

Procurement Policy

Control

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Contents

Control.....	1
Contents	1
1. Context	2
2. Purpose	2
3. Procurement Principles	2
4. Purchase Orders	3
5. Specific procurement requirements	4
6. Receiving and Receipting Goods and Services	5
7. Preferred Supplier	5
8. Consultancy Agreements	6
9. Procurement Contracts	6
10. Contract Evaluation.....	7
11. Supplier Feedback	7
12. Supplier Endorsement.....	7
13. Exemptions	7
14. Personal Benefits	8
15. Conflict of Interest.....	8
16. Protecting Supplier information.....	8
17. Ethics	8
18. Roles and Responsibilities.....	8
19. Definitions.....	9
20. References.....	10
21. Review.....	10

1. Context

- 1.1 Sugar Research Australia Limited (SRA) provides research, development and adoption for the Australian sugar industry and the Australian community.
- 1.2 This Policy establishes principles and practices that govern the business purchasing and procurement activities for Goods and Services from suppliers for all areas of SRA. SRA procures Goods and Services ranging from low-value items to high-value items that may involve complex tendering and contracting processes. Therefore, purchasing procedures will vary according to the value and complexity involved in each particular purchase and associated risks, including Health Safety Environment (HSE).
- 1.3 This policy strikes a balance between productivity requirements (i.e. effectiveness and efficiency of procurement execution) and the need to minimise exposure to legal and HSE risks. The policy also promotes that procurement decisions and process are transparent and publicly defensible.

2. Purpose

- 2.1 The purpose of this Procurement Policy is to:
 - (a) provide guidance to SRA staff on the most appropriate method to procure, receive and manage Goods and Services in line with delegations of authority;
 - (b) provide procurement governance;
 - (c) provide supplier selection and Preferred Supplier guidance; and
 - (d) ensure appropriate tracking, reporting and review of procured Goods and Services.
- 2.2 The Policy does not cover direct employment contracts whether they be permanent, fixed or casual.
- 2.3 This Procurement Policy applies to all SRA staff in the management (e.g buying / quotes / negotiation / tenders) of all SRA goods, services and assets.

3. Procurement Principles

- 3.1 The following principles and practices apply to SRA's Purchasing and procurement activities:
 - (a) expenditure is to be appropriate for the business purpose; and
 - (b) SRA strives to support local businesses and use local providers of Goods and Services, provided both quality and cost are not compromised; and
 - (c) **SRA staff members will not purchase or contract with parties that are related to those staff members (see 14.1).**
 - (d) SRA endeavours to derive best value for investment for all capital and operational expenditure. This means that:
 - (i) a competitive and non-discriminatory process is used in procurement; and
 - (ii) that the risk associated with the purchase is assessed prior to purchase; and

- (iii) the procurement process is commensurate with the scale of the procurement.

 - (e) procurement processes to be conducted in an efficient and ethical manner. The SRA staff member Purchasing will:
 - (i) be accountable;
 - (ii) ensure the process used is transparent;
 - (iii) maximise investor return;
 - (iv) ensure any risks to health safety and environment have been assessed; and
 - (v) ensure the process used is publicly defensible, this includes market testing of procurement opportunities and ensuring consistent application of the evaluation criteria; and
 - (f) the proposed expenditure facilitates achievement of SRA's Key Focus Areas (KFAs) and other strategic goals as detailed in SRA's Strategic Plans and/or Annual Operational Plans and/or Asset Management Plans; and
 - (g) procurement transactions are appropriately approved, recorded and tracked.
- 3.2 All procurement processes need to be transparent and repeatable. Where the process includes multiple quotations for Goods and Services, the quotations need to outline (where possible) the same Goods and Services to enable direct and accurate comparison for a decision.
- 3.3 The procurement process may vary from time to time to continue to meet the needs of SRA.
- 3.4 All procurement transactions are to be conducted in a commercial arm's length manner. See also 14.1.

4. Purchase Orders

- 4.1 Purchases of Goods and Services, equal to or greater than the Threshold at which Purchase Order becomes mandatory require a Purchase Order to be raised.
- 4.2 How to create a Purchase Order can be found on the SRA intranet ("Bruce").
- 4.3 The purchases of Goods and Services must not be split into part purchases or multiple purchases to appear under the Threshold at which Purchase Orders become mandatory as noted in 4.1.
- 4.4 Purchase Orders are the responsibility of the SRA staff member acquiring the Goods and Services. The following information is required to be included on the Purchase Order:

- (a) the description/purpose of the item(s) being purchased;
 - (b) the estimated purchase amount;
 - (c) person requesting the item(s);
 - (d) the project code (only one project code is to be used if the purchase is for more than one project. Costs should then be recouped using the 'Recoupment Form' found on Bruce); and
 - (e) delivery time (if a long lead time or delivery delays are expected or if the delivery is expected in parts, this is to be noted on the Purchase Order).
- 4.5 Purchase orders are required to be approved by the appropriate financial delegate in accordance with the SRA Delegations and Authorities.
- 4.6 A Purchase Order is to be used for Fixed Cost Agreements. For example, if the fixed cost agreement is to be paid periodically over the course of a year, the periodic payments should be incorporated into one Purchase Order.
- 4.7 Purchase Orders are not usually used for making travel arrangements – refer to the SRA Travel Policy for guidance.
- 4.8 Reimbursements for incidental expenses whilst travelling may be made (refer to SRA's Expense Management Policy). If the traveller has a corporate card, then this is to be used for incidental travel expenses such as meals, taxi and other minor expenses.
- 4.9 Purchase Orders are not to be used for periodic bills (e.g., telephone, utilities, equipment leases, and maintenance agreements), or minor recurring expenses (e.g., courier/transport services). There may be circumstances where this process differs from above, in this case approval of the Chief Financial Officer is required before commitment to procure (Refer to the Purchase Order Procedure on Bruce).
- 4.10 Purchase orders are three-way-matched. This means the purchase order amount is matched to invoice amount and to amount of service/goods actually received. This helps to ensure that what was ordered at a price, is what is received, and is what will be paid to the supplier.
- 4.11 Purchase order exception – if a supplier invoice is received before a purchase order could be raised, then the purchaser is not required to raise a purchase order (as this may trigger a further supplier invoice that is not required).

5. Specific procurement requirements

- 5.1 All Information Communication Technology (ICT) expenditure is required to be procured through the IT Department via helpdesk@sugarresearch.com.au.
- 5.2 Capital expenditure in excess of Minimum Capital Expenditure Threshold must be coordinated through the Asset Manager, in line with the Asset Management Plan and the Delegation and Authorities. The HSE Leader may review the intended capital purchases (via Capital checklist).

- 5.3 For all operational expenditure and all capital expenditure equal to or greater than “Threshold for mandatory 3 quotes and contract”, three quotes must be sourced and there must be a contract. Contracts are reviewed by Legal Counsel. Where a Preferred Supplier agreement is in place and can provide that particular good or service, the Preferred Supplier should be used. Where three quotes are unable to be obtained, a suitable reason is required to be documented and approved by the staff member’s Executive Manager.
- 5.4 Negotiation is one method that is acceptable as part of procurement. Negotiation is to include the price and all terms and conditions relative to the total value (quality, lead-time, payment terms). Selective negotiation is permitted, although this mode of procurement needs to comply with this Policy.
- 5.5 Procurement due to a negotiation between the parties is to be fully documented using the appropriate contracting agreement (consultancy, procurement contract or other written agreement) and approval process.
- 5.6 An important part of the procurement process is determining and understanding the warranty and maintenance service requirements that are available or required for Goods and Services.
- 5.7 Special conditions may apply to procuring the item that are linked to the validity of the warranty or service guarantee (e.g. machinery may require service every six months to meet warranty conditions). These conditions must be fully documented.
- 5.8 For all procurement, the following policies and procedures must be followed:
- Code of Conduct for Staff;
 - Preferred Suppliers Procedure;
 - Expense Management Policy;
 - Contract formation, administration, management & supplier performance management (refer to Related Parties and conflicts of interest);
 - Capital expenditure; and
 - Procurement spend analysis (i.e. volume Purchasing analysis, procurement category analysis).
 - Risk Management Protocol for Plant and Equipment (for all plant and equipment purchases, irrespective of dollar value).

6. Receiving and Receipting Goods and Services

- 6.1 Refer to the Purchase Order Procedure on Bruce.

7. Preferred Supplier

- 7.1 Preferred Supplier relationships improve procurement efficiency and practicality. This includes dealing with local entities where possible to support local business and minimise supply delays.
- 7.2 A Preferred Supplier needs to meet the following criteria:

- (a) Capability to meet supply needs (volume and regional reach for supply across all SRA sites). High volume suppliers across a number of sites should be considered for preferred supply agreements. For suppliers supplying goods, additional to negotiation of best price, the agreements should strive to include the opportunity to price match. This approach would ensure market value is tested and good value is obtained.
- (b) Suppliers supplying regular services. This includes cleaning, safety inspections, grounds maintenance etc. In this instance, the Preferred Supplier relationship is captured by contracting service commitment.
- (c) Specialist suppliers. For those goods deemed specialised, there are often few suppliers able to meet procurement needs. In these cases, contracted service agreements are preferred to formalise and set the pricing structure.

7.3 Refer to the Preferred Supplier Procedure for further information, found on Bruce.

8. Consultancy Agreements

8.1 All Consultancy Agreements are to be approved by the SRA Legal Counsel/Company Secretary. All documentation is to be forwarded to the SRA Legal Counsel/Company Secretary including the Contract Risk Checklist and Legal Sign-off found on Bruce.

9. Procurement Contracts

9.1 All Procurement Contracts entered into by SRA should clearly describe the scope of work, the rate and terms of compensation, the period of performance, deliverables, and terms of the agreement.

9.2 All Procurement Contracts are to be approved by the SRA Legal Counsel/Company Secretary. All documentation is to be forwarded to the Legal Counsel/Company Secretary including the Contract Risk Checklist and Legal Sign-off which can be found on Bruce.

9.3 The procurement method for contracting varies based on the value of the goods or services required. Table 1 below details the minimum procurement requirements:

Table 1

Total Value of Contract/Purchase (AUD)	Minimum Purchase Method	Written Contract Required
Greater than \$200,000	Open tender 3 Competitive quotations Purchase order required	Proposals and written Contract
\$50,000 - \$200,000	Selective Tender 3 Competitive quotations Purchase order required	Yes
\$25,000 - \$49,999	3 Competitive quotations Purchase order required	Yes
\$1,000 - \$24,999	1 quotation required Purchase order required (except where 4.11 applies)	No
Less than \$1,000	No quotations required Purchase order optional	No

- 9.4 All Procurement Contracts must be approved in line with the Delegations and Authorities and the SRA Legal Counsel/Company Secretary with accompanying Contract Checklist and Legal Sign-off.
- 9.5 Once executed, all Procurement Contracts are to be entered into the Contract Management System, the original sent to Records, a scanned copy electronically filed in the Contract Management System and a Purchase Order raised.
- 9.6 All contracts or agreements are to be approved by SRA's Legal Counsel Company Secretary in accordance with SRA's Contracting Process.
- 9.7 Where a supplier or Preferred Supplier seeks a variation involving a rate change, the Project Manager has the discretion to either accept the variation or to test the market terms. All variations must be approved in line with the Delegation and Authorities and service contract.
- 9.8 Performance management of the supplier or Preferred Supplier is essential and is the responsibility of the procuring staff member or the Project Manager.

10. Contract Evaluation

- 10.1 The appropriate SRA Project Manager will monitor the contractual arrangements and relationships of the Preferred Supplier regularly to ensure that the outcomes expected are delivered within the requirements of the contract terms.
- 10.2 The appropriate SRA Project Manager will liaise with the SRA Legal Counsel Company Secretary in the event of any request for change of terms or other issue arising in relation to contract terms.

11. Supplier Feedback

- 11.1 Feedback to suppliers or parties who tender to SRA are to be informed of the outcome by the person responsible for the Procurement promptly and appropriately. This feedback must be in writing.

12. Supplier Endorsement

- 12.1 SRA does not allow suppliers to advertise any endorsement by SRA in relation to the business conducted between SRA and the supplier.

13. Exemptions

- 13.1 This Policy recognises that there will be valid instances where the need to procure particular Goods and Services does not form part of an existing arrangement and/or the need to acquire it has not been captured in budgets and plans, or the need is urgent.
- 13.2 In these instances, SRA staff must follow the relevant processes and apply the principles and practices outlined in this Policy relating to Purchasing and Procurement.
- 13.3 In accordance with standard procurement process an approval of such a purchase is required in writing.

13.4 If the correct process is not followed, the reasoning and subsequent actions require review by the division's Executive Manager. This method of procurement is NOT encouraged.

14. Personal Benefits

14.1 SRA prohibits the entry by a SRA staff member into any Related Party transactions. Preferential treatment of a supplier, or selecting a supplier in return for personal benefits is NOT permitted.

15. Conflict of Interest

15.1 SRA's integrity and control cannot be compromised, in any of its dealings, by an actual or perceived conflict of interest involving a Director, SRA staff member, contractor or a volunteer.

15.2 Any transaction with the organisation in which a Director, SRA staff member, contractor or volunteer has a vested interest or a potential conflict of interest should be reported immediately to the CEO and subsequently to the Board.

15.3 All SRA staff must comply with the Code of Conduct for Staff.

16. Protecting Supplier information

16.1 The release of any supplier information external to SRA requires approval from a SRA Executive Manager. If decided or required to do so, this must be done with supplier approval.

17. Ethics

17.1 SRA expects all SRA staff to observe the highest standard of ethical conduct when exercising Procurement processes.

17.2 Confidentiality must be abided by when dealing with suppliers.

17.3 Gifts of any type should be dealt with as described in the SRA Code of Conduct for Staff and the Expense management policy. Any inducement offered in relation to the procurement process is to be refused.

18. Roles and Responsibilities

	Role	Responsibility
18.1	Project Manager	Must be aware of the Project budget and approve/acknowledge the procurement requests as appropriate and in line with the Delegations and Authorities.
18.2	SRA staff member	Responsible for complying with the Policy as outlined.

19. Definitions

	Term	Definition
19.1	Commercial arm's length transaction	All parties to a transaction are independent and on an equal footing.
19.2	Consultancy Agreement	Contracts with individuals/companies for specialised services. SRA will use a consultancy Agreement when the individual is performing specialised work under a contract that clearly specifies the scope of work, rate and terms of compensation, time period of performance, deliverables, and terms of the agreement.
19.3	Contract	A contract is a binding agreement between two or more parties for doing or not doing something specified.
19.4	Contract Management System	A database management system where all contracts are to be recorded.
19.5	Capital Checklist Contract Risk Checklist	Document that assists review and approval of capital purchases. Document that outlines the details of the contract, costs and approvals.
19.6	Fixed Term Agreements	An agreement that is for a set period (e.g. one year) at an agreed annual fee (e.g. \$1200 per year which is invoiced at \$100 per month).
19.7	Goods and Services	Items required by SRA to enable operations of SRA. This term applies to goods and or services.
19.8	Preferred Supplier	A supplier to SRA of Goods and Services determined, through a selection process (see Preferred Supplier Process), to be a main supplier of certain Goods and Services for SRA.
19.9	Procurement	The process of setting up arrangements for the supply of Goods and Services, to SRA. These arrangements may include Preferred Supplier lists, catalogues of approved items or contracts for supply of agreed goods and/or services.
19.10	Procurement Contract	An agreement entered into by SRA in respect of Procurement of certain goods and/or services, in a form acceptable to SRA and approved in accordance with section 9 of this Policy.
19.11	Purchasing	Is operational procurement and refers to day to day tasks associated with acquiring items.
19.12	Purchase Order Procedure	SRA approved procedure for raising and Purchase Orders and confirming that relevant Goods and Services have been received.
19.13	Related Party	A party (individual or group) who is related in some way to the initial party. A related party could include a family member or relative, friend, associate or a related corporation. This could also include an ex-member of staff, who is considered related if their employment ceased within the last 12 months.

19.14	SRA staff	People employed by SRA, or contracted by SRA to perform work for or on behalf of SRA.
19.15	Threshold for mandatory 3 quotes and contract	\$25,000
19.16	Threshold for requiring purchase order (except for cases where invoice is already received).	\$1,000
19.17	Threshold for minimum capital expenditure value	\$15,000

20. References

20.1	Code of Conduct for Staff
20.2	Contracting Process
20.3	Delegations and Authorities
20.4	Expense Management Policy
20.5	Preferred Supplier Procedure
20.6	Risk Management Protocol for Plant and Equipment

21. Review

21.1 This Policy must be reviewed every three years or earlier, in the light of current good practice, changes to schedules and regulatory advice.