
Subject: Purchasing
Section: Audit and Finance
Responsibility: Chief Executive Officer



OBJECTIVE

To ensure a consistent approach to the purchasing of all goods and services at Kerang District Health (KDH).

DEFINITIONS

Conflict of Interest - conflicts of interest in the public sector are conflicts between public duties and private interests. A conflict of interest can arise from avoiding personal losses, as well as gaining personal advantage — whether financial or otherwise. These can be actual, potential or perceived.

Actual Conflict of Interest - is one where there is a real conflict between an employee's public duties and responsibilities, and their private interests.

Potential Conflict of Interest - arises where an employee has private interests that could conflict with their public duties.

Perceived Conflict of Interest - can exist where a third party could form the view that an employee's private interest could improperly influence the performance of their duties, now or in the future.

Probity - honest, proper, fair and ethical conduct in all matters.

Gifts & Benefits - gifts and benefits are defined as any item or service with a value greater than \$50 individually or in aggregate and include goods, services, travel or hospitality received by an employee, as a consequence of their employment at KDH. It does not include those benefits received by employees from KDH as part of their employment terms.

PRINCIPLES

Principles to be observed by Kerang District Health when purchasing goods and services:

- Satisfying customers' reasonable requirements
- Observance of best practice commercial principles including probity principles, value for money, open and fair competition, and accountability through corporate governance.

These purchasing principles assist in establishing Kerang District Health's credibility in the relevant markets as a reliable purchaser of goods and services, and otherwise achieve quality outcomes from the operation of its purchasing procedure.

Kerang District Health Employees and Agents will:

- Follow the process and approval requirements in accordance with the KDH Instrument of Delegation and the approved KDH purchasing procedures listed in this policy.
- Advise their Manager of any actual, potential or perceived conflict of interest at the earliest possible time.
- Ensure funds are spent efficiently and effectively in accordance with KDH and government policies and guidelines.
- Ensure all proceedings meet the requirements for professional integrity and probity.
- Act ethically and maintain confidentiality of personal and commercial information consistent with their legal obligations.
- Describe goods generically rather than using brand names in tender specifications.
- Not purchase goods or services from a Supplier who does not have a valid Australian Business Number unless the Supplier can produce satisfactory evidence that they are not required to hold one.
- Not split purchase orders for identical goods or services, or vary approval, in order to circumvent established internal financial delegations.
- Ensure that all potential Suppliers are provided with timely, adequate and identical information upon which to base their quotation or tender including the fact that any supply of goods and/or services to KDH arising from acceptance of a quotation or tender will be made on the terms and conditions of purchase as established by KDH from time to time.

- Not accept gratuities from current or potential Suppliers outside of Government policy, KDH Purchasing Procedure and any guidelines issued by the Executive group.
- Not accept any gift or benefit offered by a Tenderer where the employee is engaged in an active Tender process for goods or services.
- Offer prompt responses to all enquiries from potential or existing Suppliers.
- Not enter into any financing arrangements, (e.g. leases) without express written approval from the Chief Executive Officer.
- Not undertake procurement activities for goods, services or equipment inconsistent with any Health Purchasing Victoria review, tender, contract, policy or guidelines.
- Ensure that where a purchase transaction is to be conducted by electronic means, the other party to that transaction has consented to that method of conduct.

Responsibilities

The Chief Procurement Officer is responsible for all direct and indirect sourcing and procurement across all divisions and departments of KDH.

The Procurement Manager will prepare a detailed Procurement Activity Plan annually of all anticipated significant procurement activities of KDH in the next 12 months. A high level summary plan of the activities must be published on the KDH website.

Documentation and Submission

Any submission sent to the Chief Executive or an Executive Director for approval, must be supported by the following:

- Fixed Asset Purchase Approval Form. Fixed Assets being capital items with a value of greater than \$1,000.

And in addition

- A one-page justification statement.
- Prospective purchasers of any ICT hardware or software must also complete the computer equipment request .

An incomplete submission cannot be processed and will be returned to the originating manager without further consideration.

Authority Levels

The employee authorised by the Instrument of Delegation to approve the appropriate level of expenditure is the authorised delegate for these procedures.

Managing Contracts

Each manager must actively manage contracts relating to their particular areas of responsibility. This includes participation in the development of selection criteria and key performance indicators for inclusion in tender documentation and (where appropriate) Requests for Quotation (RFQ). It also includes reviewing performance of the provider of goods or services under the contract conditions at least annually or more often if required by the terms of the contract. Where a significant breach by a HPV contracted Supplier occurs and the matter is not able to be resolved directly with the Supplier, HPV must be notified immediately.

Authority to Accept a Trial

Goods and services must not be accepted on a trial basis on behalf of KDH, unless the arrangement is documented and signed off by the Procurement Manager and the delegate authorised to approve the relevant level of expenditure if the transaction proceeds. Trial goods must be approved for use within the group by the Clinical Product Evaluation Committee prior to their use, where relevant to clinical goods.

Free Service

An offer to KDH of equipment supplied at no charge that is offered on the basis of the KDH buying other goods or services from the supplier, should not be accepted unless the arrangement is documented and is signed off by the Procurement Manager and a KDH delegate authorised to approve the relevant level of expenditure on the purchased goods or services.

Equipment and Consumables for Use in Clinical Areas

No equipment or consumables may be introduced into KDH clinical areas without the prior written approval of the Clinical Product Evaluation Committee.

Technology

Opportunities will arise with changes to technology. With these opportunities, the principles applicable to the purchasing policy and procedure listed in this protocol remain.

Methods of Purchasing

1. [Purchase Order](#)
2. [Request for Quotation \(RFQ\)](#)
3. [Request for Information \(RFI\) and/or Brief to Design and Construct](#)
4. [Tender](#)

Approval to exercise the delegation must be obtained before the purchasing process is commenced. Irrespective of which of the methods described below is used, the outcome of the purchasing procedure will be a contract between KDH and the supplier of the goods or services. Every purchase must therefore be documented fully as required by this procedure and those documents recorded and stored in a way which will enable KDH to properly exercise its contractual rights and discharge its associated obligations.

All purchases of goods and services must comply with the requirements of the KDH Financial Management Information System (FMIS) regardless of the type of purchase method used.

The following are the purchase methods most commonly used by KDH:**Purchase Order**

If there is no other documentation, the Purchase Order on its own represents the contract between KDH and the provider of the goods or services.

A Purchase Order generated electronically by the system is the basic authority for payment for purchase of goods or services of any value. The Purchase Order is generated via FMIS. The name of the Purchasing Officer that appears on the order will be authorised by KDH to place the order with the supplier. The Purchase Order will be processed electronically in accordance with the approval levels in the KDH Instrument of Delegation. No physical signature is required on a Purchase Order that has been electronically generated. All Purchase Orders are to be GST Exclusive.

The full Terms and Conditions relating to Purchase Orders are to be on the KDH website.

If the KDH delegate authorised to approve the Purchase Order deems it necessary to change the standard terms and conditions to address any specific circumstances in which that Purchase Order is being used approval and any subsequent changes must be obtained from the Procurement Manager in accordance with the Instrument of Delegation.

To enable processing for payment a valid tax invoice must contain a reference to a corresponding Purchase Order number when forwarded to Accounts Payable. An invoice without a purchase order number cannot be processed and will have to be returned to the responsible KDH delegate.

Request for Quotation (RFQ)

This process is generally used for purchases less than \$150,000 and could be extended to more than one supplier.

A quotation, to enable KDH and the supplier to enter into a binding contract in the event that KDH elects to accept the quotation, should be requested from a prospective supplier(s). Both the 'RFQ' and the quotation are to be in writing. The quotation should contain the following information:

- Description of the goods or services.
- Price, including method of payment and any discounts or rebates offered and any price payment schedule.
- Terms of delivery, including passing of ownership in the case of goods.
- Specifications including conditions and Key Performance Indicators.
- Any other relevant matters, such as warranties and KDH insurance and indemnity requirements.
- Training

It is the responsibility of the KDH delegate signing the Request for Quotation to liaise with the Procurement Manager to ensure any proposed amendments have been made to the standard terms and conditions of the Request to address any specific circumstances in which that Request is being used.

Once an acceptable quotation has been identified and approved in accordance with the Instrument of Delegation, the relevant manager may then generate an electronic Purchase Requisition.

A letter of acceptance of the successful quotation should be prepared by the Procurement Manager in the format prescribed and must:

- specify the documents constituting the contract so created; and
- be signed by a KDH delegate authorised to approve the relevant level of expenditure.
- include the Purchase Order generated by the relevant manager.

It is the responsibility of the KDH delegate signing the Request for Quotation to liaise with the Procurement Manager to ensure any proposed amendments have been made to the standard terms and conditions of the Request to address any specific circumstances in which that Request is being used.

Once an acceptable quotation has been identified and approved in accordance with the Instrument of Delegation, the relevant manager may then generate a purchase requisition.

Purchase Requisition

A letter of acceptance of the successful quotation should be prepared by the Procurement Manager in the format prescribed and must:

- specify the documents constituting the contract so created; and
- be signed by a KDH delegate authorised to approve the relevant level of expenditure.
- include the Purchase Order generated by the relevant manager.

For Expenditure Less than \$1,000

Quotations are not essential when purchasing goods or services with a total value less than \$1,000.

For Expenditure Greater than \$1,000 and less than \$25,000

At least two written quotations are required. A justification statement is raised by the relevant manager for consideration, and if thought fit, approval by the relevant Business Director or Executive Director in accordance with the Instrument of Delegation.

For Expenditure Greater than \$25,000 and Less than \$150,000

The Supply Department will obtain at least three written/relevant quotations as required. A justification statement including recommendations is raised by the business/unit manager and passed to the Executive Director who will arrange for approval in line with the Instrument of Delegation.

For Expenditure Greater than \$150,000

All contracts with a value of more than \$150,000 are subject to an approach to the open market through a public tender. Advice and assistance should be sought from Procurement Department prior to proceeding.

Exceptions to the above process must be in accordance with Health Purchasing Victoria Procurement Policies.

Request for Information (RFI) and/or Brief to Design and Construct

These methods of purchase are used for projects that may be unique or complex, and where little information is available to KDH, upon which to develop its own specification. They are not commonly used by KDH and only then upon instruction from the Chief Procurement Officer, Chief Executive or the Board.

Tender

This purchasing method will usually be used by KDH for purchase of either goods or services in excess of \$150,000 and may be employed for other reasons. Once the need to proceed to tender is agreed upon the decision should be fully documented. The process is as follows:

Tender Preparation

- The Procurement Manager in consultation with the relevant Business Manager and the Executive Director (or delegate) recommends the process to be used and if that should include an initial public request for expressions of interest. The Procurement Manager will also recommend whether tenders are to be invited using the public advertisement method or the selective tender method.
- In the interests of fairness and equity to all parties intending to submit, contact or communication with prospective tenderers must cease once tender preparation has commenced.

- The Procurement Manager will ensure that the Finance Officer confirms that funds are available.
- Approval to proceed to tender is then sought in accordance with the Instrument of Delegation.
- If approved to proceed to tender, the decision will be implemented by the Procurement Manager.
- The Procurement Manager in consultation with the project team/relevant manager prepares tender documentation. These documents require careful consideration because they will form the basis of the contract should there be a successful tenderer. Tender documents include:
 - ✓ The general KDH terms and conditions of tender, which must incorporate selection criteria specific to the project, and a weighting of those criteria (if needed).
 - ✓ A specification of need, including key performance indicators and a process by which those indicators will be monitored and evaluated during the term of any contract with a successful tenderer.
 - ✓ A Form of Tender, which must include a requirement for a Statement of Compliance to be completed by every tenderer.
 - ✓ Time frames including Tender Release, Tender Close, Tender Evaluation Complete and Contract Commencement dates.
 - ✓ A public advertisement where necessary.
 - ✓ A contract checklist to ensure there are no elements missing in the process.
- If the value of the tender is over \$50K per year and the Chief Procurement Officer or Executive Director in charge considers it necessary the tender documentation may be referred to a legal advisor.
- The relevant Executive Director will appoint a tender evaluation panel. This may include the project team and any additional appropriately qualified persons as considered necessary. In all cases the Procurement Manager or delegate is to be a member of the evaluation panel.

Tender Procurement

- Whether public or selective tender is used, the Procurement Manager will be responsible for convening information sessions and acting as contact point for communication with prospective tenderers. There will be no contact between any KDH staff and potential tenderers except as approved by the tender evaluation panel.
- If public tender has been specified, tenders are advertised by the Procurement Manager.
- The Procurement Manager is responsible for the security of tender documents once lodged and for opening and recording of tenders in accordance with best practice protocols.
- If it is a public tender a list of respondents who submit a tender or expression of interest is developed.

Tender Evaluation

- The Tender Evaluation Panel evaluates the tenders in accordance with the selection criteria as weighted. This evaluation process must include negotiation of all issues required to enable KDH to respond to the tender by either accepting or rejecting the tender as a formal offer by the tenderer. After the panel conducts any necessary post-tender negotiations and/or interviews a short list of preferred tenderers is developed.
- Probity and confidentiality must be maintained at all stages of the tender evaluation process.
- The Procurement Manager will advise in writing tenderers not included on the short list that their tenders have been unsuccessful.
- The Panel prepares an evaluation report including its recommendation as to which (if any) of the tenders/offers should be accepted. KDH will always specify and retain the right to not approve or select tenders.
- The evaluation report, together with a tender checklist and recommendation, is submitted by the panel to the relevant Executive Director for consideration and instruction for further action, along with all other appropriate documentation such as a draft letter of acceptance of offer, inclusive of any necessary clarification of non-conforming responses.
- A letter of acceptance of offer in the prescribed format signed by the authorised delegate is provided by KDH to the preferred supplier. This letter, the tender documents prepared by the Procurement Manager, Purchase Order and the successful tender together normally constitute the

whole contract. A separate agreement is required only if it is necessary to record acceptance by KDH of a non-conforming tender.

- Procurement Manager will notify in writing all other short listed tenderers that their tenders have been unsuccessful and that a debrief session is available if required. The Procurement Manager in conjunction with at least one other member of the Evaluation Panel will conduct the debrief sessions.

General Provisions

- Except as otherwise specified in this Protocol, choice of purchasing method is the responsibility of the KDH employee authorised within the authority of the Instrument of Delegation to approve the relevant level of expenditure (the “authorised delegate”) in consultation with the Procurement Manager.
- Any purchase may be subject to a random probity audit.
- The Procurement Manager or Supply Manager will retain original documents comprising a contract. Original documentation will be securely filed and kept available for reference if required. The Procurement Manager will provide copies of the contract to the relevant Business Manager for use in ongoing management of the contract.
- It is a standing KDH requirement that when signing any document which has the effect of legally committing the KDH. KDH employees must print his/her name adjacent to their signature and endorse the document with the date of signing.
- In cases where the document requires the relevant signature to be witnessed by another person, the signing must be done in the presence of the witness, and in accordance with any other specific procedure (e.g. application of a seal) required by the nature of the document.
- Where a unit, department or individual is involved in offering a tender, for example tendering for the purchase of a KDH vehicle for private ownership, no preferential treatment will be allowed.
- If a KDH employee is involved in preparing an in-house tender for any project which KDH has also put out to public or selective external tender, he/she must not take part in developing or evaluating that tender or any other tender submitted relating to the same project.
- Delegation of authority to a staff member temporarily acting in a more senior position must be in writing. Written approval of a temporary delegation for a specified period is to be forwarded to accounts payable to notify the change in delegation.

EVALUATION

This policy is to be reviewed every three years or earlier if required. VHIMs reports are to be monitored.

Tony Pearson
Finance Manager

Aligned Policies

[Delegation of Authority](#)

[Gifts, Benefits and Hospitality](#)

[Freedom of Information Policy](#)

[Confidentiality and Privacy](#)

Standards:

NSQHS Standard 1- Clinical Governance

ACQSC Standard 8 – Organisational Governance

References:

Corporate Contracting (Legal Status) Policy

Code of Conduct for the Victorian Public Sector
Conflict of Interest Policy Framework for the Victorian Public Sector
Electronic Transactions (Victoria) Act 2000
Fair Trading Act (Vic) 1999
Goods Act (Vic) 1958
Trade Practices Act (Commonwealth) 1974
Protocol for Visiting Company Rep's
Fixed Asset Purchase Approval Form
Justification Statement
Computer Equipment Request
HSV Procurement Governance Policy
HSV Strategic Analysis Policy
HSV Market Approach Policy
HSV Contract Management & Asset Disposal Policy
HSV Collective Purchasing Policy

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15.05.2015

Review Dates:

15.12.2017

13.08.2020

Next Review Date:

13.08.2023