

State Water Purchasing Policy & Procedure: SW2007-P0127**Purchasing Policy & Procedures May 2010**

This purchasing policy and procedures aims to ensure that:

- State Water employees understand the procedures and their obligations when procuring goods and services.

Policy Principles

- State Water Corporation is committed to the purchase of goods and services at the most cost effective rate.
- Employees understand their responsibilities and accountabilities in the procurement of goods and services.
- Employees are educated in the importance of commitments and expenditure control.

Procedures**Introduction**

Purchasing Section is committed to providing a cost effective, timely and user-friendly service to our customers.

These procedures have been compiled with the objective of providing you, the customer, a better understanding of State Water Purchasing policies and procedures.

Aspects covered in these procedures include:

- Purchasing Generally
- Methods used to procure Goods and Services
- Receipt and Payment Procedures
- General Information

Further information can be obtained by contacting the Procurement Manager on (02) 6841 2057.

Purchasing Generally

One of the objectives of the Purchasing Section is to reduce or contain the ever increasing cost of purchasing goods, services and equipment. Purchasing aims to achieve this objective by:

- having appropriate policies and procedures in place.
- reviewing and negotiating with vendors to obtaining supplies at the lowest possible cost.
- investigating opportunities and entering into aggregate "contracts" whenever financially appropriate.
- increased usage of Smartbuy (Government negotiated contracts). Usually negotiated at a lower rate.
- continually monitoring the cost of goods, services and equipment procured.
- standardisation of processes to allow for the review of procurement costs.

IMPORTANT TO NOTE:

NSW Government contracts are arranged so that the purchasing power of many agencies can be combined to obtain the best value from suppliers. State Water Corporation can access NSW Government Contracts. Business units should use SMARTBUY in the first instance when searching for goods and services. If the item is listed as being on Government Contract it must be purchased through a contract supplier unless it can be obtained locally at a more economical price.

Purchasing Policy & Procedures

Departures from Government Contract are only acceptable when formal approval has been obtained from the Procurement Manager.

For assistance with NSW Government Period Contracts or for access to SMARTBUY please contact the Procurement Manager.

If purchasing from NSW Government Contract the Contract No must be noted in the requisition and the supplier must be a selected Gov Contract supplier for that item or service.

Departures from the following are only acceptable when formal approval has been obtained as per the Project Delivery System.

If not purchasing on NSW Government Contract, quotes must be obtained or a Tender submitted for all goods, services or equipment:

\$0	-	\$1,500	No quotes
\$1,501	-	\$30,000	1 Written Proposal <i>(Must be noted on requisition/order)</i>
\$30,000	-	\$150,000	Three written quotes
> \$150,000			Competitive formal tenders

All values are GST Exclusive

When requesting written quotations, specifications in writing must be provided to each supplier so as to ensure suppliers are quoting equally.

Even though multiple written quotations are not required below \$30,000, it is often advantageous to seek further quotations.

Orders must not be split for the same goods or services for the purpose of enabling the goods/service to be obtained under the limits shown above.

The officer calling and receiving quotations shall record the following information:

- a detailed description of the goods or service for which quotations were invited.
- a list of organisations invited to submit quotations.
- a list of the organisations submitting quotations and the cost and delivery details of the goods and services tendered.
- in any instance where fewer than three quotations are obtained, the reasons for not inviting more quotations.

All quotations are to be treated confidentially. Prices and conditions provided are not to be divulged until quotation evaluation has been completed. No person or firm providing quotations is to be offered any advantages over any other person or firm. This includes any form of information.

Delegations

Authorisation levels apply to all purchases made within State Water. A copy of the State Water Delegations Manual is available from the State Water Intranet Site.

Documents that do not comply with the Delegations Manual cannot be processed and will be returned to the author.

Purchasing Policy & Procedures

Purchasing Goods & Services

When procuring goods and/or services the following procedure is to be strictly adhered to:

- **Goods or Services under \$100 GST Exclusive** - check if the vendor will accept payment by Corporate Card, if not then use petty cash. If neither can be used a Requisition for Purchase Order **must** be created.
- **Goods or Services over \$100 and less than \$1000 GST Exclusive-** check if the vendor will accept payment by Corporate Card, if not a Requisition for Purchase Order must be created.
- **Goods or Services over \$1000 GST Exclusive-** a Requisition for Purchase Order must be created.

Exceptions - One time vendors i.e. if you have not used this vendor in the past and are not likely to use in the future. The use of a Corporate Card is acceptable in these instances but only after verifying that they are not in the system by contacting either Accounts Payable or Purchasing Sections. The reason for this is because of the time and cost involved in setting up vendors in the purchasing system.

Local monthly Orders for the supply of Low Value **consumable items** can be paid by Corp Card up to the value of the card per month. The reason for this is because of the time and cost involved in processing low value invoices for payment.

Exception to the three purchasing levels

Payment of Utility Accounts – these are the only accounts to be processed via a payment stamp as per the attached.

Natural Accounts

Care needs to be taken when coding Requests for Purchase Orders so that expenditure goes to the correct Natural Account and Activity.

The use of Purchase Orders is being strengthened for a number of reasons including:

- Improved cash flow management.
- Improved project management
- Improved overall budget management
- Coverage against liability

Conditions apply to the supply of goods and services (See Attachment 2). These conditions are covered in clauses detailed on the reverse of the Purchase Order that goes to the supplier. Obviously, if goods and services are procured outside the Purchase Order System, SWC is not covered for such things as insurance and compliance related issues.

Purchasing Policy & Procedures

Methods of purchasing

There are various methods used for purchasing Goods & Services and will depend on the products or circumstances involved.

- 1 Purchase Requisition and Blanket Order
- 2 Petty Cash
- 3 Corporate Credit Card

1 Online Purchase Requisitions and Blanket Orders

This is the most common method used for the procurement of goods, services and equipment. Online Requisitions are raised in Finance one by approved requisitioners. All delegations are within Finance one

When completing the Online Requisition in Finance one you will require following information.

- Vendor No (*vendor list available from <http://statewater.dlwc/corsys/financ.html> If vendor is not listed a completed vendor request form and supporting documentation must be submitted to Accounts Payable .They will email you the Vendor No once set-up in Finance one*)
- Job Number and account code
- Delivery instructions
- Unit cost and/or extended cost (**including GST**)
- Quotation details (*written quotations must be attached when required*)
- A proper description on the item or service being ordered (*when entering the description of the goods the quote No, Tender No or Gov Contract No must be noted in the requisition*)

Before Approving or Submitting for Approval the completed online requisition, ensure that copies of all relevant information is attached, eg written quotations.

IMPORTANT: Goods and services are not to be ordered prior to the order No being allocated by the Purchasing Officer.

It is the responsibility of the requisitioner and the BU Manager to insure all orders in Finance one accurately reflect commitments.

Blanket orders are utilised when goods or services are being purchased on a regular basis from the same supplier for a certain period, eg 12 months.

For record purposes, an order number is allocated for the goods and services with only one order being issued for the entire twelve-month period. Blanket Orders are also raised for local monthly orders when it is not possible to pay by Corporate Credit Card. Blanket Orders are raised by completing an Online Requisition within Finance one.

It is mandatory that a Purchase Order is created prior to the Goods or Service being ordered, any instances where a Purchase Order is raised after the event will result in State Water not accepting liability for payment of the invoice. The liability for payment will be the responsibility of the individual.

The only exceptions will be for PO'S raised for incidental items as per ATTACHMENT 1 or for future subscriptions

Any variation from this will require justification and written approval from the General Manager Finance, CEO or the Procurement Manager.

FOR INTERNAL USE ONLY

Purchasing Policy & Procedures

2 Petty Cash

(see State Water Petty Cash Policy for full details)

State Water employees may purchase goods and services through petty cash, up to a maximum of \$100 GST Exc. Petty cash is to be used for purchases relating to business use only.

Petty Cash docketts must be completed by the employee incurring the expenditure after the goods and services have been paid for. Reimbursement cannot be made without a receipt. The petty cash docket must have all receipts attached and all details must be completed on the docket, including the job number. Once the amount is reimbursed, the employee must sign the received box on the docket.

3 Corporate Credit Card

(see State Water Credit Card Policy: SW2007-P0126 for full details)

State Water Corporation provides Corporate Credit Cards to nominated employees, as a facility to streamline the payment of minor purchases and actual travel-related actual expenditure. Employees issued with a Corporate Credit Card are in a position of trust as they have direct access to State Water funds. Accordingly, each cardholder should be aware that improper or unauthorised use of their card may render them liable to disciplinary and/or legal action and cancellation of access to credit card facilities.

Purchase of Assets

Asset Addition Forms must be completed and submitted to the Asset Accountant for all Asset Purchases. Details of low value" or "attractive" items are also to be included in the Asset Register maintained on each site. The Register is an auditable document and must be maintained.

Definition of Assets

- An Asset is any plant or equipment with a purchase value in excess of \$5,000 GST Exc. Or Computer Equipment over \$2000 GST Exc
- Low Value or "Attractive" assets are those that are less than \$5,000 GST Exc in value and need to be recorded (e.g. Digital Cameras, TV's, Mowers, Chain Saws).

Delivery & Payment of Purchase Orders

When goods and services are received it is the responsibility of the requisitioner to deliver the Purchase Order into Finance One, once the delivery is made the invoice need to be stamped "**DELIVERED INTO FINANCE ONE**" and forwarded to Accounts Payable.

Progress payments and accruals for contracts should be treated like any part delivery.

Price Variations

All price variations to Purchase Orders need to be done by way of a Purchase Order Amendment in Finance one. If re-approval is required as per the delegations manual the requisitioner will need to submit for approval. Invoices can

FOR INTERNAL USE ONLY

Purchasing Policy & Procedures

not be paid if the invoice is a higher value than the delivered amount. It is the responsibility of the requisitioner to insure the correctness of the delivery.

If the variation is for a contract supporting documentation must be attached when making the amendment.

Contracts

Refer to State Water Procurement Policy (Policy No: SW2007-P0129) when entering into formal contractual arrangements.

All formal contracts should be covered by a Purchase Order. The Letter of Acceptance should be attached in Finance one when creating the requisition. This will assist Project Managers in assessing the cost of projects (actual + commitments) and enable the accurate forecasting of cash flows.

For further information on contracts contact Les Larrad, Projects and Contracts Risk Manager on 9354 1068

Code of Practice for Procurement and Probity

See Attachment 3 for the Code of Practice for Procurement. These clauses have been extracted from State Water Procurement Policy (Policy No: SW2007-P0129)

Policy Administration

The responsibility and authority to implement and enforce this policy rests with each Manager. This responsibility includes effective communication of the policy and any necessary related procedures to all affected staff.

Approval to deviate from this policy can be given only by the General Manager Finance, Procurement Manager, COO or the CEO. If approval has been obtained to deviate from policy, supporting documentation as to why deviation is required must be provided and attached into Finance one when creating the requisition.

Feedback

Feedback on this policy is welcome. Feedback and enquiries in relation to this policy should be directed to the Procurement Manager on (02) 6841 2057.

Adopted by Executive Team: 2 March 2010

Issued by:
Jane Redden
General Manager Finance
(02) 6841 2054

Reissue Date: 5 May 2010
Issued to: All State Water staff

Review date: May 2012

Purchasing Policy & Procedures

Attachments:

1. Purchase Order exemption form (utilities)
2. State Water Corporation (State Water) Terms and Conditions for Purchase Orders

ATTACHMENT 1



TO ACCOUNTS PAYABLE SECTION

I certify that a Purchase Order is not required for the attached invoice and it was not possible to pay by Corporate Credit Card, to be processed it must fall into one of the following utility categories:

- Electricity (Not to be Paid by Corporate Credit Card)
- Telephone
- Licence Renewal costs up to \$1000
- General Local Council Rates
- Gas
- Waste removal
- Postage
- Freight
- Photocopier Copy Costs
- Legal Fees up to \$500.00
- Local catering costs up to \$1000

Approving Officer:

Position:

Date / /

ATTACHMENT 2**State Water Corporation (State Water)
Terms and Conditions for Purchase Orders**

State Water General Purchase Agreement.

1. GENERAL

- a) These terms apply to all purchase orders (Order) for goods and/ or services (goods/services) placed by State Water to a supplier (Supplier) and are in addition to any terms and/or conditions specified in an individual Order.
- b) Where under a State Contract Control Board contract (existing contract), this agreement shall be in addition to the supplier contract or the existing contract will prevail to the extent of the inconsistency.
- c) No other terms or conditions or any variations apply to an Order by State Water unless State Water has agreed in writing to them.

2. THE AGREEMENT

- a) Supply of goods/services pursuant to an Order shall constitute acceptance of the terms of this agreement.
- b) This agreement is not assignable by the Supplier without the prior written consent of State Water.
- c) The laws of New South Wales govern this agreement.

3. PRICE

All prices quoted in an Order are fixed and inclusive of all taxes, including GST, insurance freight and delivery costs including costs associated with the return of goods wrongly supplied or defective goods.

4. PAYMENT

If the Supplier has supplied the goods/services in accordance with the Order, State Water has accepted the goods/services and the Supplier has issued a valid tax invoice substantiated by an itemised account and any further details reasonably requested by State Water, payment will be made by the end of the month following the month in which an invoice is received or within such time as has been agreed in writing by State Water.

5. INSURANCE

The Supplier must hold appropriate insurance (including where appropriate, public liability, product liability, workers' compensation and professional indemnity insurance) to cover the risk for the goods/services supplied and provide documentary evidence thereof to State Water on demand.

6. COMPLIANCE WITH LEGISLATION

The Supplier shall comply with the requirements of all legislation including Occupational Health and Safety legislation.

A CODE OF PRACTICE FOR PROCUREMENT

A1 INTRODUCTION

This *Code of Practice for Procurement* outlines how State Water will conduct its procurement activities when interacting with the private sector.

The Code sets the framework for all business relationships by:

- Establishing the standards of behaviour expected from State Water representatives (as clients), employer and industry associations and unions.
- Requiring a strong commitment to continuous improvement and best practice performance by all participants in the supply chain.

State Water will use its right as a major client to do business only with service providers who display a commitment to the standards of behaviour outlined in the Code.

The Procurement Policy framework is an essential reference to give proper effect to this Code. The Policy incorporates all relevant policies, guidelines and procedures which underpin the practice requirements of this Code.

A2 OBJECTIVE

State Water wants its procurement activities to achieve best value for money in the expenditure of public funds while being fair, ethical and transparent.

In achieving this objective, State Water:

- has set the responsibilities and standards of behaviour expected of the parties undertaking procurement activities as outlined in this Code of Practice.
- will award contracts to those service providers that meet the requirements outlined in the Code.
- calls on other industry stakeholders, such as employer associations, industry associations and unions, to support and uphold this Code of Practice.

A3 STANDARDS OF BEHAVIOUR

All parties will behave in accordance with the following standards at all times.

Honesty and fairness	Parties will conduct all procurement and business relationships with honesty and fairness.
Accountability and transparency	The process for awarding contracts on government projects will be open, clear and defensible.
No conflict of interest	A party with a potential conflict of interest will declare and address that interest as soon as the conflict is known to that party.
Rule of law	Parties shall comply with all legal obligations.
No anti-competitive practices	Parties shall not engage in practices that are anticompetitive.
No improper advantage	Parties shall not engage in practices that aim to give a party an improper advantage over another.
Intention to proceed	Parties shall not seek or submit tenders without a firm intention and capacity to proceed with a contract.
Co-operation	Parties will maintain business relationships based on open and effective communication, respect and trust, and adopt a non-adversarial approach to dispute resolution.

Purchasing Policy & Procedures

A4 PRACTICE REQUIREMENTS

All parties shall adhere to the requirements of this section.

Best Practice

Procurement processes should be structured to minimise costs for all parties, consistent with the standards of behaviour required by this Code.

Commitment to continuous improvement and best practice performance is expected of all those involved in government procurement. Areas where this commitment may be demonstrated include, but are not limited to:

- Client focus, service quality and value for money outcomes;
- Ethical business practices;
- Management of procurement risk;
- Tendering and contract management;
- Co-operative relationships;
- Non-adversarial dispute resolution;
- Planning and management of human, physical and financial resources;
- Environmental management;
- Occupational health and safety management, and workplace injury management;
- Workplace practices;
- Training management;
- Aboriginal participation;
- Supply chain management;
- Payment practices, including reflective practices down the contract chain; and
- Innovation in design, service provision, processes and use of technology.

B PROBITY

The Independent Commission Against Corruption (ICAC) was created by the ICAC Act 1988. Its aims are to protect the public interest, prevent breaches of public trust and guide the conduct of public officials.

All State Water procurement must conform to ICAC's conduct guidelines. Employees are advised to read and understand the document called "*Probity and probity advising: Guidelines for managing public sector projects*" which provides information and guidance for public sector organisations managing complex processes such as procurement, disposal of assets, sponsorship and administration of grants.

The publication defines probity and outlines five inter-related probity fundamentals, provides guidelines on the development and use of probity plans. The publication deals in some detail with the role of probity advisers, listing 15 criteria for use in assessing the need to engage a probity adviser.

The document can be viewed at –

<http://www.icac.nsw.gov.au>. In the Search column type in *Probity and probity advising*.

Purchasing Policy & Procedures
