



PROCUREMENT MANUAL

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| Author | : | Hazel Francisca R. Don |
| Main Editor | : | Hazel Francisca R. Don |
| Reviewers | : | MIRRoberts, MPMammuad, RMHebron, DMohamad, RTBautista |
| Approver 1 | : | |
| Approver 2 | : | |

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The list of acronyms used in this document are listed below for easy reference:

| Acronym | Actual Name / Term |
|--|--|
| Approving Authority | Individual or governing body authorised to approve the cost of the negotiated contract (based on their discretionary power as stated in the governance framework). This also refers to Delegation of Authority (DOA) and other equivalent governance framework. |
| Delegation of Authority (DOA) | <p>The guiding principles that show the accountability of Division Heads in their respective Departments/Divisions, for their authority to endorse all direct expenses of their respective Departments/Divisions, except centrally managed items.</p> <p>PCEO, CFO, ELGAP MANCOM, ELGAP Board or any designated officer, will be given the authority to approve the centrally managed items and all expenditures in accordance with the DOA approved by the ELGAP Board.</p> |
| Approval Paper | The Approval Paper is to document the procurement of goods and/or services, the justifications, the cost, the supplier(s) involved, and the engagement period. It is prepared by the Requester from respective business unit(s)/Department(s)/Division(s). The documentation to be submitted to the relevant Approving Authority using the existing template in Appendix 2 in this document. |
| Best and Final Offer (BAFO) | The best and final quotation submitted by suppliers. |
| Business Case | A proposal or concept paper for goods and services that may or may not come along with Purchase Requisition form. |
| ITSC (Information Technology Steering Committee) | ITSC is one of ELGAP's Governance committee which review all IT purchases. ITSC consists of CFO, Head of IT, Head of Strategic Division and Head of Application Development and chaired by ELGAP PCEO. Any proposed purchase of IT goods, service and material which is within the Approving Authority of ITSC needs to be presented at ITSC. |

| | |
|--|---|
| Letter of Award (LOA) / Letter of Intent (LOI) | A written confirmation confirming award of tender to the successful supplier. |
| Purchase Order (PO) | A commercial document issued by Admin Department to seller which constitutes a legal offer to purchase goods and services. |
| Purchase Requisition (PR) | A document to be filled in by Requester, to initiate the goods or services purchasing process. |
| Requester | The department which requires the product / services being sourced. |
| Request for Information (RFI) | An RFI is a communication between the Admin and multiple potential suppliers, and there is no intent by either party to enter into a contract of any kind. An RFI is most commonly used to collect general information about suppliers' products, services, capabilities, indicative price and quality management process. |
| Request for Proposal (RFP) | Document that details out the user requirement and specifies the mandatory specifications on what the user needs to purchase. It is used when the goods and services cannot be quantitatively or qualitatively expressed in sufficient details. It serves as guidance to potential supplier and become the basis for the contract with supplier. |
| Request for Quotation (RFQ) | Document that defines the user requirement and accurately describes in detail on what the user needs to purchase. This specification should clearly outline the requirements for purchases to ensure the best chance of getting what the user wants. |
| Silent Period | The Silent Period is a period specified within the procurement process in which any employee directly or indirectly involved in any step in the procurement process, including but not limited to procurement management, development of specifications, evaluation of proposals, and contract negotiations, should not communicate with prospective suppliers. |
| Stakeholders | Relevant Sector Heads whose consent needs to be obtained at various stages of the sourcing project. |

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PART A : PROCUREMENT GUIDELINES

A1.0 INTRODUCTION

- a) Procurement involves the process of selecting vendors, establishing payment terms, strategic vetting, selection, negotiation of contracts, actual purchasing and delivery of goods and/or services. Procurement is concerned with acquiring (procuring) all of the goods, services, and work that is vital to ELGAP.

One of the procurement best practices is to perform “categories management” by classifying the procurement spends into few categories.

- b) The procurement spend is classified into the following categories:

| Procurement Spend Classification | Example of Purchases |
|----------------------------------|--|
| Facilities Management | Building Management Works and Branch related Operation Services |
| General Spend | Uniforms, Courier services, stationeries and forms, etc. |
| IT and Communication | Hardware, software, IT solution, IT Services and etc. |
| Sales and Marketing | Event Management, Advertising, Media, Creative Promotional Items, Print & Collaterals and etc. |
| Professional Services | Recruitment Agencies, Training Service Provider, Consulting firm, Subscription Services, Contractual or Temporary Services, and etc. |

- c) Procurement scope and involvement covers all purchases and delivery of goods and/or services, or other forms of acquiring assets for use except for the following:
- i) Rental and purchase of landed properties;
 - ii) Disposal of Assets/ Properties
 - iii) Highly confidential services authorised/instructed by PCEO/Board Committees;
 - iv) Insurance;
 - v) Brokerage; and
 - vi) Legal Services
- d) It is the responsibility of Requester in obtaining budgetary and business case

approval. Admin Department shall only proceed with sourcing activity when the Requester has already obtained the necessary budget and business case approvals. However, RFI can be conducted prior to budgetary and business case approval. Please refer to [Appendix 3](#) for Business Case proposal process flow.

- e) However, for the RFI where ELGAP is requesting a supplier to provide information only; it cannot be used as the basis for price comparison and for the award of a project.
- f) Effective sourcing would require joint-working between Admin Department, Requester and the Approver. The purposes of the governance structure are:
 - i) to make, sponsor and enforce right decision
 - ii) drive an appropriate spirit of partnership among ELGAP, business units and all supporting functions
 - iii) and support the quest to procurement excellence
- g) Head of Business and Head of Admin to jointly review any deviation from Procurement Manual related to sourcing strategy and recommend for acceptance and approval by the Approving Authority according to the DOA in the approval paper.

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A1.1 Objectives

- a) This document is designed to streamline the procurement functions within ELGAP.
- b) The key objectives of this document is to provide ELGAP of the following:
 - i) Standard guideline on good management practices expected in the procurement process and procedures
 - ii) To procure high quality goods and services as economically as possible.
 - iii) Policies and procedures that are aligned with Maybank Group Procurement.

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A1.2 Scope

- a) This document governs all the procurement activities i.e. from the need to procure to contract closure and delivery of goods and/or services.
- b) This guideline is to be adhered by all business units within ELGAP in procuring

goods and services. It commits the organisation and every individual involved in the procurement process within ELGAP, to use their best endeavours to ensure the procurement activities are legal and accountable.

- c) Authority to approve any requisition against budgeted or unbudgeted expenditures shall be in accordance with relevant approving authority policies, i.e., DOA or any equivalent.

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A2.0 PROCUREMENT GUIDING PRINCIPLES

A2.1 Level Playing Field

- a) All potential suppliers must have the same opportunities and the same information.
- b) All tender documents must be sent out at the same time.
- c) Any changes in due dates, requirements or information pertaining to the proposal or tender requests must be communicated to all suppliers at the same time.
- d) All tender documents must be opened at the same time.
- e) Please note that any consultant who is prescribing the job scope of a particular initiative should not be participating as a supplier for the said tender. This is to ensure there are no conflict of interest and a level playing field.
- f) There should be no conversation between or among any suppliers and any ELGAP employee about the tender during the Silent Period except as what is provided in the RFP documents for the purpose of clarifying the tender. Questions are to be directed to the “Tender Contact” in writing and answered in writing. Careful documentation of questions and answers as well as any questionable behavior on the part of any participant in the procurement process is essential.
- g) During the Silent Period, careful consideration must be given to avoid any appearance of discrimination for or against any supplier. A disciplined approach to handling conversation about the tender and any questions arising from suppliers desiring clarification or additional information about the tender will eliminate any concern about discrimination.
- h) The guideline is to avoid communication about the tender during the Silent Period. Violation of the principles may lead to disqualification of a supplier, cancellation of the tender exercise and/or disciplinary action for employees. Where questions are asked by a supplier, clarification, or further information, the reply should be sent to all suppliers, whether they asked for clarification, or not.
- i) ELGAP is allowed to conduct clarification sessions separately with the individual suppliers with the objective to clarify and understand the technical and commercial submission better. This session may also be used for negotiation purposes.

A2.2 Confidentiality

- a) There should be no leakages of any part of the tendering process, either internally (within ELGAP) or externally, to the interested parties.
- b) All tenders must be received through secured method i.e. secured email. All tender submissions shall be kept in a secured environment until tender is open (after closing date) in the presence of relevant witnesses (if applicable).
- c) Exception from the above can only be granted by Head of Admin or CFO via written approval under following circumstances.
 - i) submission by an overseas supplier (request for exception approval to be submitted by Sourcing Staff prior to issuance of tender document); and
 - ii) failure in submission by a supplier via secured email due to system or technical issue (request for exception approval is to be submitted by Sourcing Staff prior to tender closing date).
- d) The receiving method and exception approval shall be documented in the Approval Paper for acknowledgement by approving parties.
- e) Tender submissions via email must not be copied to Requester or any other email address except secured email address; tender@etiqa.com.ph. Tender submission instructions to the suppliers must also clear.

A2.3 No conflicts of interest

- a) The Tender Evaluation Team should be large enough to encompass the various functions and disciplines involved, but small enough to try to minimise leaks. The people in the teams should be senior enough to be empowered to make decisions on behalf of their function or discipline.
- b) Any conflicts of interest, generally through relationships, and/or friendships with people that are involved in the tender must be declared to the Tender Evaluation Team, who will then decide whether the conflict is sufficient to separate the employee from the particular tender process.
- c) Please refer to ELGAP Code of Ethics and its subsequent updates. If the conflict is sufficient, then the relevant staff must withdraw from the evaluation or approval process.
- d) The need to declare extends not only to those involved in a particular procurement exercise, but to all employees who are involved, or may become involved, in the tender, as they may have relatives or friends working in suppliers' company.

- e) When in doubt, declare or discuss the interest. If the employee does not declare or discuss the interest, and it transpires later that there was such a relationship, the responsibility is on the employee to show that the relationship did not affect his/her judgment for the tender evaluation.

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A2.4 More than two suppliers

- a) The competition between suppliers always tends to result in lower prices for the company. All tenders must have at least three comparable submissions.
- b) The incumbent supplier must be invited. In the event the incumbent supplier is not invited for any other reason, the rationale and justification for the decision must be transparent and documented in the Approval Paper.
- c) In situations where less than three (3) submissions are received, it can be accepted as a valid tender and "acceptable responses" with the joint approval from Admin Head, IT Head and CFO prior to the award of business.
- d) "Acceptable Response" is defined as a complete response where the supplier submitting the proposal is fully capable of providing the required product or service.

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A2.5 Transparency of the process

Procurement is an obvious area where suppliers have an interest in trying to influence the decision-making process in their favour. The aim is to protect both ELGAP from any wrong doing, and also the employee from suspicion or accusation of such wrong doing. The process must be able to stand up to scrutiny and audit.

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A2.6 More than one person and function involved

- a) It provides check and balance in the process. It protects ELGAP from collusion between employees as well as employees and suppliers and it protects the employees from suspicion.
- b) The responsibility of sourcing for suppliers, issuance of PO, and checking the condition of the delivered goods should be done separately by different authorized personnel. These responsibilities should be rotated annually.
- c) For all procurement initiatives, respective Admin personnel in charge should be involved along with the Requester. This is to ensure a joint decision can be made and not to have only one department making the decision. At the same time, ELGAP's position and best interest must be discussed and agreed upon among all concerned stakeholders.

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A2.7 Getting the company the best value for money

- a) Competitive bid is the key
- b) Avoidance of unnecessary gold-plating i.e. asking for something that is more than necessary.
- c) Challenging the Requester, constructively in a positive manner.
- d) Admin Department should articulate company needs and the supplier selected should have the expertise to deliver a customised and innovative solution while providing maximum value to ELGAP.

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A2.8 Proper Controls

It is important that, throughout the process, proper standard of internal control are applied, so that the whole process stands up to scrutiny.

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A2.9 Strategic Partnerships

It is important to ELGAP that it builds a series of strategic partnership with key suppliers. The key issue is to ensure that the partnership is one of equals and that both benefits. This is achieved through benchmarking with other suppliers, other companies within the various shareholder groupings, etc.

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A3.0 PROCUREMENT PROCESS OVERVIEW

- a) The main roles of Admin Department involves aligning overall organizational strategy with buying strategy, category based approach to spend management, proactively leveraging demand and developing strategic partnership with suppliers. On high-level, procurement performs the following activities:
 - i) Consolidation and analysis of company-wide category wise procurement spend data
 - ii) Identification of strategic sourcing opportunities
 - iii) Performing internal and external analyses and assessing prospective suppliers
 - iv) Provide sourcing and contracting strategies to the procuring department
 - v) Support negotiations with suppliers and conclusion of contract (including leveraging on economies of scale)
 - vi) Performing Supplier Relationship Management (SRM) & Contract Administration.

b) Procurement generally adopts a structured 7-step Strategic Sourcing Methodology as indicated in Chart 1:

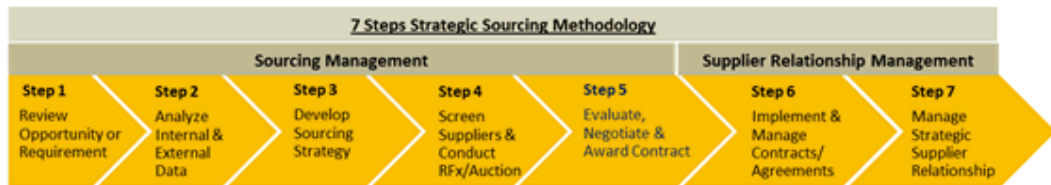


Chart 1: 7-Steps Strategic Sourcing Methodology

c) Based on the above 7-Step Strategic Sourcing, all procurement works will undergo sequential steps highlighted below which will be elaborated in length in Part B. It is the joint responsibility of the Requester and sourcing team to ensure appropriate strategies are applied and procurement process are conducted with integrity. A detailed Procurement Process shall be further elaborated in Part B: Procurement Process and Procedure. Kindly refer to [Appendix 4](#) for detailed reference of each Procurement Process within the Sourcing Process which focuses on supplier selection and shortlisting process.

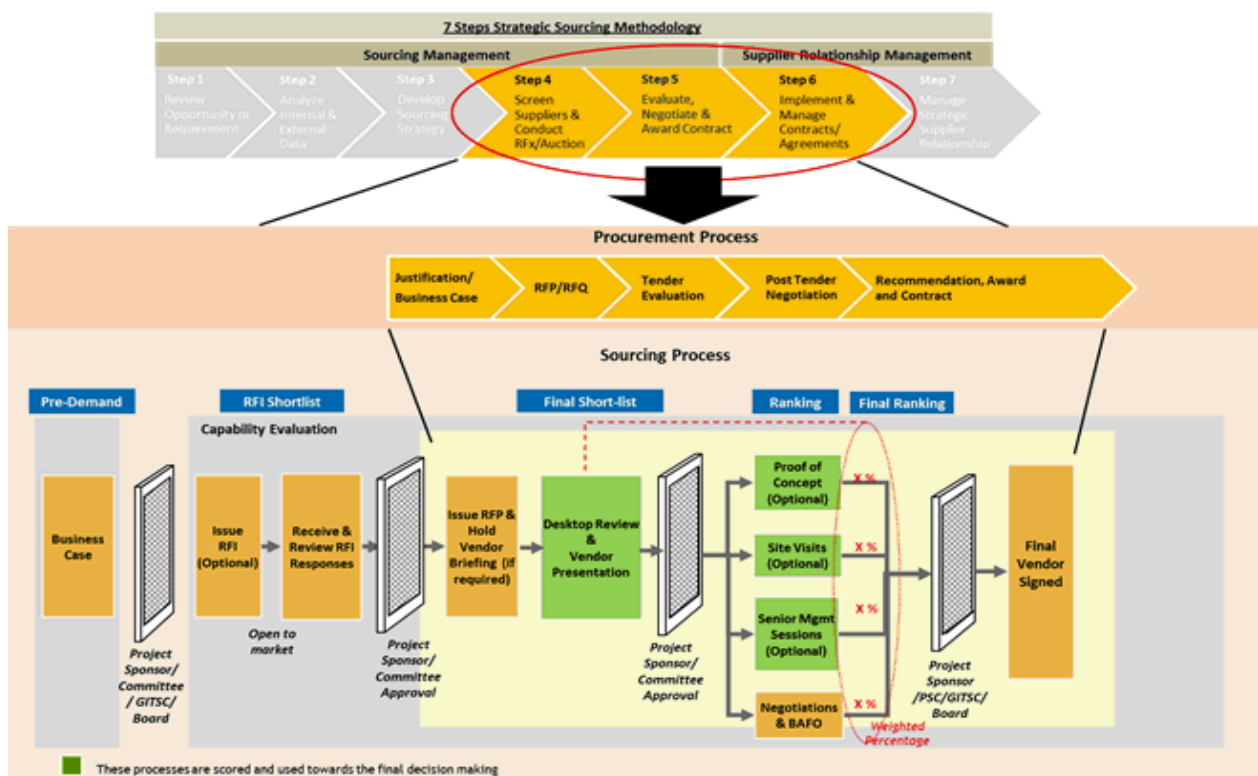


Chart 2: Sourcing Process within Procurement

d) Purchases shall not be broken into separate parts to circumvent the requirement of tendering process or to bypass the relevant Approving Authority

which are specified in the ELGAP DOA, and any equivalent, for processing and awarding of contract.

- e) Different purchasing values require different submission requirements. Below table provide a general guideline on the number of quotation required.

| Country | Threshold Value | Minimum No of Quote Required |
|-------------|-----------------|------------------------------|
| Philippines | >PHP30,000.00 | 3 |
| | <=PHP30,000.00 | 1 |

Table 1 : Threshold limit for competitive bid.

- i) One quotation
At least one quotation is required for purchase value **below and equal to Threshold Value.**
- ii) Three quotations
At least three (3) quotations are required for purchase value **above Threshold Value.**

Requester must highlight to Admin Department for consideration of potential strategic initiative should purchases exceed Php12,000,000.00.

- f) Requester may proceed with single quote for emergency situation. Emergency situation is when it creates a threat to public health, welfare, safety, security and business disruption. The following guidelines must be followed otherwise it will be procurement bypass:
 - i) Approval from the Approving Authority must be documented prior to the commitment with supplier;
 - ii) Purchase can only be made from ELGAP's registered supplier; and
 - iii) Documentation must include justification on the engagement and proceed with payment.

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A3.1 Single Sourcing

Procurement for items that fall under single source should follow the following guidelines.

- a) By default, procurement of goods and services in ELGAP must go through a competitive bid exercise e.g. RFP/RFQ. Below are some examples of (but not limited to) single sourcing scenarios;
 - i) Goods, services and assets of proprietary nature situation (i.e. copyrights, trademarks, patents, industrial design rights and trade secrets);

- ii) Purchases required under regulatory requirements i.e. by BIR, IC, SEC, DOLE, etc;
 - iii) Innovation projects initiated by PCEO Office with speed to market time constraint, subject to the DOA limits;
 - iv) Highly confidential services authorised/instructed by PCEO/Board Committees, subject to the DOA limits;
 - v) Maintenance for propriety goods and services contract; and
 - vi) Sole Source (a supplier that the only one from whom ELGAP can purchase certain goods, services or assets).
- b) Single source as a procurement sourcing strategy must be stipulated in the Business Case and/or Approval Paper with detailed justifications.
 - c) Supplier selected for the single source should require due diligence checks as stipulated in section B1.2(g) Supplier Selection.
 - d) Authority to approve any Single Source requisition shall be in accordance with relevant approving authority policies i.e. DOA or any equivalent.
 - e) Approval Paper must be approved by respective Approving Authority before commitment is made to supplier.
 - f) Single Source does not limit procurement to perform strategic sourcing from the market should there be a valid business justification to do so i.e. exceptionally high amount, availability of alternate source that offers even better overall value etc.

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A3.2 Retention of Documents

- a) All end to end tender documents and the contract is to be filed and stored by the Sourcing Staff and Requestor in a shared folder as centralised repository to enable the retrieval of document at any point of time.
- b) A copy of the following documents relating to the purchases are to be stored in the shared folder:
 - i) Business case (where applicable) and Approval Paper;
 - ii) Quotation from suppliers;
 - iii) Copies of tender evaluations and submissions;
 - iv) Letter of Award (LOA) (where applicable); and
 - v) Signed and stamped contract and contract checklist
- c) A hard copy of the signed in-force contract should be given to Legal Department for their file.

- d) There is no specific Philippine Law for retention of documents but per BIR RR 5-2014, taxpayers may now retain hard copies of books of accounts and other accounting records for the first five years of the prescribed period.

"Thereafter, the taxpayer may retain only an electronic copy of the hardcopy (paper) of the books of accounts, subsidiary books, and other accounting records in an electronic storage system," the issuance read.

The electronic system, the BIR noted, must comply with the agency's requirements, as stipulated in RR 5-2014.

- e) On the basis of the above, ELGAP policy is to keep procurement documents for a period of five (5) years from procurement, in line with the BIR RR 5-2014.

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A3.3 Contracts

A3.3.1 Guidelines for Contracting

Contracting for ELGAP shall be guided by following:

- a) All contracts, whether for goods or services, must go through the appropriate sourcing and contracting process.
- b) Only authorized personnel within Admin Department should be involved in negotiating commercial terms of the scope of work and/or terms of a contract.
- c) No commitment should be entered into before the contract is drawn up, unless there is proper spend approval of the item from relevant Approval Authority. In the event of a requirement to start work early, follow the process defined in Section B5.3 "Letter of Authorization (LOA)".
- d) For any deviation from non-commercial terms from the ELGAP Contract Template, it will require appropriate advice from Legal Department.
- e) Any negotiations, which may well be protracted in some cases, should be described as "subject to contract" or "without prejudice".
- f) Any commitment that ignores these steps is considered as non-compliance (see Part A: 4.0 Non-Compliance); it is important that we advise external parties of the approval and signing process, to protect ELGAP against any contract claims.
- g) Apart from Procurement Contracts, Purchase Order is acknowledged as a form of contract. Please refer to all [Appendix 5](#) for ELGAP Contract Template.

A3.3.2 Contract Management

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- a) A contract is required for every commitment made between ELGAP and its suppliers that does not use the non-catalogue method for procurement.
- b) A contract compliance checklist is required to be completed by the supplier as a guide for contract negotiations. This is applicable for new projects.
- c) Admin Department need to maintain a tracker of each valid contract and proactively attend to contracts which are expiring.
- d) It is the responsibility of Admin Department to ensure contracts are valid and supported with Approval Paper approved by respective Approving Authority.
- e) If there are any deviation from the standard contract terms and both parties are unable to conclude the execution of the contract, to escalate all outstanding issues to Requestor to seek for risk acceptance and direction for the contract resolution

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A3.3.3 Renewal of Contracts

- a) When a contract approaches six (6) months before expiry, Requester must consciously decide whether to renew the existing contract or go for new procurement, by assessing and documenting supplier performance using Admin Departments' template of Supplier Performance Evaluation form (refer [Appendix 6](#)) or any format that is equivalent and where applicable, benchmarking the contract price is to be validated by Admin Department to ensure that it is within the market rate.
- b) If the supplier is not performing in accordance to service commitments in the contract or the contract price is no longer reflective of the market rate, Requester shall request Admin Departments' involvement to source and obtain the best value for ELGAP through the negotiation of the existing commercial terms or a new tender.
- c) For contracts which have been approved with an option for extension clearly documented in the approval paper (eg. Initial term of contract 3 years + 2 years extension), the extension period of +2 years can be exercised without going back to the original approving authority, provided there are no changes to the agreed terms & conditions and rates.

However the extension of contract can only be executed by the original signatory of the contract, evidenced by a proper memo to document the invocation of the +2 extension period. In the event that the entire duration of the approved contract tenure has been

exercised i.e., the 5 years tenure as per the above example, any further extension will then require the approval from the relevant Approving Authority in accordance to the Delegation of Authority (DOA) as approved by the company dated 28 Jan 2016 (and the subsequent revision of the DOA thereon).

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A3.3.4 Early Termination

- a) If there is poor performance rendered by the supplier, early termination can be initiated by the Requester of the department overseeing the performance of the supplier. Requester is required to liaise with Admin Department and in managing such termination.
- b) Where a contract is to be terminated before its due date for any reason (e.g. force majeure, breach by supplier or for convenience) and before any notice is given to supplier, Admin Department and Legal Department must be consulted to ensure:
 - i) that the contract has a provision for early termination;
 - ii) that the particular circumstances justify an early termination (e.g. non-performance);
 - iii) that the circumstances has been communicated to the supplier; and the supplier has been given reasonable opportunity to rectify but failed within agreed timeline;
 - iv) that ELGAP has fulfilled its responsibilities and ELGAP is not responsible for suppliers' non-compliance, or breach of contractual terms; and
- v) Where the early termination of a contract arises as a result of unethical behaviour on the part of the supplier, this must be reported to the original Approving Authority.

A3.3.5 Requester's Responsibilities in Managing a Contract

With respect to each contract, Requester also has the following responsibilities:-

- a) to review and present to respective management of ELGAP for risk acceptance associated with non-standard contract terms and conditions (for example: insurance, taxes, liability, indemnity, termination, etc.);
- b) as applicable, to ensure the relevant team in ELGAP comply with

ELGAPs' obligations as described within the contract(s);

- c) to advise Admin Department if there is any changes to any points of contact;
- d) to advise Admin Department if there are any changes to the purchasing requirements or other terms;
- e) to advise Admin Department in the event of any dispute with supplier, following the guidelines in section **A3.3.10** "Contract Dispute"; and
- f) as applicable, to advise Admin Department if a supplier contract maybe closed upon completion or expiration or if a renewal, an extension or other amendment is required.

A3.3.6 Requirements for Legal Department's Review of Contracts

- a) Legal Department's review of a contract is required if either non-commercial (legal) terms and conditions have been modified from the pre-approved template language or if either party wishes to include any additional or unique non-commercial (legal) terms not otherwise directly covered by the pre-approved template language. This does not include modifications or additions to commercial (non-legal) terms and conditions. Non-commercial (legal) terms and conditions generally include :
 - i) Definitions;
 - ii) Warranties;
 - iii) Data Protection, security and privacy provisions;
 - iv) Intellectual Property provisions, such as license, license rights, patents, etc.;
 - v) Terms relating to supplier or ELGAP's liability, such as indemnifications and limitation of liability.
 - vi) Compliance with governing laws and jurisdiction;
 - vii) Provisions dealing with termination rights (or obligations) of supplier or ELGAP;
 - viii) General Provisions; and
 - ix) Terms and conditions governing the exchange of confidential information.

The foregoing is subject to the existing policy on turn-around time (TAT) on contract review.

A3.3.7 Signature Requirement

If appropriate, once the spend approval covering the value of the contract has been obtained, ELGAP employee with Approving Authority governed by Delegation of Authority (DOA) (refer [Appendix 1](#)) is

authorized to sign the Contract on behalf of ELGAP.

A3.3.8 Verbal Contracts

Verbal contracts representing ELGAP are strictly not allowed.

A3.3.9 Contract Execution and Effective Date

- a) The execution date is the latest date of signature by the parties to the contract.
- b) The effective or start date is the date the terms and conditions of the contract take effect. If an effective or start date is not stated within the Contract, the effective date is the execution date.
- c) Depending on the business circumstances, the effective date of a contract may be before the execution date, on the same day as the execution date, or after the execution date. Admin Department should generally avoid establishing an effective date prior to the execution date, however, it may be appropriate in some circumstances.

A3.3.10 Contract Dispute

- a) A contract dispute occurs when any party (ELGAP or supplier) in a contract has a disagreement regarding any of the contract terms of definitions or interpretations of the terms.
- b) When dispute of contract occurs, one or both of the parties may wish to have the contract enforced on its terms, or may try to recover for any financial harm caused by the breach. If a dispute over a contract arises and informal attempts at resolution failed, the most common next step is a lawsuit. For ELGAP, arbitration is an option instead of a lawsuit.
- c) For any procurement contract, dispute within ELGAP, Requester is required to seek further advice from Legal Department.

A3.3.11 Novating a Contract

- a) Novation of a contract usually happen when there is a need to:
 - i) replace an obligation to perform with another obligation; or
 - ii) add an obligation to perform; or
 - iii) replace a party to an agreement with a new party.

- b) A novation is valid only with the consent of all parties to the original agreement.
- c) A contract transferred by the novation process transfers all duties and obligations from the original obligor to the new obligor. Please refer to [Appendix 5 ELGAP Contract Templates](#) for Novation Letter Template.

A3.3.12 Sub-Contracting (where applicable)

- a) Any sub-contractor(s) to be engaged by the appointed supplier, it is to be made known by ELGAP prior to the engagement.
- b) The supplier is fully responsible to manage and is accountable for the actions and performance of their sub-contractor(s).

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A4.0 NON-COMPLIANCE

A4.1 Procurement Bypass

- a) A procurement bypass occurs when there is a breach of procurement process when purchase made outside the guideline specified in Procurement Manual.
- b) Some of the examples of procurement bypass include but not limited to the following:
 - i) any commitment made to supplier, where procurement process is not complied
 - ii) intentionally split requisition amount to multiple smaller value to bypass higher approving authority
 - iii) raise of single source form to circumvent procurement procedure without valid justification.
- c) Disciplinary action will be taken if there is any evidence of abuse or negligence in the procurement procedures.

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A5.0 LEGAL, REGULATORY AND ETHICAL CONSIDERATION

A5.1 Legal and Regulatory Guidelines

- a) For all sourcing activities conducted, contracts are governed by and interpreted in accordance with the law in the Philippines and each party must agree to submit to the exclusive jurisdiction of the Courts of the Philippines.
- b) The activities in arranging to source and buying goods and services for ELGAP will be managed within the guiding principles of the Philippine law, and any regulatory framework imposed upon insurance companies/financial institutions in the Philippines.
- c) Offshore sourcing should be conducted in a manner that would be acceptable both to the providing nation or state and law in that particular country. Wholly domestic contracts abroad must utilise the laws of the country or state concerned.
- d) ELGAP employee and supplier should ensure integrity in the performance of all contract.
- e) Contract shall take no action in violation of any laws, regulations or other requirements that govern contracting with ELGAP.

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A5.2 Ethical Consideration

- a) Any approaches by a supplier that go beyond the bounds of courtesy, or offer or receipt of gifts, and/or are of high value, should be declared and submitted to the employee's superior for approval/decision in accordance with Code of Ethics and Conduct.
- b) In all instances where any ELGAP confidential information is to be disclosed to a supplier, or other external party, it is mandatory to execute a Non-Disclosure Agreement prior to disclosure in order to protect ELGAP's information and interests and those of its customers. Please refer to [Appendix 5](#) ELGAP Contract Templates for NDA Template.
- c) In order to prevent a conflict of interest, employees must declare their interest and refrain (to the extent practicable) from participating in business transactions in which they have a personal interest. Failure to declare such an interest may in certain circumstances amount to a criminal offence. In this context, participation includes, without limitation, specifying requirements, defining the selection process, and supplier qualification and selection. Where it is not possible to entirely refrain from such activity, decisions should be clearly documented and reviewed by the Approving Authority.

- d) Any breach of these guidelines will lead to disciplinary action against the employee, and the immediate disqualification of the supplier, or potential revocation of the contract, where this is already in place, where bias is found. These measures apply when ELGAP is unaware of the conflict of interest.

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A5.3 Protecting Supplier and Procurement Information

ELGAP should adhere to following guidelines when handling supplier and procurement information:

- a) No releases of any spend data or contract-specific information.
- b) No release of any suppliers' pricing to another supplier or third party.
- c) No release of any specific supplier performance information to any external organization, other than to the specific supplier being evaluated.
- d) Release of supplier names can be made with supplier approval.
- e) No release of information or comment on any commercial or strategic planning aspects of ELGAP's relationship with any supplier.

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A5.4 Procurement Risk Management

- a) Any risks associated with the conduct of any procurement activities must be identified and managed.
- b) Admin Department has identified the following potential risk within procurement process. Kindly refer to [Appendix 7](#) for possible consequences and solution.
 - i) Critical Procurement Activity
 - ii) Selection of Procurement Strategy
 - iii) Planning
 - iv) Requirements definition
 - v) Sourcing
 - vi) Preparation and issuance of tender documents
 - vii) Receipt of tender submission and Evaluation
 - viii) Contract Management

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A5.5 Reciprocity



A supplier or prospective supplier whose relationship with ELGAP is that of customer or prospective customer shall enjoy no special favour or treatment, over and above that applied to any other supplier or prospective supplier. There will be occasions when suppliers and prospective suppliers are also customers or prospective customers of ELGAP and, in such circumstances, the potential impact of a sourcing decision on the trading relationship will be considered as an element of risk assessment.

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PART B : PROCUREMENT PROCESS AND PROCEDURES

B1.0 JUSTIFICATION/BUSINESS CASE



B1.1 Purchasing Goods and Services

- a) When a need arise to procure any goods and services, Requester should reach out to Admin Department to seek advice whether there is a need to start a sourcing process.
- b) Where there is a need to start a procurement activity, Requester and Admin Department shall be guided by Sourcing Process in Chart 2: Sourcing Process within Procurement.
- c) It is the responsibility of Requester to notify Admin Department on the need to start a sourcing activity through an official purchase request with justification and requirements of the need to purchase.
- d) Requester is required to prepare the specification and requirement of the requested goods and services (e.g. description, date of delivery and etc). Failure to comply will result in unnecessary delays in procuring goods and services.
- e) Once Admin Department has received purchase request, the team will process the purchase requisition and proceed with the next purchasing activities. Please refer to Table 1: Threshold limit for competitive bid.
- f) For single sourcing of goods and services, the Admin Department will proceed to negotiate commercial, contract terms (if contract is required) or Requester to proceed to raise PR and Admin Department to prepare PO. For single source guideline, please refer to Part A: 3.1 Single Sourcing.

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B1.2 Supplier Selection

- a) Prior to selecting a supplier, validation process need to be conducted to ensure supplier meet the minimum requirement(s) of ELGAP.
- b) When sourcing suppliers from open market, the following criteria may be used in selecting suppliers that is able to supply the services or goods required:
 - i) Market intelligence from press, professional reviews and magazines;
 - ii) Companies that perform similar work for other insurance/financial institutions; and

- iii) Suppliers can be sourced from places such as web, stock broker reports, trade journals, independent research reports etc.
- c) Request for Information (RFI) documents ([Appendix 8](#)) can be used to gather basic information from potential suppliers, if necessary.
- d) Once the duly filled RFI form is received, the Requester and Admin Department shall prepare a post RFI decision matrix based on supplier capabilities.
- e) Pre-qualification is advised where there are a large number of possible candidates, and especially where the materials or services are of low-complexity.
- f) The criteria used, the source of supplier selection, etc., must be agreed before the tender is sent. Requester and Admin Department should work together to ensure a reasonable selection is made. Ideally, there should be at least three candidates for every tender that tends to give a better chance of a fair deal.
- g) Requestor is to ensure compliance with the requirements of the [Group Anti-Bribery and Corruption Policy on the Vendor risk Assessment as per the e-SPI :- PP\SP\GOVERNANCE\0002](#)
- h) As part of supplier selection process, Sourcing Staff may conduct due diligence on the selected supplier(s) using following criteria:-
 - i) Identity of principal
 - ii) Relationship of supplier to the principal
 - iii) Organization chart by roles and total workforce
 - iv) Number of staff providing support/project services for that specific engagement
 - v) Number of years of experience in providing that specific goods and/or services
 - vi) Number of similar project/engagement completed specific to the goods and/or services.

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B2.0 REQUEST FOR QUOTATION/REQUEST FOR PROPOSAL



B2.1 Request for Quotation (RFQ)

- a) Request for Quotation (RFQ) is used when the specification of goods and services are known and price is the only main factor in selecting the successful supplier.
- b) RFQ containing specification of goods and services will be sent out to potential suppliers via email or manual collection to solicit for price quotation. Sufficient time should be allowed for quotations preparation by the suppliers.
- c) RFQ responses must be properly and fairly evaluated, documented and retained as per sub-section [A3.2](#) Retention of Documentation.

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B2.2 Request for Proposal (RFP)

- a) Request for Proposal (RFP) is used for the goods and services that cannot be quantitatively or qualitatively expressed in sufficient details such as professional services and complex IT services and equipment, and etc. Please refer to [Appendix 9](#) for sample of RFP template.
- b) The Sourcing Staff must establish Tender Evaluation Team to conduct the evaluation. At a minimum, the Tender Evaluation Team must include Admin Department and the requestor.
- c) Both of the Requester and Admin Department shall specify the requirement of the goods and services. It is crucial to have a detailed RFP to avoid any confusion that will result in a delay of tendering process. The following items shall be made available in a RFP:
 - i) Scope of goods and services;
 - ii) Comprehensive user requirement in functional and performance terms;
 - iii) Defined technical characteristics and specification;
 - iv) Terms and conditions of the tender;
 - v) Time and date of closing of tender; and
 - vi) Detailed mandatory requirements.
- d) Both technical and commercial evaluation criteria and weightings must be determined prior to the release of tender document to suppliers.
- e) Admin Department and Requester shall jointly identify the potential suppliers and RFP will be sent via email.
- f) During RFP exercise, suppliers may be invited to come over for site visit or

briefing session for better clarity depending on the nature of purchasing items.

- g) Sufficient time should be allowed for proposal preparation by the suppliers. It is recommended for RFP submission to be submitted in two (2) separate submissions; one containing technical/capability proposal and the other one commercial proposal. Nevertheless, this can be determined prior to issuance of RFP to suppliers between Admin Department and Requester.
- h) RFP responses must be properly and fairly evaluated, documented and retained as per sub-section [A3.2](#) Retention of Documents.
- i) Defect Liability Period/Retention Sum (if applicable)
 - i) A certain amount from the contract value should be retained by ELGAP to ensure Supplier to immediately rectify any defects/defaults.
 - ii) Should a project or purchase require any Retention Sum during Defect Liability Period, Requester must highlight this requirement in tender document for transparency purposes. Please note that not all form of purchases require Retention Sum. This should be determined on a case to case basis.
 - iii) In case of high value purchase or contract of services, what is adopted in the Philippines is the payment of down payment upon contracting and full payment on completion. In case of defect, ELGAP can withhold the final payment.
- j) Proof of Concept (Mandatory for IT Project and Optional for Non-IT Category)
 - i) Proof of Concept (POC) is appropriate for procurement of IT applications/solutions.
 - ii) This step provides the process to verify earlier claims by supplier's in their Capability/Functional/Technical proposals, by conducting a Proof of Concept (POC) test, to assess, test and verify:
 - a supplier's capability to deliver on their proposal;
 - a product's functional and technical capabilities;
 - design ideas and assumptions; and
 - any critical functionality of complex solutions with key dependencies.
 - iii) The appointed evaluator for desktop review must be the same as for Supplier presentation. For the subsequent evaluation steps, (i.e. Proof of Concept (POC), Site Visit and Senior Management Engagement Session) the appointed evaluators are highly recommended to be involved from the earlier sessions.
- k) Site Visits (if applicable)
 - i) Site visits are conducted to have face-to-face session with the suppliers' clients at their premise to further assess, validate and confirm the suppliers' solutions by means of discussion as well as potentially looking at the usage of the solutions implemented at the clients' end.

- ii) It is optional for Requester and Admin Department, and it should always be carried out by more than one person. Employee must adhere to the ELGAP's Code of Ethics and be professional when conducting site visit.
- iii) This step provides for a standardised approach when Requester and Admin Department conducting site visits which are designed to:
 - further assess/confirm/validate the supplier's solution and capabilities and validate the assessments and conclusions of the earlier stages of the evaluation process;
 - clarify and resolve any outstanding risk issues; and
 - obtain independent views of the supplier from the supplier's client (if present).
- l) Samples from Suppliers (if applicable)

When a Sourcing Staff accepts samples directly from a supplier, the following guidelines apply:

 - i) ELGAP solicits as few samples as possible from suppliers;
 - ii) ELGAP will typically only accept samples from suppliers for purposes of technical qualification and capability demonstrations;
 - iii) Samples cannot be accepted when these samples are for personal use of ELGAP employees;
 - iv) Acceptance of samples cannot be made with any commitment that such sample will result in purchase of goods and services from ELGAP; and
 - v) Samples can only be accepted when ELGAP is willing to return or pay (if required) for samples if requested by the supplier.

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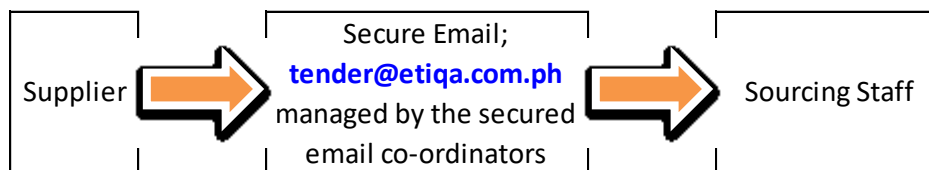
B2.3 Receipt and Opening of Tender Documents

In order to ensure that the activities in the tendering process are conducted in a fair, transparent and consistent manner, information relating to the proceedings of quotation and on any documents selected shall not be communicated to any other unauthorised person or party. Tender can be submitted through options tabled in Table 1: Threshold limit for competitive bid.

B2.3.1 Secured Email (if applicable)

- a) Secured email; tender@etiga.com.ph is a dedicated email address managed by secured email co-ordinators. Please note that the use of secured email as a method for tender submission must be recommended by Admin Department and to be highlighted in tender document as a method for tender submission.
- b) Personal email is strictly prohibited to be used as a tender submission method for any RFQ/RFP.

- c) Following is the guideline in opening of tender submission through secured email:
 - i) Suppliers must submit the proposal/quotation no later than the stipulated date and time. Tenders submitted later than the stipulated time and date may be rejected.
 - ii) All submissions shall remain unopened until the time and date specified in tender document where all submissions are to be open together.
- d) The Sourcing Staff and secured email coordinators are responsible in ensuring that all documents are kept and archived for audit trail and audit purposes.
- e) Depicted below is the flow of tender submission via secured email:



- f) The email coordinators are the Head of Admin, Head of IT and CFO.

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B2.4 Amendment, Late or Non-Compliant Tender Submission

- a) Any tender submission may be withdrawn, supplemented or amended prior to the tender closing date but should be avoided if possible. However, the amendment shall be in the form of addendum stated in writing (via official email or memo). Where the issuing of addendum is essential, all suppliers must be issued with a copy in sufficient time, to allow for the amendments in their Tender price.
- b) Where there is a need for time extension of tender submission, the request for time extension has to be submitted prior to tender closing time with valid justification. Below are the guidelines:
 - i) Time extension within a day will require written approval from Admin Head or CFO.

- ii) Time extension of more than one day, written approval is required from both Requester and Admin Head or CFO.
- iii) Valid justifications and approval are to be documented.
- iv) All participative suppliers are to be notified on the extension of tender submission.
- c) Suppliers who have submitted their proposals before the scheduled closing date and time shall be given the opportunity to retract their proposals and resubmit by the revised closing date/time if they wish to do so.
- d) Tender submitted by suppliers is considered as final and no revision of tender is allowed after tender closing date. However, if revision of a tender is justified due to unusual circumstances (e.g. changes in the specifications or requirement from ELGAP); all suppliers should be given the same privilege to re-quote.
- e) Any tender submission received after the closing date and time ("late tender submission") cannot be treated with the same degree of probity as formal tender submission received by the due date unless written approval from the Head of Admin or CFO are sought on the same day before late tender submission could be accepted based on justification provided by the supplier and upon further consideration by Admin Department and Requester. Sourcing Staff is not allowed to open on time tender submissions until approval for late tender submission is granted from the Head of Admin or CFO.
- f) Late tender submission can be submitted via secured email; tender@etiga.com.ph. If so, the reasons for this decision should be documented in Approval Paper. After opening of tender submissions, any tender subsequently received is to be declared non-compliant.
- g) Any unsolicited tender or offer is not valid under ELGAP Tender process.
- h) Where a supplier ignores a clear instruction stated in the tender document, the rectification of which at a later stage, might potentially give it an advantage (e.g. by being able to include something omitted when the other Tenders had been opened), the Tender should be rejected for non-compliance.

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B3.0 TENDER EVALUATION



B3.1 RFQ Evaluation

Title: PROCUREMENT MANUAL

Issued By: Administration Department, Human Capital Division

Since price is the only factor for RFQ evaluation, the lowest Total Cost of Ownership (TCO) will determine the successful supplier given the same specifications. Admin Department may shortlist few suppliers and proceeds with negotiation process before deciding on the successful supplier. In the event where the supplier with the lowest TCO is not selected, justification must be made and appropriate approval must be obtained from the Approving Authority.

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B3.2 RFP Evaluation

- a) Segregation of duty is the key to provide check and balance in the process. Therefore, for RFP evaluation, two teams shall be appointed to carry out the quotation evaluation. The technical evaluation team is responsible to carry out the technical/capability proposal and the commercial evaluation team to evaluate commercial proposal.
- b) Technical evaluation team should consist of staffs that are knowledgeable in the area under evaluation; where the appropriate level of internal skills is not available, the use of external resources should be considered. While the commercial evaluation team would cover staff from Admin Department, Requester, Finance, and Risk Management, where appropriate.
- c) In the event of the staff personnel gets appointed into one of the two teams, this personnel shall not be appointed to another team. These teams should be large enough to encompass the various functions and disciplines involved, but small enough to try to minimize leaks.
- d) The evaluation of quotations can be carried out in two stages or simultaneously. In the two stages approach, commercial quotations shall not be opened until the technical/capability evaluation is concluded. In order to be transparent, the evaluation criteria (i.e. scoring criteria, weightage, and minimum passing mark for short-listing) must be fixed at the outset, to avoid any suggestion of bias towards one supplier or another.
- e) Each of the factors should be given a weighting, reflecting their importance, in the overall success of the procurement category item. The weightage will vary from proposal to proposal, but must always be determined before the proposals are reviewed.
- f) Suppliers will be shortlisted based on their ability to meet or exceed the pre-set threshold scores for technical/capability evaluation and the most commercial competitive submission.
- g) A minimum of two suppliers shall be shortlisted to proceed with the negotiation process, where possible.

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B4.0 POST-TENDER NEGOTIATION



- a) Post tender negotiation with the shortlisted top two (2) or three (3) suppliers is strongly recommended as this is the position at which ELGAP has the strongest bargaining power. Negotiation with only one supplier after the tender process should be avoided, unless there is a rationale to do so.
- b) A negotiation team shall be setup to conduct post tender negotiation process. This negotiation team shall consist of Requester and representative from the Admin Department with appropriate negotiation skills.
- d) To ensure integrity and fairness of the negotiation process, the team shall follow the following guidelines when conducting negotiation:
 - i) Good record keeping on the progress of negotiation;
 - ii) Supplier's offers are confidential and should not be discussed with other suppliers; and
 - iii) Suppliers must not be given the impression that entering negotiations in any way assures them of success in winning the tender.
 - iv) All negotiations are to be undertaken by authorized personnel from the negotiation team with the appropriate skills and training. Integrity must be maintained and code of conduct must be adhered to all times.
- e) All suppliers have the original opportunity to offer their lowest price, so the playing field was level at that stage. Suppliers are allowed to submit the Best and Final Offer (BAFO) after the negotiation is completed, at the date and time specified by Admin Department.

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B5.0 RECOMMENDATION, AWARD AND CONTRACT



B5.1 Recommendation & Award

- a) In all cases, Approval Papers must be submitted to relevant Approving Authority. For submission to committee, i.e. MANCOM/ITSC/Board, sufficient time must be given to members of the said committee before the meeting to

read the papers. Please refer [Appendix 2a, 2b, and 2c](#) for templates for submission to MANCOM, ITSC, and Board. For small spend purchase that will require approval from Approving Authority (PCEO), please refer to [Appendix 2d for Simplified Approval Template](#) (applicable for IT and NON-IT category).

- b) All Approval Paper must make the respective Approving Authority aware of all relevant facts in the decision/recommendation of award. For spend amount which require approval beyond MANCOM /ITSC limit of authority, all procurement related papers are to be tabled at MANCOM /ITSC for approval or endorsement by MANCOM Members before submission to Board approval. In the event Requester is uncertain of the final value on the project based contracts, contingency of up-to ten percent (10%) on the approved contract value is allowed provided it is clearly mentioned in the MANCOM/ITSC/Board paper and approved accordingly.
- c) The final recommended supplier is selected based on the final scoring of the technical evaluation (only applicable for RFP evaluation) and the commercial evaluation. All decisions must be provided with supporting reasons. Any reservation, or dissent amongst the evaluators, must be highlighted at this stage.
- d) The Approval Paper must be comprehensive and contain all information an approving authority is required to know in a structured and logical manner.
- e) Based on the recommendation, the Approving Authority may decide to:
 - i) Award the tender as recommended;
 - ii) Ask for re-evaluation or re-negotiation; or
 - iii) Abort the tender if dissatisfied with either the process or the results, in terms of costs and offering.
- f) Once the award recommendation has been approved by the Approving Authority, the successful supplier shall be informed by Head of Admin (for spend approved by MANCOM/ITSC/Board) or Admin Staff (for spend approved by individual DP) and thanked for their participation. No reasons are needed to be given to the unsuccessful suppliers. Kindly refer to [Appendix 10](#) for Letter to Unsuccessful Supplier.

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B5.2 Purchase Order (PO)

- a) A Purchase Order (PO) shall be issued based on the information given in the Purchase Requisition (PR) form, quotation submitted by the successful supplier and with the approved recommendation made by the tender evaluation team.
- b) Purchase Order shall then be signed by the Approving Authority, with indication of the name and designation of the Approving Authority.

B5.3 Letter of Award (LOA) or Letter of Intent (LOI)

A formal contract is the best solution to bind the commitment between ELGAP and supplier. LOA/LOI may be issued to supplier as a written confirmation of award to the successful supplier based on Requester's request which must be followed by a formal contract later. These LOA/LOI and contract shall be reviewed by Legal Department and signed by the respective Approving Authority, with indication of the name and designation of the respective Approving Authority.

B5.4 Letter of Authorization ("LOA")

- a) When Admin Department and/or Requester requires a supplier to start work (i.e., provide goods and/or services) before contract is executed, a Letter of Authorization (LOA) is to be used.
- b) The LOA process is intended to be used in circumstances where work is required to commence prior to completion and signing of the contract. An LOA must be approved by ELGAP employee with appropriate Approving Authority to cover the value of the commitment of the LOA and must be supported with valid justifications.
- c) Sourcing staff is responsible to retain and track the LOA until contract execution. Requestor and Finance Department should keep a copy of the LOA and the signed contract for reference purposes.

B5.5 Procurement Contract

- a) Procurement contract shall be prepared based on the principles to safeguard the interest for both parties. Besides that, a contract should be tailored to the particular legislations and regulations of its local engagement and international economic market. Kindly refer to [Appendix 5](#) for Contract Templates. The following gives an overview on the fundamental criteria to be included in procurement contract.
 - i) Critical terms such as specification of goods and services, price basis and payment terms;
 - ii) Ownership transfer of goods and services;
 - iii) Key contractual terms and conditions;
 - iv) Cost payment arrangement for the work done, materials ordered throughout the procurement life cycle. (if relevant); and

- v) Any taxes and duties components applicable.
- vi) All contract value must be within the Recommended Award Paper value by Approving Authority
- b) Duration of a Contract: Perpetual contracts are not allowed. Exemption approval by DOA or Approving Authority is required for any perpetual contracts.

All contract terms and conditions must be within the Recommended Award Paper by Approving Authority.
- c) A contract vetting process shall be performed by the Requester, Legal Department and Admin Department jointly whereby all the terms and conditions, deliverables, payment terms are to be reviewed before signing of the formal contract.

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B5.6 Variation Order

- a) All changes to the original contract/award value due to changes in scope of work or specifications of goods or services shall be reflected in a ratification Approval Paper. This is applicable if the revised contract value exceeds the original approved contract value unless stated upfront in the original approval paper.
- b) Requester shall prepare the ratification paper, detailing the description and reason of changes, risks of such changes, additional cost incurred impact on the current schedule and anything that is deemed as necessary to justify the changes.
- c) Any variations to the contract sum beyond the approved value must be pre-approved by the original Approving Authority. Requesters are not allowed to spend beyond the approved contract value without prior approval from the original Approving Authority.
- d) Requesters are also not authorised to continue with purchases beyond the expiry dates of the contracts.

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B5.7 Performance and Quality Monitoring

- a) Performance and quality monitoring are crucial to ensure that the procurement objectives and outcomes are achieved, and at the same time, value for money.
- b) Requester is responsible to ensure that all goods received are in a good condition and services provided are adequate and in accordance with the PO/contract before the signing of invoices or any evidence of receipts.

- c) Requester is required to conduct a performance evaluation either by using the Supplier Performance Evaluation form as attached in [Appendix 6](#) or any other evaluation criteria assessed and approved by Admin Department.
- d) Where applicable, Requester is recommended to conduct a contract review to determine if their requirements are being met. In the event of non-compliance or breach of contract, Requester may seek the advice from Admin Department and Legal Department and remedies shall be enforced.

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HELP DESK

For further inquiries, kindly contact Admin Department Support Help Desk as follow:

| Organisation Unit | Contact No. |
|--|-----------------------------|
| Administration Department, Human Capital Division | 02-8890 1758 ext 217 or 310 |

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APPENDICES

| Appendix | Title |
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| 1 | DOA |
| 2 | a) Approval Paper |
| | b) ITSC/GITSC IT Spend |
| | c) Board Paper |
| | d) DP Approval Paper Template i) IT ii) Non-IT |
| 3 | Business Case Proposal Process Flow |
| 4 | Sourcing Process Chart |
| 5 | ELGAP Contract Template |
| 6 | Supplier Performance Evaluation Form |
| 7 | Procurement Risk Management |
| 8 | RFI Template |
| 9 | RFP |
| 10 | Letter/Email of Notification to Unsuccessful Supplier |

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