

 جامعة الشارقة UNIVERSITY OF SHARJAH	Policy Main Title	Fiscal Resources and Procurement	Effective Date	1/10/2021
	Policy Subject	Procurement Governance	Last Review date	11/12/2025
	Policy Number	FRP-18	Next Review date	10/03/2028
	Responsible Entity	Procurement and Supply Chain Department	Approved By	VCFAA

## Overview

The Procurement's Key Governance Principles set out the guidelines and policies that govern the behavior and actions of the procurement employees involved during the procurement of goods/materials or services requested on behalf of the University, referred herein as "UOS". This policy outlines the main framework and structure established by UoS to control all purchasing activities.

## Scope

This policy applies to all finance and procurement departments. The scope of this policy covers the Key governance principles and the procurement code of conduct. The top management should be aware of this policy.

## Purpose

The main purpose of this policy is to:

- Protect the procurement employees and their interests by providing clarity on actions that are deemed unethical;
- Strengthen UOS' governance and ensure all procurement activities are carried out in the utmost transparency and fairness;
- Act as a deterrent to fraudulent behavior; and
- Protect the reputation of UOS in the market and with its vendors.

## Abbreviations and Definitions

**UoS:** University of Sharjah.

**Procurement Code of Conduct:** A set of rules, regulations, ethical standards, and behavior that governs the purchasing process.

## Policy

- All procurement activities shall be carried out by the procurement employees in line with the leading practices and UoS governance principles.
- The Procurement Code of Conduct should encourage adherence to a level of integrity and create a heightened awareness and common appropriate conduct by the procurement employees.
- All procurement activities shall be carried out by the procurement employees in line with the leading practices and UoS governance principles.
- Procurement employees are prohibited from participating in any bids issued by UOS.
- Employees with a concealed financial interest shall not be involved in any commercial activity that involves UOS and its vendors.

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## Procedures

### Key Governance Principles

All procurement activities shall be carried out by the procurement employees in line with the leading practices and governance principles articulated below:

- **Transparency:** Enhance transparency through setting out guidance on avoiding or appropriately dealing with conflict-of-interest situations.
- **Best Value for Money:** Achievement of the best value for money by obtaining competitive and fair prices from vendors.
- **Fairness and Equality:** Provide fair and equal opportunity to vendors to ensure achieving healthy competition among bidders.
- **Procurement Planning:** Development of an annual procurement plan in line with the approved budget and after obtaining the required approvals. Such plan shall be subject to review and update on a regular basis.
- **Vendor Pre-qualification:** shall be made based on fairness, equality, and competency.
- **Fair Prices:** Build and sustain business commitment with vendors based on fair prices that do not exceed market rates.
- **Cost Saving:** cost saving is defined as “identified saving” which are measured based on the analysis of existing spend base, benchmark, best practices, market intelligence and category expertise. Such savings are measured whether or not savings are actually delivered. While “realized saving” are not considered valid until spending and transaction have occurred. It is measured as the difference between the original cost (pre-sourcing cost) and the actual price paid. The following are the various cost savings scenarios that could be met:

#### a) Standard Method (last paid price – new price)

This method is used when the savings result from the difference between baseline and negotiated price. For example, when vendors are changed or when similar material / goods /services are bundled, resulting in a better price per item. Savings in this scenario are calculated as follows:

$$\text{Savings} = (\text{baseline price} - \text{negotiated price}) * \text{volume}$$

#### b) Free of charges Extra

These are the savings realized when contracts negotiated with vendors include ‘extras’ that have not been part of the goods / services / projects offering of past purchases. Savings in this scenario are calculated as follows:

$$\text{Savings} = \text{Savings from free of charge 'extra' per unit} * \text{volume}$$

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### c) Fluctuating market price with market Index

This method of calculation is used when the cost savings can be attributed to a changing market index that results in a better future price (with respect to the market price). This method is applicable for commodities where prices are linked to indices and change frequently. Savings in this scenario are calculated as follows:

$$\text{Savings} = \text{Forecasted spend with historical index value} - \text{forecasted spend with new index value}$$

### d) Fluctuating market price without market Index

This method of calculation is used when there are no market price references available and poor benchmark / reference. Savings in this scenario are calculated as follows:

$$\text{Savings} = (\text{Initial offer} - \text{negotiated offer}) * \text{expected volume}$$

### e) Volume Rebate

This method of calculation is used when the vendor offers rebates on volume or similar incentives, which have not been included in previous purchases. Savings in this scenario are calculated as follows:

$$\text{Savings} = (\text{new rebate per unit} - \text{old rebate per unit}) * \text{volume}$$

### f) Re-engineered specification (substitution) / rationalization

For some goods / services / projects, the specification can be changed to reduce the price. New specifications examples may include (but not limited to) using black and white printers instead of coloured printers, using standard cars instead of high-end cars for rentals, and using standard event designs instead of specialized events. Savings in this scenario are calculated as follows:

$$\text{Savings} = (\text{Cost for original item/service} - \text{cost for substitute item/service}) * \text{volume}$$

### g) In-house vs. Outsourcing

For some categories, where services are provided in-house, outsourcing of services might be a viable option. Savings in this scenario are calculated as follows:

$$\text{Savings} = (\text{In-house cost (i.e. labor cost + material cost + overhead cost)} - \text{purchase price}) * \text{volume}$$

### l) Lease vs. Buy

For some categories lease of goods might be a viable alternative to buying (or vice versa). To compare the savings between leasing and buying options for goods, the cost per one unit needs to be calculated and compared. Savings in this scenario are calculated as follows:

$$\text{Savings} = (\text{Cost of purchasing per unit} - \text{leasing cost per unit}) * \text{volume}$$

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## J) Reduced Cost of Disposal

At the end of their lifetime, some goods (e.g., Laptop) may be recycled. These costs need to be considered to determine the actual price of a material / goods. Savings in this scenario are calculated as follows:

$$\text{Savings} = \text{Historic cost for disposal} - \text{new cost for disposal}$$

## Procurement Code of Conduct

- The Procurement Code of Conduct policy has been developed to encourage adherence to a level of integrity which aims to create a heightened awareness and common appropriate conduct by the procurement employees.
- The Procurement Code shall state the minimum level of acceptable conduct expected from the Procurement Personnel during their execution of duties regardless of their designations and is considered mandatory to all procurement's employees.
- Any violation to the Procurement Code of Conduct shall be subject to disciplinary action(s) in accordance to the corporate policies and procedures stipulated in UOS.
- All Procurement's employees and related committees' members shall sign a declaration of conflict of interest on an annual basis to demonstrate their adherence to the procurement code of conduct.
- All employees engaged in procurement activities shall refrain from any conduct or behavior that is not in line with the procurement policies and procedures manual and principles, including all forms of violations.
- Employees shall perform all procurement activities with care, diligence, professionalism, and integrity and avoid unethical behavior such as splitting purchase order to avoid authority approval or bidding process.
- Any confidential information that may alter the results of the bidding process shall not be disclosed to any third party.
- Procurement employees shall not use their positions to favor vendors or engage in any illegal act that could be detrimental for UOS.
- All employees have a primary responsibility towards UOS and shall not be involved in any activity or transaction that may lead to a conflict between their own personal interests and UOS's interests. \
- Procurement employees shall avoid bias judgement while engaging in procurement activities and provide consistent, accurate and factual information to all prospective vendors.
- Procurement employees shall never use or attempt to use their position in UOS to obtain benefit for themselves, their families, or other relatives from a vendor.
- Knowledge of any potential or existing conflict of interest by any person shall be disclosed and discussed with the Procurement and Contract Manager or P&SC director and the respective parties within UOS.
- Procurement employees are prohibited to participate in any bids issued by UOS.
- Employees with a concealed financial interest shall not be involved in any commercial activity that involves UOS and its vendors.