.
- c) A relative of a supplier or officials, representatives, agents, etc. of a potential supplier.

In support of this policy, the University will require all employees, upon joining the University, to complete a Conflict of Interest questionnaire where such employees are involved in activities that may influence or determine the outcome of a purchasing decision and award of purchase order or contract. In addition, from time to time, the University will reissue such questionnaires for the purpose of maintaining a current profile of that information. Additionally, University authorized representatives, similar affiliated personnel and outside directors should also be required to complete such Conflict of Interest questionnaires and otherwise be responsible for both the spirit and intent as prescribed in this Policy No. 6.

D. DETECTION OF POSSIBLE COLLUSION AMONG VENDORS

If any employee should at any time suspect or discover collusion by bidders, or by a bidder and a University employee, the situation shall be reported to the Executive Director of Finance. An appropriate investigation of each reported event shall be made and the results shall be forwarded to such other University officials as warranted by the circumstances.

Figure 1

Policy No. 6

Standards of Procurement Practice		
1.	To consider, first, the interest of the University in all transactions and to carry out and believe in its established policies.	
2.	To be receptive to competent counsel from his colleagues and to be guided by such counsel without impairing the dignity and responsibility of his office.	
3.	To buy without prejudice, seeking to obtain the maximum ultimate value for each ringgit of expenditure.	
4.	To strive consistently for knowledge of the materials and processes of manufacture and to establish practical methods for the conduct of his office.	
5.	To subscribe to and work for honesty and truth in buying and selling.	
6.	To accord a prompt and courteous reception, so far as conditions will permit, to all who call on a legitimate business mission.	
7.	To respect his obligations and to require that obligations to him and to his concern be respected, consistent with goods business practice.	
8.	To avoid sharp practice (Sharp practices are normally defined as those areas which go well beyond that which is considered part of the bargaining process. Such practices may ultimately result in legal action whereby one of the parties of the contract will seek to cancel the contract. Legal arguments for doing so may include economic duress, undue influence, and more recently, the principle of unconscionability).	
9.	To counsel and assist fellow procurement agents in the performance of their duties, whenever occasion permits.	
10.	To collaborate with all organizations and individuals engaged in activities designed to enhance the development and standard of procurement.	

Figure 1 – (continued)

Document No:
IIUM/PURPOL-01

Effective Date:
1st March 2012



Policy No.: 7

Version No : 01

Revision No : 00

**RESPONSIBILITIES TO
ASSURE THAT OPERATIONAL
PROCUREMENT
PROCEDURES ADHERE TO
CORPORATE PROCUREMENT
POLICIES**

1.0 OBJECTIVE

The purpose of this policy is to ensure the operational procurement procedures comply with the corporate procurement policies.

2.0 POLICY STATEMENT

The Finance Division and Internal Audit Unit can develop and document specific procurement procedures for their appropriate activities which supplement in detail the specific duties of the Procurement Management Unit. Such supplementary procedures will be based upon the policies contained in this manual. It is the responsibility of the Finance Division to assure that such procurement procedures adhere to and are consistent with University procurement policy as stated herein.

Document No:
IIUM/PURPOL-01

Effective Date:
1st March 2012



**DOCUMENTATION OF
PROCUREMENT INITIATIVES
AND DECISIONS**

Policy No.: 8

Version No : 01

Revision No : 00

1.0 OBJECTIVE

The purpose of this policy is to describe the documentation of procurement initiatives and decisions.

2.0 POLICY STATEMENT

It is University policy that decisions related to purchase orders and contract awards be documented and authorized in writing from the point of identification of the requirement until the termination of the transaction.

This will allow the University to have an audit trail in the future and, if necessary, to have supporting documents for use in the resolution of claims and any litigation which may arise.

Where a number of employees are involved, the Executive Director of Finance is responsible for the issuance of such documents.

Document No:
IIUM/PURPOL-01



Policy No.: 9

Effective Date:
1st March 2012

Version No : 01

Revision No : 00

**PURPOSE AND USE OF
PURCHASE REQUISITIONS
AND PURCHASE ORDERS**

1.0 OBJECTIVE

The purpose of this policy is to describe the purpose and use of purchase requisitions and purchase order.

2.0 POLICY STATEMENT

A. **PURPOSE AND USE OF A PURCHASE REQUISITION**

A “Purchase Requisition” is the document used by departments to request procurement action. It may be in the form of a letter or memo. The Purchase Requisition must be signed either by the Head of Department or his representative (his/her Deputy or the Assistant Director of the Department) to ensure that the transaction is properly authorized. The Purchase Requisition must also state the budget availability.

B. **PURPOSE AND USE OF A PURCHASE ORDER**

A “Purchase Order” is a legal document committing the University to a purchase transaction as specified therein. The Purchase Order form incorporates appropriate terms and conditions governing the transaction. Purchase Orders will be signed by the Executive Director of Finance or his authorized representative or the Head of Departments/Kulliyah or his representative after proper approval has been obtained. All Purchase Orders issued will be in response to documented purchase approval.

Generally, Purchase Orders (rather than contracts) are used in the following situations:

1. Non-complex, one time purchases.
2. Multiple deliveries not exceeding more than one year in total duration.
3. Purchases wherein the standard terms and conditions are adequate for the purpose intended.

PURCHASE ORDER ADMINISTRATION

1. Notice to Prospective Suppliers

Direct solicitation to prospective suppliers is made either in the form of a letter request or by the use of a prepared standard form "Request for Quotation". These Requests for Quotations furnish all plans and specifications necessary for the prospective bidder. Oral Requests for Quotations are to be made only when time is limited.

2. Extent of Competition Required

In all purchases of major items, it is University policy that we solicit competitive bidding from qualified suppliers. In certain cases, especially where compatibility of equipment is being considered, the choice of acceptable manufacturers may be restricted to those whose product meets the required specifications.

3. Method of Qualifying Suppliers

The most acceptable manner of "qualifying" suppliers is to submit their products to field tests or actual application, co-coordinating such tests or equipment application with the responsible department. If the product is of such a nature that testing is impractical, due to the time or expenses required, evaluation of the design and specifications, previous experience, qualifications and reputation of the supplier will be sufficient. On major items, field visits to the supplier's factory and/or test facilities should be carried out to ensure that they are qualified and capable of delivering the desired product.

4. Bidder's Lists

The bidder's lists are largely made up of suppliers who have been "qualified" as per Policy 15. Many products can be purchased from any one of several manufacturers by a specification of standards such as SIRIM or another approving authority. On purchases of this type, a bidder's list is made up of known suppliers, distributors and/or manufacturers sufficient in number to attract competitive bidding. A prime reason for removing a supplier from the bidder's list is the unsatisfactory performance of its product. Other reasons would be inability to meet delivery

promises and requirements, repeated failure to make satisfactory efforts to render competitive prices and services, and refusal to replace products failing during warranty.

5. **Procedure for Awarding Purchase Orders**

When sealed bids are requested, they are received and held by the Assistant Director of the Department until the time of opening. These are then opened in the presence of a representative of the Executive Director of Finance. The lowest bid is usually, but not necessarily, accepted. The determination of the successful bidder is made on an evaluated basis taking into consideration such factors as installation cost, efficiency, aesthetic value, quality of the product, delivery, adaptability, service, etc. Solicitation documents must state that the University reserves the right to reject any or all bids at its sole discretion. Negotiation with successful bidders can be made at the approval of the recommend authority.

6. **Purchases Without Competition**

Under special conditions non-competitive procurement may be authorized by the Approving Authority as per Policy 4, usually involving emergency conditions, professional services, or proprietary equipment which must be justified and properly documented. All non-competitive transactions must be justified and recorded in the University file.

7. **Solicitation of Proposals**

Proposals may be requested in any of three distinct forms:

a) **Budget Proposal** - solicited for informational purposes only and constituting no obligation upon the vendor or the University.

b) **Contingent Proposal** – solicited to provide contingent offerings as provided for within an existing contract. A contingent proposal is fully obligatory on the vendor.

c) **Standard Proposal** – solicited to satisfy a requirement. A standard proposal is fully obligatory on the vendor. In the solicitation of “budget” or “contingent” proposals, the vendor will be fully advised as to the special nature of the solicitation. In order to maintain vendor relationships, all proposals shall be considered in propriety and confidence.

8. a) **Evaluation** – To be eligible for evaluation, each proposal must be responsive to the requirements established in the solicitation documents. All eligible proposals shall then

be subdivided into categories as deemed necessary for proper evaluation. These categories shall include, but not be limited to: price, technical characteristics, availability, terms, conditions, etc.

The degree of evaluation conducted may vary in proportion to the expected value of the contract or in proportion to the sophistication of the product's technology. In a case where a highly detailed bid specification has been included within the solicitation documentation, the evaluation may be limited to price and exceptions on behalf of the vendor. Should clarification of a proposal be desired by the University, vendor meetings and correspondences are permitted.

- b) **Ranking** - The evaluation of eligible proposals will generally provide a basis for the ranking of proposals. With all other evaluation results being equal, ranking sequence will follow price or cost evaluation. However, since evaluation results are rarely equal, the final ranking will also reflect considerations other than price. Proposals which contain unacceptable provisions which appear to be non-negotiable shall be set aside and not included in the ranking sequence.
- c) **Negotiation** - In normal situations, the vendor with the top ranking proposal will be invited, ***after obtaining approval from the proper University Authorities***, to meet with University personnel for the purpose of negotiation of the proposal. In more complex purchases, an impasse may occur in the negotiation of terms and conditions with respect to some exception on behalf of the vendor. Resolution of terms and conditions, if possible at all, may require an adjustment in price. University personnel will review other bids to determine if such a price adjustment alters the ranking of bidders.

9. **Contractual Price Adjustment**

Whenever practical, a purchase should be secured on the basis of firm price. When this approach would not appear to be practical however, equitable price adjustment formulas may be adopted. To be acceptable, a price adjustment formula must be capable of either upward or downward adjustment.

D. **GENERAL INSTRUCTIONS – PROCUREMENT POLICY**

1. In general, purchases will be made on the basis of competitive bidding, but the University will exercise the right to negotiate with any supplier for a purchase whenever it believes it to be in the best interest of the University to do so.
2. No supplier or manufacturer will be asked to submit competitive bids for materials, services, or equipment unless such materials, services, or equipment supplied by the supplier or manufacturer are considered to be acceptable for University use.
3. All invitations for competitive bids will contain a provision giving the University the right to reject any or all bids and/or to place the order with other than the lowest bidder.
4. If there is reason to believe that the competitive bids taken are too high, a decision will be made as to the rejection of all bids, the obtaining of new bids, or negotiation with individual suppliers or manufacturers. In the case of University purchases this decision is to be made by the Authorities as per Policy 4. In the case of purchases made by authorized agents for international tenders, the purchase of which is funded by other organizations, a recommendation as to further action with respect to rebidding or negotiation is to be made to the University by such agents. Such recommendations normally would be in writing but under special circumstances can be made orally. No action will be undertaken by authorized agents without the specific authorization of the University.
5. The control of all Purchase Order documents shall be the responsibility of the Procurement Management Department. They may authorize “blocks” of Purchase orders to other groups as part of the normal procurement activity. However, such authorization shall not be considered to waive this overall responsibility.

E. **EXAMPLES**

Figure 2 is a typical Purchase Order form. This is a multi-copy form with the original forwarded to the vendor and copies marked for the Contract & Supply Unit and the Department. Each copy is designed to accommodate the particular needs of that department, e.g. invoice processing, receiving records and inventory control.

INTERNATIONAL ISLAMIC UNIVERSITY, MALAYSIA

P.O. Box 10, 50728 Kuala Lumpur, Malaysia

Tel: 03-61964000

Fax: 03-61964866

PURCHASE ORDER

THIS ORDER IS SUBJECT TO
THE FOLLOWING TERMS AND
CONDITIONS APPEARING OVERLEAF

NO.:
THIS PURCHASE ORDER NUMBER
MUST APPEAR ON ALL
CORRESPONDENCE

DEPT.:

DATE OF

DELIVERY:

ITEM NO.	MATERIAL OR SERVICES	QUANTITY	UNIT PRICE	AMOUNT
TOTAL AMOUNT :				

ACCOUNT CODE:

.....

Authorized Signature

White - Original

Pink - Supplier/Attach to invoice

Blue - Receiving Dept.

Yellow - Purchasing Unit

Date:.....

TERMS AND CONDITIONS

1. PURCHASE ORDER ACCEPTANCE

Upon acceptance of this purchase order, the supplier agrees to be bound by these terms and conditions. These terms and conditions shall not be varied or amended except with the express authority and written acknowledgement of the University.

2. DELIVERY

All orders shall be delivered at suppliers cost within normal business hours by the delivery date stated overleaf. Late deliveries shall not be accepted except with the prior approval of the University.

3. RECEIPT OF ORDER

All orders shall quote the purchase order number stated overleaf and be duly received by authorized University personnel. The University shall be entitled to reject and disclaim any order claim not duly received.

4. SUPPLIERS WARRANTY

The supplier expressly warrants that goods supplied shall meet the description overleaf and shall be of merchantable quality and suitable or fit for the particular or any purpose for which they are or may be required. The supplier hereby indemnifies the University for any loss, injury, damage or costs sustained by reason of any defect (Latent or Patent) in the goods supplied.

5. RETENTION OF PAYMENT

In the event of any breach by the supplier of any provision of this order, or in the event of the assertion by other parties of any claim or lien against the University or its property arising out of the supplier's performance under this order the University shall have the right to retain out of any payments due or to become due to the supplier an amount sufficient to protect the University completely from any and all loss, damages or expense therefore, until the situation has been satisfactorily remedied or adjusted by the supplier.

6. CREDIT TERMS

Terms of payment 14 days net from the date of receiving complete document.

Document No:
IIUM/PURPOL-01



Policy No.: 10

Effective Date:
1st March 2012

Version No : 01
Revision No : 00

**PURPOSE AND USE OF A
CONTRACT, INCLUDING A
REQUIREMENT FOR
STANDARD TERMS AND
CONDITION**

1.0 OBJECTIVE

The purpose of this policy is to describe the purpose and use of a contract including the requirement for standard terms and condition.

2.0 POLICY STATEMENT

A. **CONTRACT PHILOSOPHY**

Normally, contracts (in contrast to purchase orders) are used to purchase materials or services which require design or fabrication to specific use, are “non-standing,” and not commercially available in catalogues for long-term duration. Contracts should include detailed contract terms and conditions drawn up and negotiated based upon each specific purchase. The use of standard terms and conditions described in Segment “B” is made.

The contract represents the exchange of promises between the University and the Contractor or Agency. The Contractor or Agency promises to sell goods or provide services under certain agreed-upon terms and conditions, and the University promises to pay the agreed-upon price for those goods and services. The contract then becomes legally enforceable against both parties.

Other means of exchanging binding promises to sell and to buy without agreement on each of the remaining specific terms or conditions are the University's request for Proposals specifying payment terms and conditions and the Contractor/Agency specifying payment conditions.

The term "Contract" is used to refer to the written document in which the University and Contractor/Agency have recorded their binding exchange of promises. A contract records the entire agreement between them, clearly describing the exact promises of each and the specific terms and conditions to which the parties have agreed. Since a written "contract" includes the parties' entire agreement, any understandings reached by the parties prior to execution of the document that are not included in the document are not enforceable. However, such prior documents may be used for the purpose of clarification of the parties' intention when there is no conflict in contract language.

One of the very practical benefits of writing a complete contract is that it may enable the parties to realize that they do not have complete agreement.

B. REQUIREMENT FOR STANDARD TERMS AND CONDITIONS

In order to fully protect the interests of the Company when entering into contracts, the University has adopted a policy of attempting to use its Standard Terms and Conditions in negotiations, whenever possible.

Additionally, the use of Standard Terms and Conditions should expedite the drafting of various types of recurring or similar contracts, providing uniformity in the company's overall purchasing process. The prescribed Standard Contract Terms and Conditions (Clauses) and policy concerning any deviations with respect thereto are presented in Policy No. 11.

C. ANNUAL REVIEW

It is the responsibility of the Executive Director of Finance to periodically review all Standards Terms and Conditions to verify their continued appropriateness and validity.

D. TYPES OF CONTRACTS

Listed below is a brief description of some of the types of contracting situations which the University may enter into, along with the methods of reimbursement associated with them.

1. **Fixed Price Contracts**

Contracts with specific fixed prices are generally regarded by the Company as the most favorable form, since they clearly define the Company's financial obligation.

2. **Incentive Contracts**

The use of incentive contracts is designed to motivate sellers through economic incentives to minimize costs and/or to meet objectives specified in the contract.

3. **Cost Plus Contracts**

Under this form of contract, the Contractor/Agency is reimbursed for costs incurred in performing the work and, in addition, is paid a fee. Other than the general incentive to satisfy the University and thereby receive future business, a cost type contract is usually more costly to the University. It should normally be used only where the work scope cannot be precisely defined and where a fixed price could result in severe economic hardship to the University or the Vendor.

4. **Labour Hour Contracts**

Usually provides for a fixed hourly rate of compensation. Without a bonus/penalty provision, it provides little incentive for minimizing hours and costs to the University.

5. **Escalator Contract**

Frequently used in production contracts with long manufacturing times, an escalator contract ties the contract price to an external indicator such as production costs, market price, or an independent index. The open-ended nature of this contractual arrangement exposes the University to considerable price escalation, and caution is required in utilizing a contract of this type. It is University policy to use this method only when no other arrangement is available.

6. **Requirement Contract**

In general, procurement by requirement contract is for the purpose of satisfying all of the University needs for one or more types of requirement. When a requirement type contract is used, it is important to remember that the selected supplier will have the right to supply all of the University needs of the identified kind at the location. The University will not be free to deal with other suppliers during the term of the contract unless specifically permitted in the contract.

Unless there are significant cost savings to the University, this method will not be used. Instead, the University will enter into an "Indefinite Quantity" arrangement, which will clearly provide that the University is free to procure any, all, or none of such needs.

7. **Letter Agreements**

Letter agreements may be used to contract for small value products or services which do not economically justify elaborate contract preparation. Letter agreements are a form of contract and are subject to all procurement policies.

8. **Other Contractual Arrangements**

In addition to the types of contracts described above, market conditions or other factors may render it necessary or desirable for the University to enter into other types of contracts, in which case management approval is required in advance.

Document No:
IIUM/PURPOL-01



Policy No.: 11

Effective Date:
1st March 2012

**CONTRACT TERMS AND
CONDITIONS AND
EXEMPTIONS**

Version No : 01
Revision No : 00

1.0 OBJECTIVE

The purpose of this policy is to describe terms, conditions and exemptions of a contract.

2.0 POLICY STATEMENT

A. CONTRACT TERMS AND CONDITIONS

- i. Before a tender or a quotation is approved and awarded, the Finance Officer must be satisfied with the terms and conditions of such procurement. The terms and conditions must be clear and special attention should be given to the followings:

Full description of type of procurement, unit price, quantity, date, time and delivery place, after sales service, delivery charges, warranty, spare parts and other matters relating to the procurement.

After the terms and conditions have been agreed by the University, a formal contract will be executed. The University shall be advised by its legal advisors in preparation of the contract.

- ii. In general, a formal agreement is to be signed for purchases above RM200,000. Nevertheless, an agreement may be executed for purchases up to RM200,000 depending on requirements. A formal agreement will be executed upon acceptance of letter of award by the supplier/contractor. Normally, for purchases up to RM200,000, a purchase order is issued to the supplier/contractor. The purchase order shall be issued in three (3) copies, where a copy is retained by the University and the original and a copy are given to the supplier / contractor. The supplier / contractor must attach the original copy of the Purchase order to their invoice when

submitting for claims to the University. Payment can only be made when the invoice is supported by purchase order and delivery order.

iii. **Bonds**

If required by the University, the Contractor/Agency will, at his own expense, obtain from a commercial surety acceptable to the University a bond (a) for the due complete performance of each of the Contractor/Agency obligations under this Contract and (b) for the timely payment of all charges for labour, services, and materials furnished for the prosecution of the work. That bond shall be for a sum in liquidated damages equal to the amount set forth in the Contract for this purpose, shall be in a form acceptable to the University, and shall be delivered to the University within fourteen (14) days after its execution.

For contracts for goods and services less than RM500,000, the performance bond required is 2.5% of the total contract price while for contracts of more than RM500,000, a performance bond valuing 5% of the total contract price is required.

For goods and services of a contract term of 2 years and above, the percentage of the performance bond is calculated based on the estimated cost for one (1) year contract only. However, the period of coverage of the performance bond is for the whole contract period.

Performance Bond can be in the form of a bank guarantee from local licensed banks or Insurance Bonds by licensed insurance companies.

iv. **Defects Liability Period**

- a. For works contracts valued between RM10,000 and RM50,000, the defects liability period must be six (6) months from the certified completion date
- b. For works contracts valued above RM50,000. The defects liability period must be at least twelve (12) months from the certified completion date.

B. REQUIRED APPROVALS FOR EXEMPTION FROM STANDARD TERMS AND CONDITIONS

In the process of negotiating a contract, circumstances may arise which dictate that consideration is given to the modification, elimination or substitution of or additions to the Standard Contract Terms and Conditions. Such situations may arise in conjunction with any significant procurement, and changes to the standard language could be proposed by either University personnel or the prospective supplier. In such an event, the proposed changes must be submitted to the Executive Director of Finance for initial approval and then be sent to the Rector for review and final decision.

Document No:
IIUM/PURPOL-01



Policy No.: 12

Effective Date:
1st March 2012

**SPECIAL CLAUSES:
ESCALATION AND
PROVISION FOR
ARBITRATION**

Version No : 01
Revision No : 00

1.0 OBJECTIVE

The purpose of this policy is to describe the special clauses of escalation and provisions for arbitration.

2.0 POLICY STATEMENT

A. **ESCALATION CLAUSES**

When escalation clauses are included in the University purchase orders or contracts, escalation shall be tied to an independent external factor, and shall provide for both upward and downward adjustment.

The University negotiating and procurement personnel shall attempt not to allow the profit portion of the price to be escalated. Additionally, when it appears that the impact of escalation may be excessive, it is advisable that purchase documents provide for renegotiations or termination in the event that escalation exceeds a prescribed level as contained in those documents.

B. **PROVISION FOR ARBITRATION**

The desirability of an arbitration provision to resolve contractual disputes shall be considered on an individual basis for each contract and purchase order. The arbitration may only be proceed to when both parties fail to agree on a settlement.

Factors to be considered include the size and degree of uncertainty of the contract. If an arbitration clause is included, care should be taken to see that performance of the contract continues during arbitration and that a suit for specific performance is not prevented by such a clause.

Document No:
IIUM/PURPOL-01

Effective Date:
1st March 2012



**COMPETITIVE
PROCUREMENT AND
EXCEPTIONS**

Policy No.: 13

Version No : 01

Revision No : 00

1.0 OBJECTIVE

The purpose of this policy is to describe the competitive procurement and exceptions.

2.0 POLICY STATEMENT

A. COMPETITIVE PROCUREMENT

It is the policy of the University that all procurement be undertaken on the basis of competitive bidding (above RM20,000.00 unless approved by the approving authority). The competitive bid system is considered the most effective method of securing maximum pricing and terms advantages. It is the responsibility of all Procurement Management Units to ensure that sufficient price bidding is solicited, that vendors are treated equally, and that qualified new vendors be allowed to do business with the University.

B. EXCEPTIONS

The University *may waive* its policy on the competitive bidding requirement to accommodate the following needs:

1. When market conditions indicate the potential need of secondary supply sources to ensure uninterrupted supply.
2. In the procurement of certain professional or technical services, where the competencies are known and competition would not result in any price or performance advantage.

3. When small monetary purchases do not justify the expenditure of bid costs.
4. When items are available only through a sole source.
5. When procurement during emergencies.

The above summarized exceptions are described in further detail so that the University personnel can better understand the philosophy involved. The items numbers correspond to the ones used for each exception.

1. **Secondary Supply Sources**

In addition to purchasing at minimum cost to the University, the procurement function is also responsible for ensuring that secondary sources of supply are maintained. This can be accomplished by arranging selected purchases so that portions would be awarded to several suppliers or potential suppliers to assure partial delivery of essential equipment or material in case of a single vendor's inability to deliver. When necessary deviations from the normal practice of awarding the entire procurement to the lowest evaluated vendor occur, these decisions should be documented and approved by the Executive Director of Finance

2. **Professional or Technical Services (excluding recruitment of academicians)**

The procurement of recurring professional services frequently involves the evaluation of intangible factors, including professional competence, caliber of personnel, functional and industry knowledge and expertise, and knowledge of the University. Therefore, where it is determined that the best interests of the University are served by procuring such services on a non-price competitive basis such method shall be used. The award will be made after review of the qualifications of several competent firms or by consideration of the University's satisfaction with prior performance. This policy is not to suggest that cost is inconsequential or not to be considered in the selection. However, it does recognize the difficulty in establishing standards for professional services, where cost is only one of the varieties of factors which must be considered.

Nevertheless, any requirement of international / foreign consultants must be referred to the Ministry of Finance for approval.

3. **Small Monetary Purchases**

The reason for exempting small purchases of less than RM1, 000.00 from the competitive bid process is simply recognition that the cost of the procurement process may exceed the savings of competitive bidding in such circumstances. However, with such purchases, care should be taken to ensure that competitive prices are being achieved by a periodic testing of the market place.

4. **Sole Source Procurement**

Examples of sole source procurement include the replacement parts for major pieces of equipment available only through the original equipment vendor, or when there is only one manufacturer of a particular product. Care should be taken to ensure that acceptable alternatives are not available on the open market. A document approving authority level executive must approve sole source procurement in advance.

5. **Emergency Purchases**

In order to fulfill the University's contractual commitments to its customers, purchase policy may have to be breached. Good business judgment should be exercised in determining whether or not a true emergency situation exists, and personnel should attempt to gain advance approval of management. In any event, management must be apprised of any emergency procurement actions in writing after-the-fact.

Emergency purchases may only be allowed where any delay in such a purchase may affect severely the operations or services of the University. The purchase, however, is limited to only an amount sufficient to cover such situations. A report must be submitted to the Executive Finance Director within (1) month of such a purchase.

Document No:
IIUM/PURPOL-01



Policy No.: 14

Effective Date:
1st March 2012

**SOLICITATION OF
PROPOSALS IN NON-
COMPETITIVE OR
ABNORMAL MARKET**

Version No : 01

Revision No : 00

1.0 OBJECTIVE

The purpose of this policy is to describe the solicitation of proposals in non-competitive or abnormal market.

2.0 POLICY STATEMENT

For procurement conditions which result in the receipt of less than three quotations, purchase personnel will either a) re-solicit proposals or b) determine whether the lack of bids is due to non-competitive or abnormal market conditions. Under the latter condition, the University may negotiate to procure the goods or services necessary to meet the University's requirement in the most advantageous manner possible. All supporting evidence of non-competitive conditions will be documented for the University file and approved by the approving authority.

Document No:
IIUM/PURPOL-01

Effective Date:
22nd April 2014



VENDOR QUALIFICATION

Policy No.: 15

Version No : 01

Revision No : 01

1.0 OBJECTIVE

The purpose of this policy is to describe the qualifications of a vendor.

2.0 POLICY STATEMENT

The purpose of qualifying vendors is to enable the University to:

- a) Have an approved group of bidders for solicitation purposes
- b) Increase competition during the bid process
- c) Enable the University to anticipate satisfactory performance from all potential vendors

Vendors who wish to qualify to participate in the University's competitive biddings or tenders must be registered with the Ministry of Finance under the appropriate headings for the supply of goods and services while for works contracts, the contractors must be registered with and Construction Industry Development Board (CIDB) and the Pusat Khidmat Kontraktor (PKK) for Bumiputra Status (if required).

Contractors involved in civil works are required to register according to the category of works depending on the grades and procurement limits as follow:

**Work Contractor
Building/Civil/Mechanical Category**

GRADE	PROCUREMENT LIMIT
G1	RM200,000 and below
G2	More than RM200,000 until RM500,000
G3	More than RM500,000 until RM1,000,000

G4	More than RM1,000,000 until RM3,000,000
G5	More than RM3,000,000 until RM5,000,000
G6	More than RM5,000,000 until RM10,000,000
G7	More than RM10,000,000

(Source of reference: Treasury Circular No. 6 Year 2012)

**Work Contractor
Electrical Category**

GRADE	PROCUREMENT LIMIT
G1	Until RM200,000
G2	Until RM500,000
G3	Until RM1,000,000
G4	More than RM200,000 until RM3,000,000
G5	More than RM200,000 until RM5,000,000
G6	More than RM200,000 until RM10,000,000
G7	More than RM200,000 and above

(Source of reference: Treasury Circular No. 6 Year 2012)

Vendor qualification involves consideration of factors such as past performance, periodic testing of vendor products, ability to respond to the University's needs quickly, dependability of product and service, and so forth.

It is the duty of procurement personnel to ensure that the University's solicitation listings include such vendors, and that constant surveillance of the market place is maintained for that purpose.

Document No:
IIUM/PURPOL-01



Policy No.: 16

Effective Date:
1st March 2012

**MAINTENANCE OF VENDOR
LISTS**

Version No : 01

Revision No : 00

1.0 OBJECTIVE

The purpose of this policy is to provide the list of maintenance vendor.

2.0 POLICY STATEMENT

Each unit responsible for purchasing activities within the University will maintain lists of qualified vendors to be used when preparing requests for proposals.

Normally, the list will be established in alphabetical order for each product or service, and selection for receipt of a particular request will be on a continual rotating basis, so that all vendors have an equal bidding opportunity.

Document No:
IIUM/PURPOL-01



Policy No.: 17

Effective Date:
1st March 2012

**REQUEST FOR
QUALIFICATIONS FROM
POTENTIAL VENDORS**

Version No : 01

Revision No : 00

1.0 OBJECTIVE

The purpose of this policy is to describe the steps to request the qualification from the potential vendors.

2.0 POLICY STATEMENT

Where lists of qualified vendors are not readily identifiable, or where the University wishes to reconfirm that a group of previously qualified vendors continues to be qualified, the user executive or responsible designee will authorize the issuance of a request to establish a potential vendor's qualifications. Under this procedure, potential vendors will be requested to furnish the University with specific technical and financial data for the purpose of establishing the list of qualified vendors.

Additionally, as deemed appropriate, the University may request that it be permitted to conduct an inspection visit of the potential vendor's facilities.

Document No:
IIUM/PURPOL-01



Policy No.: 18

Effective Date:
1st March 2012

**PURPOSE AND USE OF
REQUEST FOR QUOTATION
(RFQ)**

Version No : 01
Revision No : 00

1.0 OBJECTIVE

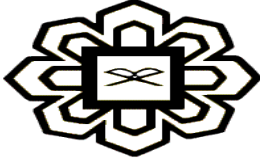
The purpose of this policy is to describe the purpose and use of request for quotation.

2.0 POLICY STATEMENT

The University uses two basic methods for fulfilling its procurement needs. These are the “Request for Quotation” (RFQ) and the “Request for Proposal” (RFP). The RFP is discussed in Policy No. 19

The “Request for Quotation” is used when the University requires that all bidders submit prices based on fully defined criteria, so that price competition will be the deciding factor for selection.

Since University policy emphasizes competitive bid procurement, the RFQ will be utilized in most of its purchasing actions. The RFQ should clearly state that it is not a binding order on the University. It should contain specific terms, conditions and/or considerations so as to establish the basis upon which the vendor solicited may calculate his bid. It should also identify the period given to submit the quotation, a minimum of seven (7) days, the closing date for receipt of bids and the name of the University purchasing representative. Figure 4 shows a sample of an RFQ.



الجامعة الإسلامية العالمية ماليزيا
INTERNATIONAL ISLAMIC UNIVERSITY MALAYSIA
بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

Our Reference : IIUM/205/10/8/3-012011
Date : January 13, 2011

Company name

QUOTATION FOR: -

You are invited to participate in the above quotation. The details are as follows:

No	Specification	Quantity

For information, inquiry implies no obligation on the part of the university. If substitutes are offered, please make full explanation. We reserve the right to reject any or all bids and/or to accept the most attractive offer and to accept any items or combination of items in the above bids. The University is not bound to accept the lowest offer. Please submit the relevant catalogues or sample, if necessary.

Kindly write at right hand corner of the envelope "**Quotation for-**". This quotation must be submitted in a sealed envelope **before 12.00 p.m. on - at -**.

Nonetheless, please be reminded on the following clause:-

- i) Any act or attempt to corruptly offer or give, solicit or receive any gratification to and from any person in connection with this procurement is a criminal offence under the Malaysian Anti-Corruption Commission Act 2009 (Act 694).***
- ii) If any person offers or gives any gratification to any members of the public service, the latter shall at the earliest opportunity thereafter lodge a report at the nearest office of the Malaysian Anti Corruption Commission Agency or police station. Failure to do so is an offence under the Malaysian Anti-Corruption Commission Act 2009 (Act 694).***

- iii) Without prejudice to any other actions, disciplinary action against a member of the public service and blacklisting of the contractor or supplier may be taken if the parties are involved with any act of corruption under the Malaysian Anti-Corruption Commission Act 2009 (Act 694) .***

- iv) Any contractor or supplier who makes a claim or payment in relation to this procurement although no work was carried out or no goods were supplied or no services rendered in accordance with the specifications and any member of the public service who certifies the claim commits an offence under the Malaysian Anti-Corruption Commission Act 2009 (Act 694).***

If you have any inquiries please do not hesitate to call ----- for further information.

Thank you.

**HOD
K/C/D/I**

Document No:
IIUM/PURPOL-01



Policy No.: 19

Effective Date:
1st March 2012

**PURPOSE AND USE OF
REQUEST FOR PROPOSAL
(RFP)**

Version No : 01
Revision No : 00

1.0 OBJECTIVE

The purpose of this policy is to describe the purpose and use of request for proposal.

2.0 POLICY STATEMENT

When a University purchase involves products or services the work scope, specifications, design, etc. of which cannot be so precisely defined that all bidders can compete solely on price, the solicitation will be through a “Request for Proposal” (RFP). Under this method, potential bidders are requested to provide detailed proposals to the University. The RFP will clearly summarize the nature and characteristics of the materials or services to be procured and specific terms, conditions and other considerations to be addressed in the proposal.

The RFP should indicate that the University retains the right to reject any or all proposals at the University’s sole discretion.

Document No:
IIUM/PURPOL-01



Policy No.: 20

Effective Date:
1st March 2012

**BID ANALYSIS AND
CONTRACT DEVELOPMENT**

Version No : 01

Revision No : 00

1.0 OBJECTIVE

The purpose of this policy is to describe the bid analysis and the development of the contract.

2.0 POLICY STATEMENT

Those actions related to vendor qualification statements, vendor bids, and contract negotiations constitute the area of bid analysis and contract development.

The bid analysis stage includes, among other activities, evaluation of the bidders' responsiveness to the bid specifications and the relationship to the bid price. It is an overall assessment of the cost factors to accomplish the work at specific levels of quality.

Contract development deals with the application of the needs of the University as it relates to the vendor's proposal, and the modifications that each party may have to make to ultimately arrive at a mutually acceptable contract. As with other procurement methods, University personnel are responsible for ensuring that any vendors called in for contract development discussions understand that such discussions do not impose any obligation upon the University to award a contract or purchase order to that vendor. The following statements provide guidance on the bid analysis and contract development process.

A. Bid Receipt Deadline

While it is University policy not to consider bids received after the specified closing date indicated in the request for quotation or other invitations to bid, late proposals will be considered where it is in the University's best interest to do so. When bid deadlines are extended, all bidders should be notified of the extension. Except as noted above, late bids will be rejected. All bids received will be date stamped by the individual receiving the document. All tenders will be submitted unopened/sealed to a Tender Box. The Tender Box must be locked and two (2) different keys be kept by two (2) different officers.

B. Opening of Tender

A Tender Opening Committee must consist of at least two (2) officers. The Tender Box must be opened as soon as possible and each tender document must be given a code and be initialed by each member of the Tender Opening Committee. A Tender Opening Schedule must be prepared detailing the name of the tenderer, amount of the tender, completion period with each member of the Committee signing the schedule confirming the information. Committee members are also to initial at the Form of Tender and any other amendments made to the tender documents.

C. Bid Evaluation

It is University policy to accept, with all other factors equal, the lowest bid price, except when the low bid is not in the best interest of the University. As part of the bid evaluation process, the responsible purchasing official will document the number of bids received, the bid prices, the vendor recommended or selected for award and the reasons for selection. This information will be used in the review and approval by the responsible University officer.

D. Priority to Locally Manufactured Goods

Priority must be given to locally manufactured goods although the costs may in total (inclusive of transport charges, insurance, taxes, etc.) be higher than imported goods on condition that the quality of the locally made goods is satisfactory. The priority given to the locally manufactured goods prices is as follows:

- i. 10% of the lowest offer and is acceptable for procurement valued RM10 million and less;
- ii. 5% of the lowest offer and is acceptable for procurement for more than RM10 million but less than RM100 million;
- iii. 3% of the lowest offer and is acceptable for procurement for more than RM100 million

E. Priority to Bumiputera Suppliers

A supplier is classified as a Bumiputera supplier if the following conditions are met:

- i. At least 51% of the shares are held by Bumiputera individuals
- ii. At least 51% of the Board of Directors consist of Bumiputera
- iii. The top executive posts are held by Bumiputera
- iv. At least 51% of the workers are Bumiputera
- v. The organization chart and management functions of the companies are held by Bumiputera
- vi. Award of Bumiputera status by the Ministry of Finance or Pusat Khidmat Kontraktor (PKK).

Any procurement of goods and services not exceeding RM100,000 must be invited from Bumiputera suppliers. For procurement exceeding RM100,000, priority must be given to Bumiputera suppliers according to the following percentages:

<u>Procurement Value</u>	<u>Percentage for Priority</u>
Above RM100,000 up to RM500,000	10%
Above RM500,000 up to RM1.5 million	7%
Above RM1.5 million up to RM5 million	5%
Above RM5 million up to RM10 million	3%
Above RM10 million up to RM15 million	2.5%
Above RM15 million	Nil

Priority to Bumiputera Manufacturers will be as follows:

<u>Procurement Value</u>	<u>Percentage for Priority</u>
Up to RM10 million	10%
Above RM10 million to RM100 million	5%
Above RM100 million	3%

The University personnel responsible for bid evaluation will, upon management approval as required, notify the successful bidder by issuance of a Purchase Order, work order, or letter, as appropriate. Since the interests of the University are served by fostering good relations with vendors, letters may be issued to unsuccessful bidders informing them that they were not selected. Such letters may, in general terms, outline why the firm was not selected. E.g. price, delivery, restrictive terms, etc.

F. Documentation of Rejection of Lowest Bid

When University purchasing personnel recommend that the lowest bid not be accepted, justification for this action should be well documented. It is the responsibility of a University officer to review the facts and approve or not approve the recommendation.

G. Contract Development Discussions With Vendors

The Standing Finance Committee will authorize a team to represent the University in the contract development process and appoint a team leader. The team will be responsible for the formulation of negotiation strategy within overall criteria provided by University Management. Such a strategy may include the identification of desired contract terms, delivery dates, and pricing strategy. It is the responsibility of the team leader to determine critical contract development points, potential trade-offs, allowances, profit margins, University policy items, etc. Prior to final agreement, contract development discussions may be subject to the Chairman of the Standing Finance Committee's or other executive approval. All contract development discussions are to be documented in writing upon completion.

H. Unsuccessful Contract Development Discussions

Contract development discussions with an apparently successful bidder may reveal that it is not in the best interest of the University to award a contract to that organization. Under such circumstances, the University will terminate discussions with that vendor and negotiate with another bidder (normally the second lowest bidder), advising management accordingly.

Document No:
IIUM/PURPOL-01



Policy No.: 21

Effective Date:
1st March 2012

**INVITATION FOR
QUOTATION**

Version No : 01
Revision No : 00

1.0 OBJECTIVE

The purpose of this policy is to describe the details of invitation for quotation.

2.0 POLICY STATEMENT

After receiving a Purchase Requisition from a department/ unit (refer to Policy No. 9) and when there are sufficient justifications and budget for such a request, the Officer in charge of Purchasing may proceed with the calling for quotation or tender, whichever is relevant.

A. Invitation for Quotation

For the purchase of goods/services/works of more than RM 20,000 up to RM500,000, competitive bidding through quotations must be made by inviting at least five (5) vendors who are registered with the Ministry of Finance, PKK or CIDB under the appropriate codes. Quotations can be made by mail (e-mail or normal mail), facsimile, internal advertisement or the IIUM Home page.

Quotations must be submitted in sealed envelopes before the specified deadline. The quotations must be opened by the Quotation Opening Committee. The Approving Authority for quotations is as stipulated in Policy No 4.

Document No:
IIUM/PURPOL-01



Policy No.: 22

Effective Date:
1st March 2012

INVITATION FOR TENDER

Version No : 01
Revision No : 00

1.0 OBJECTIVE

The purpose of this policy is to describe the details of tender invitation.

2.0 POLICY STATEMENT

For goods and services valuing above RM500,000, the procurement must be through tender.

a. Works

Before a tender for works is carried out, the University must ensure that the following conditions are satisfied:

- i. To allocate at least 30% of the works tender value to Bumiputera contractors.
- ii. To provide all procurement pertaining to works under RM100,000 to Bumiputera contractors only.
- iii. To allocate at least 50% of the works between RM100,000 to RM350,000 to Bumiputera contractors.
- iv. Tender for works below RM10 million should be open to 100% wholly owned Malaysian companies.
- v. Tender between RM10 million to RM25 million should be open to 100% wholly owned Malaysian companies and local companies listed at Kuala Lumpur Stock Exchange provided that the foreign shareholders do not exceed 30% and 100% of their Board of Directors, management and workers are Malaysian.
- vi. Tenders above RM25 million should be open to 100% wholly owned Malaysian companies, local companies listed on the KLSE and joint-venture companies provided that the foreign equity does not exceed 49% and the majority of the Board of Directors, management and workers are Malaysian.

- vii. International tenders may only be called if the specialist works are not available in Malaysia.
- b. International tenders for goods and services may only be called for goods and services not available in Malaysia or which do not have at least five (5) vendors registered with the Ministry of Finance.

Invitation for tender must include the following:

1. The invitation to open tender must be publicized in at least one (1) newspaper.
2. The minimum period from the date of advertisement to the closing date of tender is
 - i. 21 days for local tenders
 - ii. 56 days for international tenders
3. The tender period of 21 days for local tender and 56 days for international tender are calculated from the selling date of tender document or briefing date or site visit date, whichever is later.
4. Unless it is known that there are fewer than five (5) qualified vendors for the tender and to save advertisement costs, approval from the Chairman of the Standing Finance Committee must be obtained in order to waive the requirement to advertise in the newspaper. Invitation to tender, in this case, can be made by registered letter.
5. Specifications of the tender must be specific. Minimum capability must be stated for appropriate items. Brand names or commercial names cannot be used in tender specifications. However, if this cannot be avoided, the phrase "or equivalent" must be included after the brand or commercial name of the item is written.
6. **Cover Letter of Tender Document**
 - a. Synopsis of purchase
 - b. Bid opening time and date
 - c. Authorized University representative(s) to contact
 - d. List of attachments
7. **Instructions to Bidders**

(A detailed instruction sheet appears at the end of this Policy Number)

 - a. Explanation to bidders
 - b. Conditions affecting work
 - c. Bidder's qualifications

- d. Preparation of bids
- e. Place of submission of bids
- f. Late bids, modifications of bids or withdrawal of bids
- g. Award of contract or purchase order
- h. Bonding requirements (if any)
- i. Basis of bid submission
- j. Acceptance period
- k. Amendments
- l. Receipt of amendments

8. **Scope of Work (Bid Specifications)**

- a. Description of work
- b. Location
- c. Items furnished by vendor, if any
- d. Items furnished by the University, if any

9. **Technical Specifications**

Plans and drawing, etc.

10. **Performance Schedule**

11. **General Terms and Conditions** (Refer to Policy Number 11)

12. **Special Terms and Conditions**

13. **Bid Form**

INSTRUCTIONS TO BIDDERS

EXPLANATION TO BIDDERS

Any explanation desired by a bidder regarding the bid invitation should be requested from the University in writing.

CONDITIONS AFFECTING THE WORK

If the nature of the prospective work so indicates, bidders should visit the site and take such other steps as may be reasonably necessary to become familiar with the conditions which can affect the work or its cost. Failure to do so will not relieve bidders from responsibility for estimating properly the difficulty or cost of successfully performing the work. The University assumes no responsibility for any understanding or representations concerning conditions made by any of its employees or agents prior to the execution of the contract, unless included in the invitation for bids, the specifications or related documents.

BIDDER'S QUALIFICATIONS

Before a bid is considered for award, the bidder may be requested to submit a statement regarding his previous experience in performing comparable work, his business and technical organization, financial resources, and plant available for use in performing the work.

PREPARATION OF BIDS

- a) Bids shall be submitted on the forms furnished, or copies thereof, and must be signed by hand. If erasures or other changes appear on the forms, each erasure or change must be initialed by the person signing the bid. Telegraphic bids will not be considered.
- b) Modifications of bids already submitted will be considered if received at the office designated in the invitation for bids by the time set for the opening of bids.

PLACE OF SUBMISSION OF BIDS

Unless otherwise specified, all bids must be delivered to the University sealed, marked "Sealed Bid-Confidential, To be delivered to Addressee Unopened". The Request for bid number and title of quotation should appear on the outside of the envelope. All bids and tenders must be put in the Tender Box.

LATE BIDS, MODIFICATIONS OF BIDS OR WITHDRAWAL OF BIDS

Any bid must be received at the office designated in the solicitation by the exact time and date specified for receipt.

AWARD OF CONTRACT

- a) Award of contract will be made to that responsible bidder whose bid, conforming to the invitation for bids, is most advantageous to the University.
- b) The University reserves the right to reject any or all bids or waive any informality in bids received.
- c) The University may accept any items or combination of items of a bid, unless precluded by the invitation for bids, or if the bidder includes in his bid a restrictive limitation.

BONDS

The bidder whose bid is accepted will, within the time established in the bid, enter into a written contract with the University and, if required, furnish performance bonds in the form of a bank guarantee

or insurance guarantee or the amounts indicated in the invitation for bids or the specifications. The rate for the performance bond is as stated in Policy 11.

BASIS OF BID SUBMISSION

Bids must be submitted upon the items of bids stated in the specifications; bids upon other basis will not be considered unless specifically requested by the University as alternative proposals. Bids that do not reference all amendments or that are not submitted on the prescribed forms may be considered non-conforming.

BIDS – ACCEPTANCE PERIOD (VALIDITY PERIOD)

Bids offering for less than the period of days specified in the bid form for acceptance may be considered non-responsive and rejected. If no acceptance period is stated on the bid form, then bids shall remain open for a minimum of 90 days for the University to evaluate bids and notify bidders.

AMENDMENTS

The University reserves the right to revise or amend the invitations for bid prior to the date set for bid opening. If the revisions require material changes in quantities or prices to be bid, or both, the date set for opening bids may be postponed by such number of days as in the opinion of the University will enable bidders to revise their bids. An announcement of the new date for opening bids will be forwarded to all bidders. All revisions will be made via amendments to the invitation.

RECEIPT OF AMENDMENTS

Each bidder is required to acknowledge receipt of all amendments. Failure to acknowledge amendments may cause the rejection of the bid.

Document No:
IIUM/PURPOL-01



Policy No.: 23

Effective Date:
1st March 2012

**FINANCIAL REVIEW OF
UNSCHEDULED
PROCUREMENT**

Version No : 01
Revision No : 00

1.0 OBJECTIVE

The purpose of this policy is to describe the financial review of unscheduled procurement.

2.0 POLICY STATEMENT

Since unscheduled procurement activity can have a significant impact on the University cash flow, all unscheduled procurements will be reviewed and approved prior to authorization by the Executive Director of Finance.

Document No:
IIUM/PURPOL-01



Policy No.: 24

Effective Date:
1st March 2012

**CONTRACT RENEWAL OR
EXTENSION**

Version No : 01
Revision No : 00

1.0 OBJECTIVE

The purpose of this policy is to describe the renewal or extensions of a contract.

2.0 POLICY STATEMENT

Contracts may be renewed or extended subject to approval by the University official who executed the initial purchase contract, and after review has been accomplished and recommendations have been received concerning any economic aspects related to such a renewal or extension.

Extensions to the contract period for goods and service contracts must be approved by the **Tender Committee or the Approving Authority** which approved the original quotation/tender on following conditions:

- i. the changes or extension of contract period do not involve any increase in the prices or rates
- ii. the extension of the contract period is given only once and the maximum period is up to two (2) years; and

Any extensions of contract other than as stipulated in the above paragraph must be referred to the Standing Finance Committee for approval. Nevertheless, in the event of the contract amount is more than RM30 million, the extension of contract approval should be obtained from the approving authority as stipulated under the Policy No. 4.

Document No:
IIUM/PURPOL-01



Policy No.: 25

Effective Date:
1st March 2012

**APPROVAL OF CONTRACT
CHANGE ORDERS OR
AMENDMENTS**

Version No : 01
Revision No : 00

1.0 OBJECTIVE

The purpose of this policy is to describe the approval of contract change orders or its amendments.

2.0 POLICY STATEMENT

Amendments to contracts or purchase orders which involve increases in the price being paid by the University shall be approved at a level equal to that of the original approval. Copies of such documents are to be maintained in the appropriate contract files.

No change in the method of compensation, e.g. from fixed price to cost plus is to be made without the approval of the original Approving Authorities.

1. Any changes to the contract for the goods and services must be approved by the Tender Committee or the Approving Authority which approved the original tender with the following conditions:
 - i. The changes to extension of the contract period do not involve any increase in the prices or rates.
 - ii. The increase in quantity or value does not exceed 50% of the original tender subject to a maximum of RM7.5 million and on condition that the total amount of the increased price and the original tendered price do not exceed RM25 million.
 - iii. Any changes of contract other than as stipulated in the above paragraph must be referred to the Standing Finance Committee for approval. Nevertheless, in the event of the contract amount is more than RM30 million, the extension of contract approval should be obtained from the approving authority as stipulated under the Policy No. 4.

2. Variation orders for works involve deviations from the original contract relating to plans, specifications and/ or quantity either amended, increased or reduced. It must meet the following criteria:
 - i. the contract is still in implementation, unless provided in the contract.
 - ii. the variation does not affect the majority of the original scope of work.
 - iii. the additional works must performed at the working site.
 - iv. for work replacement, the variation must be within the scope of work and can be identified as work replacement.

3. Whenever possible, additional works have to be done through tender or separate quotation in line with the existing procedures.

4. The Approving authority for variation order for works is as stipulated in Policy No 4.

Document No:
IIUM/PURPOL-01



Policy No.: 26

Effective Date:
1st March 2012

USE OF LETTER OF INTENT

Version No : 01
Revision No : 00

1.0 OBJECTIVE

The purpose of this policy is to describe the use of letter of intent.

2.0 POLICY STATEMENT

Normally, the University does not intend that work should begin until complete agreement has been reached with the vendor and a purchase order or contract has been executed. Under certain conditions, however, it may be desirable for work to begin in advance of such documents. In those circumstances, the University may authorize the issuance of a Letter of Intent. Such an agreement is a binding contract and should be handled as such. The letter will provide an overall description of the work and set forth payment and as many other terms as possible.

The use of this method is generally not desirable, since a vendor who has already begun work may gain an advantage in the negotiations related to the finalization of the contract or purchase order.

A Letter of Intent may not be issued without management approval.

Document No:
IIUM/PURPOL-01



Policy No.: 27

Effective Date:
1st March 2012

**PROCUREMENT
CORRESPONDENCE AND
COMMUNICATIONS**

Version No : 01

Revision No : 00

1.0 OBJECTIVE

The purpose of this policy is to describe the procurement correspondence and communications.

2.0 POLICY STATEMENT

All official procurement correspondence will be approved by the authority with the approval to sign the Purchase Order or contract, or his delegate. Individuals involved in the procurement process will channel all official communications with bidders or potential vendors through this designated point of contact.

Document No:
IIUM/PURPOL-01



Policy No.: 28

Effective Date:
1st March 2012

**CONFIDENTIALITY OF
VENDOR INFORMATION**

Version No : 01
Revision No : 00

1.0 OBJECTIVE

The purpose of this policy is to describe the confidentiality of the vendor information.

2.0 POLICY STATEMENT

It is the policy of the University to hold in confidence all dealings with bidders and potential vendors, in recognition of the competitive environment among suppliers.

No employee of the University shall furnish information about any vendor or potential vendor to another. Violation of this policy may result in disciplinary action being taken against the employee.

Document No:
IIUM/PURPOL-01



Policy No.: 29

Effective Date:
1st March 2012

Version No : 01

Revision No : 00

PURCHASE OF FIXED ASSET

1.0 OBJECTIVE

The purpose of this policy is to describe the purchase of fixed asset.

2.0 POLICY STATEMENT

The purchase of fixed assets will require the functional approval of the relevant approving authority.

An inventory of fixed assets is maintained at all locations while the fixed assets register is maintained at the Development Division to ensure fixed asset centralization of records.

Document No:
IIUM/PURPOL-01



Policy No.: 30

Effective Date:
1st March 2012

**APPOINTMENT OF
CONSULTANTS**

Version No : 01

Revision No : 00

1.0 OBJECTIVE

The purpose of this policy is to regulate the procedures on appointment of consultant for physical development projects and research projects.

2.0 POLICY STATEMENT

The University has adopted the prevailing Treasury Circular Letter on the procurement of consultant services for implementation of physical development projects and research projects which are funded by Federal Government either via:

- (a) Direct allocation from government to finance fully or partially of project/research cost;
- (b) Allocation which is obtained through loan from government or local or international financial institution; and
- (c) Allocation which is obtained from foreign government or international financial institution.

The details of the methods of procurement, approving authorities and approval limit for the appointment of consultants under different types of development projects and works as well as approving authorities for construction work variation orders are spelt out as per Finance Division Circular No. 1 Year 2012.

Any amendments to the policy shall be forwarded to the Standing Finance Committee for approval.

Document No:
IIUM/PURPOL-01



Policy No.: 31

Effective Date:
1st March 2012

**PROCUREMENT PROCESS
FLOW CHARTS**

Version No : 01

Revision No : 00

1.0 OBJECTIVE

The purpose of this policy is to describe the flow chart process of the procurement.

2.0 POLICY STATEMENT

As an overview, Figure 5 shows the typical routing flow beginning with the initiation of a purchase requirement and continuing through requisition, invitation, and award of purchase order, administration and payment.

Figure 6 describes those steps relating to the issuance of a contract.