



Australian Children's
Education & Care
Quality Authority

Procurement Policy

19 December 2011

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Approval

Name / Position	Signature	Date
Karen Curtis - CEO		

Table of Contents

	Document Version History.....	2
	Approval	2
1	PURPOSE & SCOPE.....	4
2	RESPONSIBILITIES	4
3	KEY PRINCIPLES	4
	3.1 Value for Money.....	5
	3.2 Open and Effective Competition	6
	3.3 Probity and Ethical Behaviour	6
	3.4 Risk Management.....	6
	3.5 Responsible Financial Management.....	6
4	DELEGATIONS OF AUTHORITY.....	7
	4.1 Obligations.....	7
5	CONDITIONS OF PROCUREMENT	7
	5.1 Request for Purchase and Approval	8
	5.2 Level of Procurement Value.....	8
6	METHODS OF PROCUREMENT	9
	6.1 Minor value - less than \$1,000 and incidental expenses (excluding Travel)	9
	6.2 Low value - \$1,000 to \$10,000	9
	6.3 Medium value - \$10,000 to \$80,000	9
	6.4 High value - \$80,000 and above	10
	6.5 Direct Negotiations for Substantial Procurement	12
	6.6 Preferred Supplier Agreements and Panels of Preferred Suppliers	13
	6.7 Payment of suppliers.....	14

1 PURPOSE & SCOPE

The Australian Children's Education and Care Quality Authority (ACECQA) is committed to ensure that the supply of goods and services are conducted legally and in an honest, fair and transparent manner.

ACECQA will ensure that the procurement of goods and services are underpinned by a responsible risk management and financial management approach with due consideration given to ACECQA's environmental and social responsibilities.

In assessing value for money, ACECQA will consider all relevant benefits and costs over the whole procurement cycle and will ensure the selected option meets the procurement need to deliver the best value for money whilst at the same time protecting the reputation of ACECQA.

Whilst the Procurement Policy relates to the acquisition of goods or services, it does not include :

- a. Statutory appointments ;
- b. Appointments made by a Minister using the executive power – for example, the appointment of a member to the Board of ACECQA or to an independent advisory board, committee or panel ;
- c. The engagement of employees under ACECQA's enabling legislation, or under the *Fair Work Act* or under the common law concept of employment ; or
- d. The engagement of consultants

But it does include :

- e. A contract for labour hire with an agency that engages an individual to provide labour to ACECQA.

2 RESPONSIBILITIES

The Procurement Policy is a key Governance and Risk Management tool and is endorsed by the ACECQA Board.

The Chief Executive Officer is responsible for the internal control and monitoring of procurement.

The Chief Operating Officer will manage the overall policy and program framework, responsible for ensuring the approach, integration and best practice of procurement.

The Executive are responsible for the active endorsement and implementation of the procurement principles. All staff that procure and contract goods and services for ACECQA must do so in accordance with this policy and their delegation.

All staff that authorise the expenditure of funds for procurement must do so only within their delegated limit of authority and in accordance with this policy.

3 KEY PRINCIPLES

There are five key principles to apply to all procurement activities as outlined below:

3.1 Value for Money

Value for Money is the core principle that underpins the procurement process.

Value for Money is determined by evaluating all proposals for a particular procurement activity against the applicable evaluation criteria, defined by ACECQA, and assessing all relevant risks, costs and benefits on a whole of life basis.

Best value for money is not determined on price alone. Other considerations are whether the goods or services are of satisfactory quality, fit for the purpose for which they are required and are available within the designated time frame.

3.2 Open and Effective Competition

There must be open and effective competition in the procurement of goods and services unless there is a reason to use a direct source approach.

Open and effective competition will be used to achieve efficiency and innovation, and gives transparency and probity to the procurement process. Open and effective competition requires:

- a selection methodology and process to suit the particular procurement, its level of risk and timeframe that avoids creating unnecessary costs for potential suppliers and delivers the best value for money
- staff involved in procurement must ensure their knowledge of the market is sound and up-to-date and that potential suppliers with the suitable capability have a reasonable opportunity to compete
- all potential suppliers must be provided with the same specification information and evaluation criteria
- specifications must not be prepared to favour a particular supplier or group of suppliers, unless the procurement outcome cannot be reasonably met without such specifications
- any actual, potential or perceived conflict of interest between staff involved in a procurement process and potential suppliers must be declared and managed.

3.3 Probity and Ethical Behaviour

Probity and ethical behaviour governs the conduct of all procurement activities. All staff with the authority to procure goods and services or otherwise involved in the procurement process must act with integrity, probity, and ethically. In particular, they are required to:

- deal fairly, impartially and consistently with all suppliers
- keep confidential all confidential information obtained as part of the procurement process
- declare any potential conflict of interest prior to the commencement of a procurement activity and abstain from any procurement activity where it has been deemed that a perceived or actual conflict of interest exists, and
- ensure that the procurement records show how decisions were made in accordance with this policy.

3.4 Risk Management

The risks associated with procurement activity will be managed in accordance with the ACECQA Risk Management Policy <to be developed>. That policy provides for risks to be identified and assessed and appropriate risk mitigation strategies to be developed and implemented.

3.5 Responsible Financial Management

The principle of responsible financial management must be applied to all procurement activities, including:

- the availability of existing funds within an approved budget, or source of funds, must be established prior to the commencement of any procurement action for the supply of goods or performance of services
- staff must not authorise the expenditure of funds in excess of their delegated limit of authority
- funds must be used efficiently, effectively and for the stated purpose to procure goods and services and every attempt must be made to contain the time and costs of the procurement process.

4 DELEGATIONS OF AUTHORITY

4.1 Obligations

The ACECQA Board sets and reviews financial delegations for ACECQA. The Board will review the delegations on an annual basis and will make adjustments as necessary.

The Chief Executive Officer must ensure that a register of delegations is available for all staff to access.

The Executive and Senior Managers have a responsibility to ensure that all their staff who hold a delegation understand the powers and limitations of their delegations, and understand their responsibilities in relation to delegations.

Staff with delegations have a responsibility to ensure they:

- only act within the power and limitation of their delegation
- undertake procurement activities in accordance with this policy and other ACECQA financial management policies and procedures

Failure to comply with this policy will be taken as a serious matter and may result in disciplinary action.

5 CONDITIONS OF PROCUREMENT

It is the responsibility of the staff with delegated authority to select and document an appropriate procurement method that suits the procurement activity and its level of risk, time requirement, avoids creating unnecessary costs for suppliers, and delivers the best value for money for ACECQA.

All authorised procurement must be approved in accordance with requirements of the schedule of financial delegations, and in the case where a Request for Purchase is varied, exceeds budget or is considered a high risk, the following will apply:

- Variations: the total cumulative value must be considered and approved by a person with the appropriate delegated limit of authority
- Purchases that exceed set budgets: Designated Executive Manager (or above) must approve the purchase
- High Risk: where it is determined that the level of risk of the procurement is high or extreme then the next higher level of delegation of authority will apply

5.1 Request for Purchase and Approval

All purchases other than Incidental Expenses require pre-purchase authorisation in the form of a Purchase Approval.

A request for purchase approval may be in the form of an email, letter or formal submission. The request for purchase approval and the records of approval from a person with the appropriate delegation of authority must be retained and filed as evidence of approval.

The request for purchase approval must include a clear description of the need for the goods and services, the indicative cost, an outline of the supplier selection process, and the proposed or potential suppliers, where known.

5.2 Level of Procurement Value

The conditions applicable for each Procurement Value threshold are documented below.

Procurement Value ¹	Selection process	Exceptions
Less than \$1000 and incidental expenses	Written quotes are not required.	No exception
\$1,000 - \$10,000	A minimum of one written quote is required	No exception
\$10,000 - \$80,000	At least three written quotes must be sought.	If, despite reasonable efforts to obtain the required number of quotes, fewer than the required number are received. OR If the procurement is under an existing and current Preferred Supplier Agreement ² , the procurement activity may proceed if authorised by the higher level of delegation of authority. OR If a specific or unique supplier exists, the procurement activity may proceed if authorised by the CEO.
\$80,000 and above	Select tender with at least three potential suppliers or open tender process	If, despite reasonable efforts to obtain the required number of tenders, fewer than the required number are received. OR If a specific or unique supplier exists, the procurement activity may proceed if authorised by the CEO.

¹ Threshold amounts are consistent with the Commonwealth and other jurisdictions and represent the total value of the procurement or contract, in Australian Dollars and exclusive of GST

² When a Preferred Supplier Agreement exists then the procurement of goods and services within the agreed value can occur without further need for competitive quotes. In all cases of Preferred Supplier Agreement(s) the person responsible for contracting, and with the appropriate level of Authority, must monitor the supply of goods and services in accordance with the requirements of the agreement to ensure the key principles of procurement are preserved and budget is not exceeded.

6 METHODS OF PROCUREMENT

6.1 Minor value - less than \$1,000 and incidental expenses (excluding Travel)

Incidental Expenses are minor expenses that are incurred whilst undertaking day to day business activities. Incidental expenses may include postage, utilities and minor office expenses

Incidental Expenses are low risk by nature and are of a low value, and should not exceed \$1000.

Incidental costs and other procurement transactions of \$1,000 or less can occur without a written quotation. Travel related costs are excluded from this category and must comply with ACECQA's travel policy.

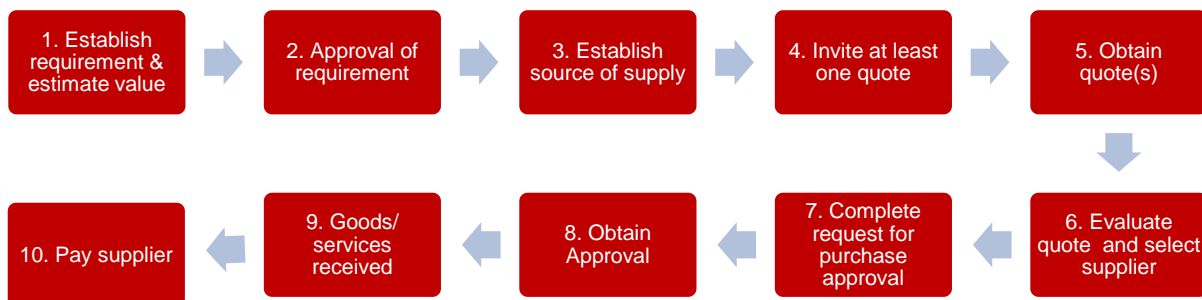
An ACECQA preferred supplier should be used where available.

6.2 Low value - \$1,000 to \$10,000

Low value purchases of goods and services of between \$1,000 and \$10,000 require:

- a description of the goods or services to be purchased
- a written quote from at least one potential supplier
- completion of a Request for Purchase Approval and
- approval of the Purchase Approval by a financial delegate.

The process for low value procurement usually consists of:



6.2.1 Quotations

A quotation from a supplier must outline a description of the goods or services to be supplied, the timeframe for supply, the details of the supplier (Name, ABN, Contact details), the quantity and price (cost/fee) of supply, and the payment terms.

A catalogue or internet/store pricing can be used to establish the description of the goods and services and the quoted cost.

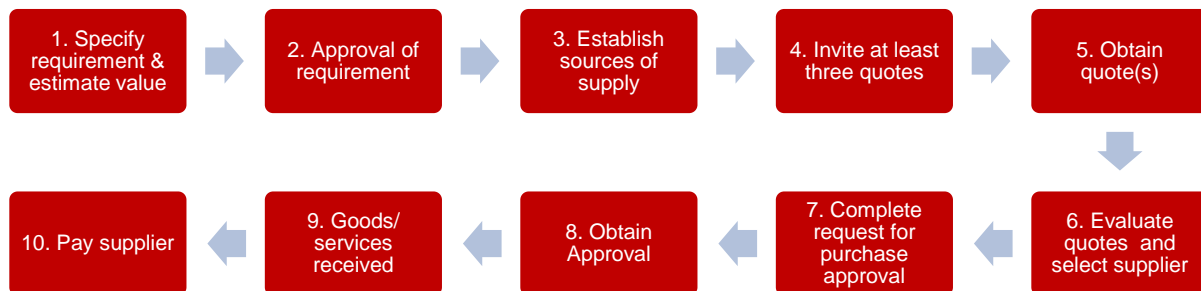
6.3 Medium value - \$10,000 to \$80,000

Medium value purchases of goods and services of between \$10,000 and \$80,000 require:

- a description of the goods or services to be purchased

- initial approval of the requirement
- a request for written quote from at least three potential suppliers
- evaluation of the quotes
- completion of a Request for Purchase Approval and
- approval of the Purchase Approval by a financial delegate.

The process for medium value procurement usually consists of:



6.3.1 Quotations

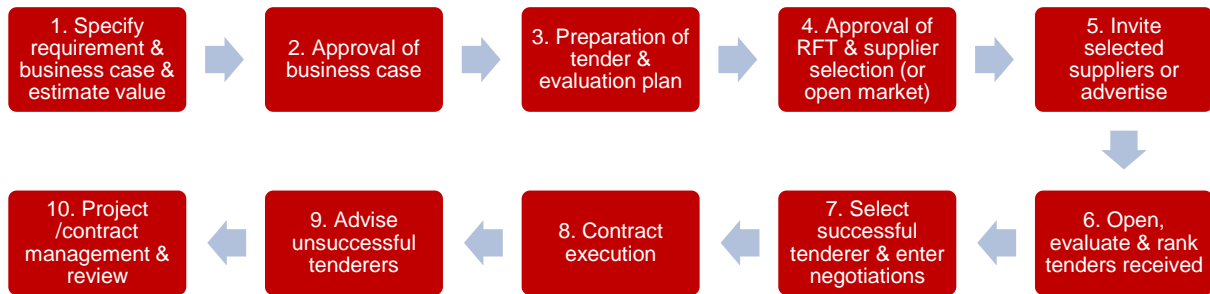
A quotation from a supplier must outline a description of the goods or services to be supplied, the timeframe for supply, the details of the supplier (Name, ABN, Contact details), the quantity and price (cost/fee) of supply, and the payment terms.

6.4 High value - \$80,000 and above

High value purchases of goods and services of \$80,000 or more in value, require:

- a suitable business case outlining the nature of and reasons for the purchase, the estimated cost, the proposed procurement method (generally select tender or open tender) and a specification for the selection of supplier
- approval of the requirement and business case
- a tender evaluation committee to be established
- a request for tender to at least three potential suppliers or the open market
- a tender closing date and tender evaluation procedures
- evaluation of the tenders against the established selection criteria
- completion of a Request for Purchase Approval
- approval of the Purchase Approval by a financial delegate and
- preparation of a contract, supply agreement or preferred supplier agreement.

The process for high value procurement is:



6.4.1 Request for tender

A request for tender issued to suppliers must outline:

- scope of requirements
- a time frame for acceptance of tenders
- intended date of purchase/engagement indicated
- conditions under which the tender may be accepted or refused
- conditions under which late submissions may be accepted, if any
- selection criteria for the goods and services

A tender evaluation plan should be developed. The plan should identify the selection criteria and the method and basis for assessing the tenders against the criteria in order to rank the tenders.

When developing the selection criteria, the factors to be considered for inclusion are:

- Costing and quality
- Risk management
- Previous performance for provision
- Experience of the provider and or providers personnel
- Capability and capacity to deliver including technical, management and resources
- Value for money
- Compliance (legal and insurances)

The selection of the supplier will be determined on the response to the selection criteria in each tender. Each tender will be assessed in terms of how well the information provided meets the selection criteria to determine the highest ranking tender.

After selection, a Request for Purchase approval is to be obtained. The request is to include reference to the business case for the procurement and the details of the selected supplier and goods and services to be supplied.

Once approval is obtained, a contract or supply agreement must be developed and the engagement of the selected supplier and attainment of the goods and services can occur. All other suppliers must be notified of the outcome of their quote.

6.4.2 Project & Contract Management

Where it is identified that a procurement is complex or entails high levels of risk to ACECQA then appropriate strategies must be put in place to manage the project and contract. Project management and contract management disciplines are considered appropriate and may include:

- detailed project planning (time, cost & quality)
- project monitoring and control
- project reporting
- ongoing risk & issue management
- provision of evidence from the supplier to manage the risks identified
- provision of appropriate insurance certificates of currency from the supplier
- provision of other appropriate licenses or certificates suitable to the nature of the provision of the goods and services from the supplier
- establish performance and review mechanism with the supplier as a requirement of purchase

6.5 Direct Negotiations for Substantial Procurement

Generally, direct negotiations should be avoided as they may raise perceptions of improper behaviour, may appear to avoid scrutiny, and may be seen as involving preferential treatment and favouritism.

Special circumstances may warrant entering into direct negotiations with a single selected supplier, without obtaining competitive quotes or tenders.

A decision to enter into direct negotiations must be approved by the Chief Executive Officer or the Board (in line with financial delegations).

Staff responsible for the procurement must clearly identify the circumstances that indicate such direct negotiation will result in the best purchase outcome for ACECQA. Procurement may occur through direct sourcing in the following circumstances:

- a) where, in response to an approach to the market, no supplier responses were deemed suitable
- b) where, for reasons of extreme urgency brought about by events the goods or services could not be obtained in sufficient time under normal tendering procedures
- c) for purchases made under exceptionally advantageous conditions that only arise for a short time

- d) where the goods or services can only be supplied by a particular business and there are no reasonable alternatives or substitutes
- e) for additional deliveries of goods or services by the original supplier or authorised representative that are intended either as replacement parts, extensions or continuing services for existing equipment, software, services or installations, where a change in supplier would compel the organisation to procure goods or services that do not meet requirements of compatibility with existing goods or services
- f) purchases on a commodity market
- g) where an organisation procures a prototype or a first purchase of goods or services that is intended for limited trial or that is developed at its request in the course of, and for, a particular contract for research, experiment, study or original development
- h) in the case of a contract awarded to the winner of a design contest provided that the contest has been organised in a manner that is consistent with the guidelines and is judged by an independent jury
- i) for new construction services
 - consisting of the repetition of similar construction services
 - that conform to a basic project for which an initial contract was awarded
 - following an open or select tender process and
 - where the initial approach to the market indicated that direct sourcing might be used for those subsequent construction services.

6.6 Preferred Supplier Agreements and Panels of Preferred Suppliers

A Supplier Agreement (SA) is a short term or limited agreement to a single project or purchase.

A Preferred Supplier Agreement (PSA) is a long-term agreement with a supplier for a range of goods or services.

A Panel of Preferred Suppliers (Panel) is a selection of preferred suppliers for similar services from which any supplier can be selected for designated services without requiring further competitive quotes.

In the case of a PSA or Panel, the following must be met:

- The establishment of a PSA or Panel occurs using the high value procurement approach, that is, through either select tender or open tender
- The conditions of the PSA or Panel fulfil the Legal and Financial requirements as determined by the Chief Operating Officer and agreed with the Chief Executive Officer
- It is determined that the PSA or Panel provides the best price, quality, risk profile and service to ACECQA to meet its needs.

6.6.1 Use of Panel Suppliers

Suppliers can be selected from a panel as follows:-

- Individual supplier – provide the selected supplier from the panel that is considered most appropriate with a brief/ scope for services required and request a quote. If the quote is acceptable then arrange for the services to be engaged in accordance with the panel contract arrangements.
- Choice of suppliers – provide a number of suppliers selected from the panel with a brief/ scope of services required to seek competitive quotes. Assess the quotes and select one of the suppliers. Arrange for the services to be engaged in accordance with the panel contract arrangements.

6.7 Payment of suppliers

The payment of suppliers must be completed in accordance with ACECQA accounts payable requirements and /or the requirements as accepted via a Fee Proposal, a Supplier Agreement or Preferred Supplier Agreement.

All payments must be made against a suitable Invoice from the Supplier that is checked by staff responsible for the purchase and approved for payment by a delegate within their limit of delegated authority.