

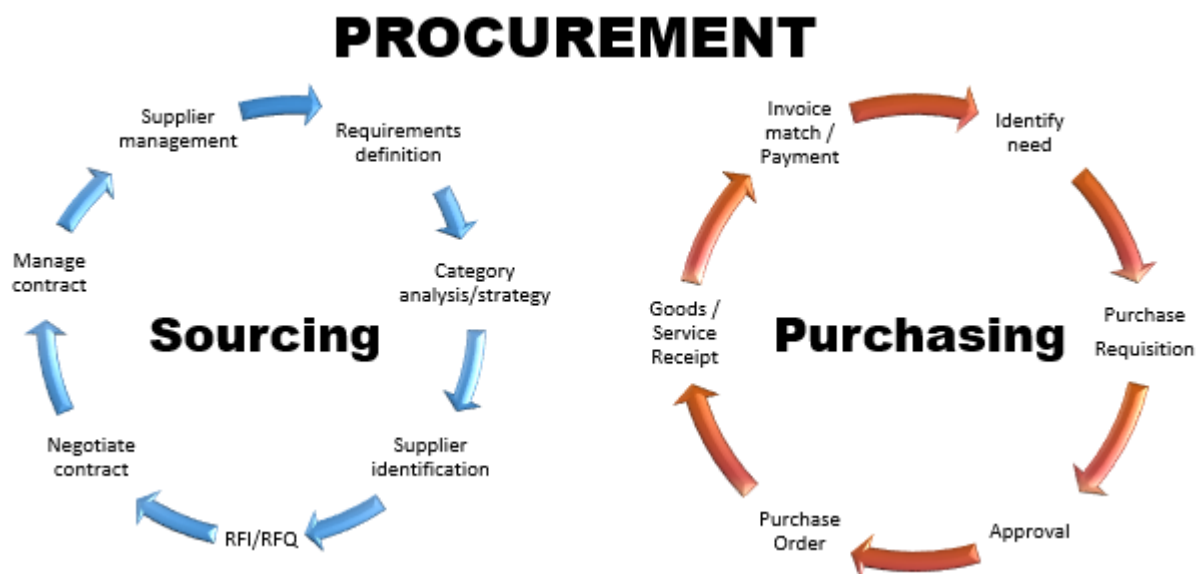
1.2 Definitions and concepts

1.2.1 Procurement vs purchasing

The terms “procurement” and “purchasing” are often used interchangeably but purchasing is just one of the many activities involved in procurement. Procurement is concerned with acquiring the goods, services and work that are vital to an organisation, and can be broken down into the following elements or phases:

- Definition of needs
- Market consultation
- Selection
- Negotiation
- Purchasing
- Evaluating

Procurement is the process within which purchasing and sourcing sit. Sourcing is a set of activities conducted before purchasing, usually including market research. It revolves around the needs’ definitions and formalisation of the relationship with potential providers of required goods and services. Purchasing focuses on how goods and services are ordered and delivered. At the time of purchasing, sourcing has usually either already been completed, or its requirement may have been waived under exceptional circumstances.



1.2.2 Roles and responsibilities

Roles and responsibilities evolve along the procurement cycle.

Note: RACI matrices, which are used throughout this manual, break a process into steps, specifying who is responsible, accountable, consulted and informed at each step of the process.

SOURCING	Responsible	Accountable	Consulted	Informed
Needs definition	Requestor	Requestor	Technical adviser	Procurement lead
Category analysis	Procurement lead	Procurement manager	Technical adviser	Requestor
Supplier identification	Procurement lead	Procurement manager	Technical adviser	Requestor
Request for quotes	Procurement lead	Procurement manager	Requestor	Requestor
Contract negotiation	Procurement lead	Procurement manager	Legal Finance Requestor	Requestor
Contract management	Procurement lead	Procurement manager	Legal	Requestor
Supplier management	Procurement lead	Procurement manager	Technical adviser Requestor	Requestor
Risk management	Procurement lead	Procurement and supply chain dept.	Legal Finance Requestor	Requestor Finance

PURCHASING	Responsible	Accountable	Consulted	Informed
Needs identification	Requestor	Requestor	Technical adviser	Procurement lead
Raise requisition	Requestor	Requestor	Technical adviser	Procurement lead
Obtain internal approvals	Requestor	Requestor	Budget holder Finance	Technical adviser
Raise purchase order(s)	Procurement lead	Procurement and supply chain dept.	Budget holder Finance Requestor	Requestor
Goods reception	Warehouse Proc. lead Requestor	Procurement and supply chain dept.	Technical adviser	Requestor
Payment	Finance lead	Finance dept.	Procurement and supply chain dept.	Requestor

1.2.3 Authority to procure

Authority to conduct procurement includes entering contracts, negotiating them or amending them and inviting suppliers to bid for contracts for the organisation. Authority to procure is usually held by the logistics division, though other staff may also require authority to procure.

The GADs that the BRC signs with PNS/HNS/IFRC may also delegate procurement authority, by which the BRC allows partners to conduct procurement activities with funds that the BRC provides to them.

All staff who are given the authority to procure and do not have it in the terms of their job description should ensure that their job description is amended; this should remain in their HR file. The programme manager can propose a list of staff who should be given authority to procure. In case there is disagreement on the allocation of authority, the Head of Logistics can overrule the decision and owns the final decision on who has this authority. In all cases, the regional logistics coordinator at the BRC should ratify the programme manager's allocation of the authority to procure.

It is good practice to keep records of authority to procure – staff with authority to procure should fill out a **Delegation of procurement authority**, to be signed off by the Head of Logistics and Head of Programme as applicable.

Authority to procure

The person with procurement authority is personally accountable for any improper use of this authority or for anyone acting without proper authority in their delegation, office or programme.

The person with procurement authority is personally accountable for any improper use of this authority or for anyone acting without proper authority in their delegation, office or programme. Before making the procurement, they must check that:

- Local laws, rules and regulations and BRC procedures have been complied with
- The commitment has been approved at the appropriate levels
- The commitment is in the best interest of the BRC

Where BRC has signed an integration agreement (IA) with the IFRC in a country where the BRC work with the NS (in other words, a multilateral partnership), the IA sometimes includes procurement rules, which means that authorisation levels and thresholds might differ from those applied by the BRC. In this case, IFRC procurement procedures apply to BRC-led procurement, but also where NS staff conduct procurement under a BRC-funded programme. BRC international logistics should be consulted on this before a new IA is signed, to ensure that there is clarity on the rules.

Where the IFRC is not part of the partnership, the applicable procurement thresholds will be defined in the GAD with the PNS (this is called a bilateral partnership).

1.2.4 Procurement principles

Procurement principles defined by the BRC are in line with the organisation's principles, as defined in its fundamental principles:

ORGANISATIONAL

Placing the **requirements of the British Red Cross** at the heart of what we do

Managing our suppliers in a way that mitigates the exposure to any **risk**

Driving **value for money**

Enabling effective **competition** that is open, fair and transparent

Driving **continuous improvement** that delivers innovative solutions and **sustainable** benefits

Procurement principles are safeguarding concepts that should be guaranteed in all procurement processes undertaken in the name of the BRC. These include:

GENERAL PROCUREMENT PRINCIPLES		
<p>Proportionality The larger the risk, the more complex the process</p>	<p>Transparency All suppliers receive the same information</p>	<p>Segregation of duty Different decision-makers along the process</p>
<p>Fairness All suppliers are treated equally</p>	<p>Value for Money The best possible quality at the best possible price, for the best possible impact</p>	<p>Respect for applicable legal framework</p>

1.2.5 Risk management

1.2.5.1 Identifying risks

All procurement activities present different levels of risk to the organisation conducting them. Before starting the procurement process, it is important to assess that risk and the appetite there is to expose the organisation to it. A risk-based approach that considers different types of risk and the appropriate mitigating actions is a healthy way of ensuring that procurement is in line with the main principles described above. When assessing risks linked either to a specific high-value procurement or to a programme’s overall procurement plan, consider the following:

PROCUREMENT RISKS		
<p>Financial Relates to the total value of the procurement Particularly high in cash transfer programmes where the total value of transfers may have to be paid in advance.</p>	<p>Type of goods Some goods are “riskier” than others to procure</p>	<p>Supply chain Actors involved in the supply chain, transport needs, etc.</p>
<p>Payment recipient Investigation into ownership of engaged companies may be required</p>	<p>Country of origin/ destination Legal framework for manufacturing, shipping or quality management may be below acceptable levels</p>	<p>Programmatic risks Regardless of value, a specific procurement being delayed or compromised can put the entire programme at risk</p>

1.2.5.2 Managing the identified risks

Based on the rating against each of these risks (consider the likelihood and impact of each of the identified risks to evaluate the risk, using the below **risk management matrix**), it is the responsibility of the procurement lead to design and implement mitigation actions. Use a risk assessment tool to capture these factors and include the findings in a programme risk register.

Remember

$$Risk\ Rating = Likelihood \times Impact$$

		Impact →				
		Negligible	Minor	Moderate	Significant	Severe
Likelihood ↑	Very Likely	Low Med	Medium	Med Hi	High	High
	Likely	Low	Low Med	Medium	Med Hi	High
	Possible	Low	Low Med	Medium	Med Hi	Med Hi
	Unlikely	Low	Low Med	Low Med	Medium	Med Hi
	Very Unlikely	Low	Low	Low Med	Medium	Medium

Once risks are identified, it is the responsibility of the programme team to decide whether:

- the level of risk is acceptable to conduct the procurement,
- the procurement process needs to be flagged on a **risk register** for the consideration of management
- the procurement process should be cancelled.

Regional Logistics Coordinators within the International logistics team of the BRC can always be consulted to support informed decision making on procurement.

1.2.5.3 Due diligence

Due diligence involves taking steps to be certain that the relationship with the supplier does not put the organisation at risk, through a comprehensive appraisal of a supplier that looks at assets, liabilities and processes against financial, ethical and environmental considerations.

When due diligence is considered as part of a procurement process, it is the responsibility of the procurement lead to conduct it. The due diligence framework in the BRC is managed by the Corporate Procurement Team (CPT), and the International department supports the implementation of systems to ensure that due diligence is conducted appropriately.

1.2.5.4 Fraud and corruption

An anti-fraud and corruption policy should be in place in each partner organisation that is involved in procurement activities. The BRC's **anti-fraud and corruption policy** sets out our approach to preventing fraud and corruption within the organisation, as well as how to manage it if it occurs. It is available from RedRoom or from the Logistics team for reference.

1.2.5.5 Conflict of interest and confidentiality agreements

Conflict of interest is a form of corruption and occurs when someone conducting a procurement process has an interest in driving it in a specific direction, based on relationships, financial interests or favouritism.

Anyone involved in procurement should be aware of emerging conflicts of interest and make them explicit. They must also declare any way in which they might have a conflict of interest in a particular procurement process, through a declaration of conflict of interest form (see conflict of interest policy).

All instances of failure to disclose a conflict of interest will be investigated in line with the established disciplinary process, which may lead to dismissal where gross misconduct is proved.