

## Procurement Policy

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## Procurement Policy

### 1 Principles

#### 1.1 Background

Whitehorse Manningham Regional Library Corporation-

- Recognises that:
  - ♦ Developing a procurement strategy and adopting appropriate best practice contracting and procurement principles, policies, processes and procedures for all goods, services and works procured by the Corporation, will enhance achievement of Corporate objectives such as sustainable and socially responsible procurement, bottom-line cost savings, supporting local economies, achieving innovation, and better services for communities.
  - ♦ The elements of best practice applicable to library industry procurement incorporate:
    - broad principles covering ethics, value for money, responsibilities and accountabilities;
    - guidelines giving effect to those principles;
    - a system of delegations (i.e. the authorisation of officers to approve and undertake a range of functions in the procurement process);
    - procurement processes, with appropriate procedures covering minor, simple procurement to high value, more complex procurement; and
    - a professional approach.
- Requires that Corporation's contracting, purchasing and contract management activities:
  - ♦ support the Corporation's corporate strategies, aims and objectives including, but not limited to those related to sustainability, protection of the environment, and corporate social responsibility;
  - ♦ take a long term strategic view of its procurement needs while continually assessing, reviewing and auditing its procedures, strategy and objectives;

- ◆ provide a robust and transparent audit trail which ensures that procurement projects are delivered on time, within cost constraints and that the needs of end users are fully met;
- ◆ span the whole life cycle of an acquisition from initial concept to the end of the useful life of an asset, including its disposal, or the end of a service contract;
- ◆ achieve value for money and quality in the acquisition of goods, services and works by the Corporation;
- ◆ can demonstrate that public money has been well spent;
- ◆ are conducted, and are seen to be conducted, in an impartial, fair and ethical manner;
- ◆ seek continual improvement including the embracing of innovative and technological initiatives such as electronic tendering processes to reduce activity cost;
- ◆ ensure that risk is identified, assessed and managed at all stages of the procurement process;
- ◆ use strategic procurement practices and innovative procurement solutions to promote sustainability and value for money, in particular making use of collaboration and partnership opportunities;
- ◆ use social procurement to enhance sustainable and strategic procurement to effectively contribute towards building stronger communities and meeting the wider social objectives of the Corporation;
- ◆ comply with legislation, corporate policies or other requirements, ensuring that all staff responsible for procurement and contract management are aware of and adhere to the legislative requirements, Corporate standards and best practice.

## 1.2 Scope

This Procurement Policy is made under Section 186a of the *Local Government Act 1989*. The Act is the key legislative framework that regulates the process of all local government procurement in Victoria.

This section of the Act requires the Corporation to prepare, approve and comply with a Procurement policy encompassing the principles, processes and procedures applied to all purchases of goods, services and works by the Corporation.

This policy applies to all contracting and procurement activities of the Corporation and is binding upon Board Members, Corporation officers and temporary employees, contractors and consultants while engaged by the Corporation.

The Act and the Procurement Policy of the Corporation are the primary reference points for how all procurement should be performed.

### **1.3 Purpose**

The purpose of this Policy is to:

- ◆ provide policy and guidance to the Corporation to allow consistency and control over Procurement activities;
- ◆ demonstrate accountability to community;
- ◆ provide guidance on ethical behavior in public sector purchasing;
- ◆ demonstrate the application of elements of best practice in purchasing;  
and
- ◆ increase the probability of obtaining the right outcome when purchasing goods and services.

### **1.4 Treatment of GST**

All monetary values stated in this policy include GST except, where specifically stated otherwise.

## 1.5 Definitions and Abbreviations

Term	Definition
Act	<i>Local Government Act 1989.</i>
Commercial in Confidence	Information that, if released, may prejudice the business dealings of a party e.g., prices, discounts, rebates, profits, methodologies and process information, etc.
Contract	A contract includes any engagement that results in a legally binding offer and acceptance. This may be verbal or written and could be formal or informal.
Contract Management	The process that ensures both parties to a contract fully meet their respective obligations as efficiently and effectively as possible, in order to deliver the business and operational objectives required from the contract and in particular, to provide value for money.
Corporate Social Responsibility (CSR)	Corporate Social Responsibility (CSR) is about taking positive action to demonstrate the Corporation's commitment to the local community and environment on which it impacts.
Corporation Staff	Includes full-time and part-time Corporation officers, temporary employees, contractors and consultants while engaged by the Corporation.
Expression of Interest (EOI)	An invitation for persons/companies to submit an EOI for the provision of the Goods and/or Services generally set out in the overview of requirements contained in the document. This invitation is not an offer or a contract. This can be used to confine the number of invited tenderers for an RFT where there is expected to be significant cost or effort and only potential winners are to be invited, to pre-qualify tenderers where significant interest is expected, or even to gather information on what is available in the market before conducting a tender.
Probity	The dictionary definition of probity refers to uprightness, honesty, proper and ethical conduct and propriety in dealings. Within government, the word "probity" is often used in a general sense to mean "good process." A Procurement process that conforms to the expected standards of probity is one in which clear procedures that are consistent with the Corporation's policies and legislation are established, understood and followed from the outset. These procedures need to consider the legitimate interests of suppliers and ensure that all potential suppliers are treated equitably.
Request for Proposal or Information (RFP or RFI)	A request for proposal or information is generally sent to the supplier market, designed to capture commercial information and pricing. This allows the Corporation to assess suitability and evaluate responses against a set of pre-defined requirements or to gather information on what is available in the market prior to finalising specifications for a tender.
Request for Quote (RFQ)	A request for quote follows the same probity rules as an RFT however it is generally a more efficient and flexible process used for lower risk and/or lower value engagements.

Standing Offer Arrangements (SOA)	A contract that sets out rates for goods and services which are available for the term of the agreement. However, no commitment is made under the agreement to purchase a specified value or quantity of goods or services.
Social Procurement	Social Procurement uses Procurement processes and purchasing power to generate positive social outcomes in addition to the delivery of efficient goods, services and works.
Sustainability	Activities that meet the needs of the present without compromising the ability of future generations to meet their needs.
Procurement	Procurement is the whole process of acquisition of external goods, services and works. This process spans the whole life cycle from initial concept through to the end of the useful life of an asset (including disposal) or the end of a service contract.
Tender Process/ Request for Tender (RFT)	The process of inviting parties to submit a quotation by tender using public advertisement, followed by evaluation of submissions and selection of a successful bidder or tenderer.
Value for Money	Value for money in Procurement is about selecting the supply of goods, services and works taking into account both cost and non-cost factors including: <ul style="list-style-type: none"> <li>• contribution to the advancement of the Corporation's priorities;</li> <li>• non-cost factors such as fitness for purpose, quality, service and support; and</li> <li>• cost-related factors including whole-of-life costs and transaction costs associated with acquiring, using, holding, maintaining and disposing of the goods, services or works.</li> </ul>

## 2 Effective Legislative and Policy Compliance and Control

### 2.1 Ethics and Probity

#### 2.1.1 Requirement

The Corporation's procurement activities shall be performed with integrity and in a manner able to withstand the closest possible scrutiny.

#### 2.1.2 Conduct of Board Members and Corporation Staff

##### 2.1.2.1 General

Board Members and Corporation staff shall at all times conduct themselves in ways that are, and are seen to be, ethical and of the highest integrity and will:

- ◆ treat potential and existing suppliers with equality and fairness;
- ◆ not seek or receive personal gain;
- ◆ maintain confidentiality of Commercial in Confidence information such as contract prices and other sensitive information;



- ◆ present the highest standards of professionalism and probity;
- ◆ deal with suppliers in an honest and impartial manner that does not allow conflicts of interest;
- ◆ provide all suppliers and tenderers with the same information and equal opportunity; and
- ◆ be able to account for all decisions and provide feedback on them.

Any employee managing or spending Corporation funds (whether by purchase order, credit card, petty cash or any other method) is to ensure these Policies and Procedures are adhered to.

Requisition raisers have responsibility for:

- ◆ ensuring purchases and requisitions are in accordance with relevant policies; and
- ◆ ensuring orders that appear to be outside policy or of perceived benefit to the approver are redirected to the next level of management for approval.

Requisition approvers have responsibility for:

- ◆ ensuring that sufficient budget exists;
- ◆ ensuring they only approve purchasing within their level of authority;
- ◆ ensuring they do not approve expenditure where they have a perceived conflict or personal gain, regardless of their delegation. Where this is the case, the purchase order must be referred to the next level of management; and
- ◆ the purchase and requisition is in accordance with relevant policies.

All employees are empowered to query incidents or directions that appear to contradict ethics, probity, or policies and procedures.

#### **2.1.2.2 Members of Professional Bodies**

Board Members and Corporation staff belonging to professional organisations shall, in addition to the obligations detailed in this policy, ensure that they adhere to any code of ethics or professional standards required by that body.

#### **2.1.3 Tender Processes**

All tender processes shall be conducted in accordance with the requirements of this policy and any associated procedures, relevant legislation, relevant Australian Standards and the Act.

#### **2.1.4 Conflict of Interest**

Board Members and Corporation staff shall at all times avoid situations in which private interests conflict, or might reasonably be thought to conflict, or have the potential to conflict, with their Corporation duties.

Board Members and Corporation staff shall not participate in any action or matter associated with the arrangement of a contract (i.e. evaluation, negotiation, recommendation, or approval) where that person or any member of their immediate family has a significant interest, or holds a position of influence or power in a business undertaking tendering for the work.

The onus is on the Board Member and the member of Corporation staff involved being alert to and promptly declaring an actual or potential conflict of interest to the Corporation.

Where guidance is unclear any issue should be referred to the Finance Manager for assistance. Breaches that appear to involve fraud are to be referred to the CEO or Finance Manager immediately.

#### **2.1.5 Fair and Honest Dealing**

All prospective contractors and suppliers must be afforded an equal opportunity to tender or quote.

Impartiality must be maintained throughout the procurement process so it can withstand public scrutiny.

The commercial interests of existing and potential suppliers must be protected. Confidentiality of information provided by existing and prospective suppliers must be maintained at all times, particularly commercially sensitive material such as, but not limited to prices, discounts, rebates, profit, manufacturing and product information.

#### **2.1.6 Accountability and Transparency**

Accountability in procurement means being able to explain and provide evidence on the process followed. The test of accountability is that an independent third party must be able to see clearly that a process has been followed and that the process is fair and reasonable.

Therefore the processes by which all procurement activities are conducted will be in accordance with the Corporation's procurement policies and procedures as set out in this policy and related, relevant Corporation policies and procedures.

Additionally:

- ◆ all Corporation staff must be able to account for all procurement decisions made over the lifecycle of all goods, services and works purchased by the Corporation and provide feedback on them; and

- ◆ all procurement activities are to provide for an audit trail for monitoring and reporting purposes.

### **2.1.7 Gifts and Hospitality**

No Board Member or member of Corporation staff shall, either directly or indirectly solicit or accept gifts or presents from any member of the public involved with any matter that is connected with the duties of the officer, or in which the Corporation is interested.

Board Members and Corporation staff must exercise the utmost discretion in accepting hospitality from contractors or their representatives, or from organisations, firms or individuals with whom they have official dealings. Board Members and Corporation staff should also avoid the ambiguous situation created by visiting the premises of a contractor, organisation, firm or individual uninvited and/or not on official business.

Offers of bribes, commissions or other irregular approaches from organisations or individuals (no matter how flimsy the evidence available), must be promptly brought to the attention of the CEO.

### **2.1.8 Disclosure of Information**

Commercial in-confidence information received by the Corporation must not be disclosed and is to be stored in a secure location.

Board Members and Corporation staff are to protect, by refusing to release or discuss the following:

- ◆ information disclosed by organisations in tenders, quotation or during tender negotiations;
- ◆ all information that is Commercial in Confidence information; and
- ◆ pre-contract information including but not limited to information provided in quotes and tenders or subsequently provided in pre-contract negotiations.

Board Members and Corporation staff are to avoid references to current or proposed contracts in discussion with acquaintances or outside interests.

Discussion with potential suppliers during tender evaluations should not go beyond the extent necessary to resolve doubt on what is being offered by that supplier.

At no stage should any discussion be entered into which could have potential contractual implications prior to the contract approval process being finalised other than authorised pre-contract negotiations.

## **2.2 Governance**

### **2.2.1 Structure**

The Corporation shall:

- ◆ establish a procurement management responsibility structure and delegations ensuring accountability, traceability and auditability of all procurement decisions made over the lifecycle of all goods, services and works purchased by the Corporation;
- ◆ ensure that the Corporations' procurement structure:
  - is flexible enough to purchase in a timely manner the diverse range of material, goods, works and services required by the Corporation;
  - ensures that prospective contractors and suppliers are afforded an equal opportunity to tender/quote;
  - encourages competition; and
  - ensures that policies that impinge on the purchasing policies and practices are communicated and implemented.

### **2.2.2 Standards**

The Corporation's procurement activities shall be carried out to the professional standards required by best practice and in compliance with:

- ◆ the Act;
- ◆ Corporate policies;
- ◆ Corporation's Code of Conduct;
- ◆ Local Government Procurement Best Practice Guidelines; and
- ◆ other relevant legislative requirements such as but not limited to the Trade Practices Act, Goods Act and the Environmental Protection Act.

### **2.2.3 Methods**

The Corporation's standard methods for purchasing goods, services and works shall be by some or all of the following methods:

- ◆ purchasing credit card;
- ◆ purchase order following a quotation process from suppliers for goods or services that represent value for money for money under directed quotation thresholds;
- ◆ under contract following a tender process; or
- ◆ using aggregated purchasing arrangements with other councils, MAV Procurement, Purchasing Australia, Victorian Government, or other bodies;
- ◆ Through other arrangements authorised by the Corporation or the CEO on a needs basis as required by abnormal circumstances such as emergencies.

The Corporation may, at its discretion and based on the complexity and cost of the project, conduct one stage or multi-stage tenders.

Typically, a multi-stage tender process will commence with an expression of interest (EOI) stage followed by a tender process involving the organisations selected as a consequence of the registration of interest stage.

Expressions of interest (EOI) may be appropriate where:

- ◆ the requirement is complex, difficult to define, unknown or unclear;
- ◆ the requirement is capable of several technical solutions;
- ◆ the Corporation wishes to consider ahead of formal tender processes such issues as to whether those tendering possess the necessary technical, managerial and financial resources to successfully complete the project;
- ◆ tendering costs are likely to be high and Corporation seeks to ensure that companies incapable of supplying the requirement don't incur unnecessary expense;
- ◆ it is necessary to pre-qualify suppliers and goods to meet defined standards; and
- ◆ the requirement is generally known but there is still considerable analysis, evaluation and clarification required (both of the objective and the solution).

Additionally, for highly complex projects the Corporation may run sequential tenders, the first to solicit solutions, the second to compete to provide the solution selected by the Corporation. Such sequential tenders may or may not be preceded by the

registration of interest phase as required by the Corporation based on the actual needs of the project.

#### **2.2.4 Responsible Financial Management**

The principle of responsible financial management shall be applied to all procurement activities.

Accordingly, to give effect to this principle, the availability of existing funds within an approved budget, or source of funds, shall be established prior to the commencement of any procurement action for the supply of goods, services or works.

Corporation staff must not authorise the expenditure of funds in excess of their financial delegations.

Corporation staff must not disclose allocated tender budgets to suppliers unless it is assessed or known that the budget is insufficient and disclosure will allow tenderers to offer the best outcome for the available funds.

Corporation funds must be used efficiently and effectively to procure goods, services and works and every attempt must be made to contain the costs of the procurement process without compromising any of the procurement principles set out in this Policy.

### **2.3 Procurement Process, Thresholds and Competition**

#### **2.3.1 Process**

Corporation procurement processes are based on a number of principles:

##### **Value for money**

- ◆ The benefits of the purchase are weighted against the costs necessary for the optimum result for the Corporation. The Corporation is not required to accept the lowest tender. Instead, the Corporation is required to take into account issues of quality, cost, the accessibility of the service and other factors relevant to the overall objectives of the Local Government Act.
- ◆ Value for money is often mistaken for meaning the lowest price, however, in terms of the contracting process, value for money requires us to balance quality and price with as much transparency as is reasonably achievable. In this context price should take into account the whole life cost of the provision as far as is practicable. It follows that the delivery of value for money is dependent upon Corporate priorities.

- ◆ Achieving value for money also requires challenging the need for the procurement and the way in which the service may be reconfigured to achieve improvements in service delivery, comparing service provision options against all those available, consulting with key stakeholders and ensuring competition in the open market.
- ◆ Achieving value for money must be the basis of all procurement decisions within the Corporation.

### **Open and Fair Competition**

- ◆ All suppliers are treated fairly in an open and transparent manner and have access to the same information.

### **Accountability**

- ◆ The Corporation maintains consistency in the approach to procurement across the whole organisation through coherent frameworks, policies and procedures. Accountability in procurement means being able to explain and provide evidence on the process followed. The test of accountability is that an independent third party must be able to see clearly that a process has been followed and that the process is fair and reasonable.
- ◆ Therefore, the processes by which all procurement activities are conducted will be in accordance with the Corporation's procurement policies and procedures as set out in this policy and related, relevant Corporation policies and procedures.

Additionally:

- ◆ All Corporation staff must be able to account for all procurement decisions made over the lifecycle of all goods, services and works purchased by the Corporation and provide feedback on them; and
- ◆ All procurement activities are to provide for an audit trail for monitoring and reporting purposes.

### **Risk Management**

- ◆ Strategies for managing risks associated with all procurement processes are in place and consistent.

### **Probity and Transparency**

- ◆ All Corporation procurement processes must be conducted in a fair, honest and open manner, with the highest levels of integrity and in the public interest.

## **2.3.2 Minimum Spend Competition Thresholds**

### **2.3.2.1 Tenders**

Purchase of all goods and services for which the estimated expenditure exceeds \$150,000 and building and construction works for which the estimated expenditure exceeds \$200,000, must be undertaken by public tender as per the thresholds contained in the Local Government Act.

However, should the CEO consider that the nature of the requirement and the characteristics of the market are such that the public tender process would lead to a better result for the Corporation, public tenders may be called for purchase of goods, services and works for which the estimated expenditure is below these thresholds.

### **2.3.2.2 Quotations**

Purchase of goods, services having a total \$150,000 and works having a total valuation of \$200,000 or less may be undertaken using the procurement by quotation method as described below:

#### **Items with a value up to \$500**

No quotations required and the details to be recorded before placing an order and documented in the Corporations' Record system. Purchase orders must still be written.

#### **Items with a value between \$501- \$5,000 – Request for Quotation.**

A minimum of one written quotation must be obtained and the details recorded before placing an order (similar details must be recorded where more than one supplier has quoted) and documented in the Corporations' Record system.

#### **Items with a value \$5,001 to \$50,000 – Request for Quotation.**

The Corporation will seek to receive three quotations with a minimum of two written quotations obtained.

The quotation offering the best value for money must be confirmed by the supplier on company letterhead and the order placed with that firm.

Details of the suppliers contacted and their quotations must be recorded on at least a simple spreadsheet or similar document in the Corporations' Records system.

#### **Items with a value \$50,001 to \$149,000 – Request for Quotation.**



The Corporation will receive up to three written quotations by issuing a written Request for Quotation. Public advertising is not required.

Quotations returned by the nominated closing date must be evaluated and a recommendation made in favour of the supplier offering the best value for money outcome.

The original supplier's quotations must be maintained in Corporations' Record system.

Where it has been identified that there will be a large response to a public tender an Expression of Interest (EOI) may be used to shortlist potential tenderers.

### **Public Advertising.**

Quotations may be advertised at the Chief Executive Officer's discretion in addition to the methods above. This may occur when a field of potential tenderers hasn't been established, or an innovative approach is required, or the project has broad appeal that may attract keen prices, etc.

### **Insufficient quotations.**

The situation may arise where insufficient quotations are received to satisfy the above requirements.

This may occasionally occur where there are few suppliers for the goods, services or works being sought or the work is highly specialised. In this case, the details of the contacted suppliers must be recorded on the spreadsheet or recommendation and an appropriate comment recorded.

## **2.4 Delegation of Authority**

### **2.4.1 Requirement**

Delegations define the limitations within which Corporation staff are permitted to work. Delegation of procurement authority allows specified Corporation staff to approve certain purchases, quotation, tender and contractual processes without prior referral to the Corporation. This enables the Corporation to conduct procurement activities in an efficient and timely manner whilst maintaining transparency and integrity.

Procurement delegations ensure accountability and provide confidence to Corporation and the public that purchasing activities are dealt with at the appropriate level. As such, the Corporation has delegated responsibilities as detailed below relating to the expenditure of funds for the purchase of goods, services and works, the acceptance of quotes and tenders and for Contract Management activities.

### **2.4.2 Delegations**

#### **2.4.2.1 Corporation Staff**

The Corporation shall maintain a documented scheme of procurement delegations, identifying the Corporation staff authorised to make such procurement commitments in respect of goods, services and works on behalf of the Corporation and their respective delegations contained in the Instrument of Delegation.

#### **2.4.2.2 Delegations Reserved for the Corporation**

Commitments and processes which exceed the CEO's delegation must be approved by the Library Board. These include:

- ◆ initial signing and sealing of contract documents;
- ◆ tender recommendation and contract approvals which exceed legislated thresholds; and
- ◆ variations and contract term extensions (which exceed budget).

### **2.5 Internal Controls**

#### **2.5.1 General**

The Corporation will install and maintain a framework of internal controls over procurement processes that will ensure:

- ◆ more than one person is involved in and responsible for a transaction end to end;
- ◆ transparency in the procurement process;
- ◆ a clearly documented audit trail exists for procurement activities;
- ◆ appropriate authorisations are obtained and documented; and
- ◆ systems are in place for appropriate monitoring and performance measurement.

#### **2.5.2 Enforcement of the Policy**

The Chief Executive Officer (CEO) has overall accountability for the procurement of goods and services required to support the business of the Corporation and therefore is responsible for enforcing the Procurement Policy. The Finance Manager, under the direction of the CEO, will provide an annual report on procurement over the previous 12 months. It will assess the appropriateness of all exceptions to the normally prescribed procurement process specified including the number of "single source" situations. It may contain any recommendations concerning amendments to this policy. This report shall be considered by the CEO annually.

#### **2.5.3 Breaches of the Policy**

The CEO or nominee is responsible for authorising corrective action to rectify all breaches of the Procurement Policy, for example suspected breaches that may involve corrupt conduct, maladministration, willful non-compliance, or serious and substantial waste.

### **Reporting Breaches**

All suspected breaches of this Policy should, in the first instance, be reported to the relevant Senior Officer who shall advise the Finance Manager of the outcome of each reported breach. Suspected breaches of a serious nature should be reported directly to the CEO. All reports received will be treated with appropriate concern for the law, privacy and confidentiality.

### **Penalties for Breaches**

Breaches of this Policy will be dealt with in accordance with the Rules of the Corporation relating to staff discipline and the Code of Conduct.

## **2.6 Commercial Information**

Procurement activities will be carried out in a way that supports Corporation staff in meeting their obligations - to ensure information of a commercially sensitive or confidential nature is obtained, stored, processed, published (where applicable) in an appropriate manner in accordance with the relevant Corporation guidelines.

## **2.7 Risk Management**

### **2.7.1 General**

Risk Management is an integral part of best practice in procurement. Identifying risks early and selecting the best option for managing those risks will assist the Corporation to achieve favourable outcomes.

Procurement risk factors include, but are not limited to, fraud, waste, abuse, vendor performance, contract security and poor specification development.

Risk management is to be appropriately applied at all stages of procurement activities which will be properly planned and carried out in a manner that will protect and enhance the Corporation's capability to prevent, withstand and recover from interruption to the supply of goods, services and works.

### **2.7.2 Supply by Contract**

The provision of goods, services and works by contract potentially exposes the Corporation to risk.

The Corporation will minimise its risk exposure by measures such as:

- ◆ standardising contracts to include current, relevant clauses;
- ◆ requiring security deposits where appropriate;
- ◆ referring specifications to relevant experts;
- ◆ requiring contractual agreement before allowing the commencement of work;
- ◆ use of or reference to relevant Australian Standards (or equivalent); and
- ◆ effectively managing the contract including monitoring and enforcing performance.

## **2.8 Contract Terms**

All contractual relationships must be documented in writing based on standard terms and conditions.

Where this is not possible, approval must be obtained from the Chief Executive Officer or appropriate member of Corporation staff listed in the Corporation Delegations.

To protect the best interests of the Corporation, terms and conditions must be settled in advance of any commitment being made with a supplier. Any exceptions to doing this expose the Corporation to risk and thus must be authorised by the Chief Executive Officer or appropriate member of Corporation staff listed in the Corporation Delegations.

## **2.9 Endorsement**

Corporation staff must not endorse any products or services. Individual requests received for endorsement must be referred to the Chief Executive Officer.

## **2.10 Dispute Resolution**

All Corporation contracts shall incorporate dispute management and alternative dispute resolution provisions to minimise the chance of disputes getting out of hand and leading to legal action.

## **2.11 Contract Management**

The purpose of contract management is to ensure that the Corporation, and where applicable its clients, receive the goods, services or works provided to the required standards of quality and quantity as intended by the contract by:

- ◆ establishing a system for monitoring and achieving the responsibilities and obligations of both parties' under the contract;
- ◆ providing a means for the early recognition of issues and performance problems and the identification of solutions; and
- ◆ adhering to the Corporation's Risk Management Framework and adhering to relevant Occupational Health and Safety Contractor Compliance Procedures.

All Corporation contracts are to include contract management requirements. Furthermore, contracts are to be proactively managed by the member of Corporation staff responsible for the delivery of the contracted goods, services or works to ensure the Corporation receives value for money.

### **3 Demonstrate Sustained Value**

#### **3.1 Integration with Corporation Strategy**

The Corporation Procurement strategy shall support its Corporate strategy, aims and objectives, including but not limited to those related to sustainability, protection of the environment, corporate social responsibility and meeting the needs of the local community.

#### **3.2 Achieving Value for Money**

##### **3.2.1 Requirement**

The Corporation's procurement activities will be carried out on the basis of obtaining value for money.

This means minimising the total cost of ownership over the lifetime of the requirement consistent with acceptable quality, reliability and delivery considerations. Lowest price is not the sole determinate of value for money.

##### **3.2.2 Approach**

This will be facilitated by:

- ◆ developing, implementing and managing procurement strategies that support the co-ordination and streamlining of activities throughout the lifecycle;
- ◆ effective use of competition;
- ◆ using aggregated contracts and Standing Offer Arrangements (SOA) where appropriate;
- ◆ identifying and rectifying inefficiencies in procurement processes;

- ◆ developing cost efficient tender processes including appropriate use of e-solutions;
- ◆ Corporation staff responsible for providing procurement services or assistance within the Corporation providing competent advice in terms of available products and agreements; and
- ◆ working with suppliers to create relationships that are professional and productive, and are appropriate to the value and importance of the goods, services and works being acquired.

### **3.2.3 Role of Specifications**

Specifications used in quotations, tenders and contracts are to support and contribute to the Corporation's Value for Money objectives through being written in a manner that:

- ◆ ensures impartiality and objectivity;
- ◆ clearly defines the Corporation's requirements;
- ◆ encourages the use of standard products;
- ◆ encourages sustainability; and
- ◆ eliminates unnecessarily stringent requirements.

### **3.3 Performance Measure and Continuous Improvement**

Appropriate performance measures are to be established and reporting systems will be used to monitor performance and compliance with procurement policies, procedures and controls.

Performance Measures and reporting systems will be reviewed annually.

The performance measurements developed will be used to:

- ◆ highlight trend and exceptions where necessary to enhance performance;
- ◆ improve the internal efficiency of the procurement process and where relevant the performance of suppliers; and
- ◆ facilitate programs to drive improvement in procurement to eliminate waste and inefficiencies across key spend categories.

### **3.4 Sustainability**

#### **3.4.1 General**

The Corporation is committed to achieving sustainability and ensuring it monitors and reports on Corporation activities and programs that have an impact on or contribute to the environment including but not limited to the following:

- ◆ waste management;
- ◆ recycling;
- ◆ energy management,
- ◆ emission management,
- ◆ water conservation;
- ◆ green building design; and
- ◆ procurement.

### 3.4.2 Sustainable Procurement

The Corporation is committed to adopting a Green Procurement approach by supporting the principles of sustainable procurement within the context of purchasing on a value for money basis.

Value for money purchasing decisions made by the Corporation are made on the basis of whole-of-life cost and non-price factors including contribution to the Corporation's sustainability objectives.

The Corporation prefers to purchase environmentally preferred products whenever they achieve the same function and value for money outcomes.

The Corporation will therefore consider the following environmental sustainability criteria:

- ◆ Reduce, Reuse, and Recycle

The Corporation is committed to reduce resources, consumption and minimise waste during the procurement life cycle including:

- the Corporation shall encourage and prefer Eco-friendly products which are more power efficient;
- selecting energy, fuel and water efficient products (ideally Energy and Water Star Ratings of 4 Star and above);
- the Corporation shall prefer to purchase from a source which is less polluting or uses clean technology ; and
- the Corporation's procurement projects should automatically consider the provision of re-usable products and recycling as part of the project

planning process, including the consideration of whole-life costs and disposal considerations.

- ◆ Buy Recycled:

The Corporation is committed to buy recycled/part recycled products to optimise consumption and stimulate demand for recycled products, promoting the collection and reprocessing of waste and working towards zero discharge to landfill.

- ◆ the Corporation shall encourage Corporation suppliers to adopt good environmental practices; and
- ◆ the Corporation will actively promote green procurement throughout its supply chain and ensure selection which has minimum environmental impact.

### **3.5 Diversity**

Promoting equality through procurement can improve competition, Value for Money, the quality of public services, satisfaction among users, and community relations. It should be a consideration in every procurement project and reflect corporate commitment to diversity and equal opportunities wherever possible.

### **3.6 Support of Local Business**

Corporation is committed to buying from local business where such purchases may be justified on value for money grounds and are in accordance with the Local Government Act 1989. Local providers will be given an equal opportunity to quote and tender. Where a local provider can match or better other providers on price, quality, service and availability, preference will be given to the local provider.

## **4 Apply a Consistent and Standard Approach**

The Corporation will provide effective and efficient commercial arrangements for the acquisition of goods and services.

### **4.1 Standard Processes**

The Corporation will provide effective commercial arrangements covering standard products and provision of standard services across the Corporation to enable employees to source requirements in an efficient manner.

This will be achieved via establishing the following:

- ◆ pricing where relevant;



- ◆ processes, procedures and techniques;
- ◆ reporting requirements; and
- ◆ Application of standard contract terms and conditions.

#### **4.2 Performance Indicators**

A list of performance indicators will be developed to measure procurement performance.

They will include criteria such as:

- ◆ the proportion of spend against corporate contracts;
- ◆ user and supplier satisfaction levels;
- ◆ knowledge and skill of Corporation employees in procurement process;
- ◆ level of compliance and understanding of Corporation procurement policies; and
- ◆ measuring the success of procurement initiatives e.g. procurement cards.

#### **4.3 Management Information**

The Corporation seeks to improve its' performance by capturing and analysing procurement management information in a variety of areas, including:

- ◆ volume of spend;
- ◆ number of transactions per supplier;
- ◆ supplier performance;
- ◆ user satisfaction;
- ◆ category management; and
- ◆ green spend.

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## 5 Build and Maintain Supply Relationships

The Corporation recognises that in order to achieve sustainable value, a strategic assessment of the appropriate 'channel to market' should be undertaken – whether to go to market on its own, participate in regional or sector aggregated projects or panels, access State Government panel agreements or other means. The Corporation will consider supply arrangements that deliver the best value for money outcomes in terms of time, expertise, cost, value and outcome.

### 5.1 Developing and Managing Suppliers

Corporation recognises the importance of effective and open working relationships with its suppliers and is committed to the following:

- ◆ managing existing suppliers, via the appropriate development programs and performance measurements to ensure the benefits are delivered;
- ◆ maintaining approved supplier lists; and
- ◆ developing new suppliers and improving the capability of existing suppliers where appropriate.

### 5.2 Supply Market Development

A wide range of suppliers should be encouraged to compete for Corporation work. The focus for new work need not always be with the larger more familiar businesses. Other types of organisations offering business diversity include:

- ◆ local businesses;
- ◆ green suppliers;
- ◆ small to medium sized enterprises (SME's);
- ◆ social enterprises;
- ◆ ethnic and minority businesses; and
- ◆ voluntary and community organizations.

### 5.3 Relationship Management

The Corporation is committed to developing constructive long-term relationships with suppliers. It is important that the Corporation identifies its key suppliers so that its efforts are focused to best effect. Such areas may include:

- ◆ size of spend across the Corporation;

- ◆ criticality of goods / services, to the delivery of the Corporation's services;
- ◆ availability of substitutes; and
- ◆ market share and strategic share of suppliers.

#### **5.4 Communication**

External communication is very important in ensuring a healthy interest from potential suppliers and partners to the Corporation. The Corporation's procurement policy and purchase order terms and conditions are available on the website. Tender opportunities will be advertised on the Corporation's website as they become available.

### **6 Continual Improvement**

The Corporation is committed to continuous improvement and will review the Procurement Policy on an annual basis, to ensure that it continues to meet its wider strategic objectives.

### **7 Administration of this the Policy**

The Policy is produced for the information and guidance of all Board Members and Corporation staff on the operation of the procurement function used by the Corporation.

The Finance Manager has responsibility for the management and administration of this Policy but has no authorisation to waive or vary the Policy without the authority of the Chief Executive Officer.

The Corporation requires that Board Members and Corporation staff conduct its procurement function in an environmentally sustainable manner that achieves value for money. It is committed to the achievement of good procurement outcomes.

The procurement records are an important part of the Corporation's accounting and financial systems and form the basis on which the following can be determined;

- ◆ compliance with Statutory requirements and Corporation policies and procedures;
- ◆ evidence of financial commitment;
- ◆ the value of all purchases;
- ◆ the source of all purchases;

- ◆ evidence of commitment to environmental sustainability; and
- ◆ the destination and use of all purchases.

All records relating to procurement are treated in line with the requirements of the Records Management and Information Policy and guidelines.

## **8 Review**

The next review of this document is scheduled for completion by March 2020.

For further information on the policy, please contact the Finance Manager via email: [web\\_enquiry@wml.vic.gov.au](mailto:web_enquiry@wml.vic.gov.au) or phone 9896 4333.

### **Related internal documents**

Instrument of Delegations and Schedule of Authorisation Levels

Contract Management Guidelines

Contract Management Policy

Procurement Manual

Credit Card policy and User Guidelines

Code of Conduct