

# Procurement policy

POL-C-030

Version 1.1 1 Aug 2005

## Contents

1. Title.....	3
2. Introduction.....	3
3. Scope .....	3
4. Principles and guidelines.....	3
5. Definition of terms .....	5
6. Definition of responsibilities.....	6
7. References .....	6
8. Implementation.....	6

<b>ID</b>	POL-C-030
<b>Version</b>	1.1
<b>Version date</b>	1 Aug 2005
<b>Type</b>	Council approved
<b>Approval Date</b>	19 July 2005
<b>File</b>	04/1928
<b>Availability</b>	Public and all staff
<b>Keywords</b>	common seal, contracts, legal, procurement, purchasing, tenders
<b>Responsible Officer</b>	Chief Finance Officer
<b>History</b>	
<b>Review date</b>	April 2007
<b>Related documents</b>	<p><i>Procurement Procedures Manual</i>, National Museum of Australia, 27 July 2003</p> <p>Commonwealth Procurement Guidelines, 1 January 2005</p> <p>SC-004 Legal services panel, National Museum of Australia, version 1.0, November 2004</p> <p>SC-015 Custody and use of the common seal, National Museum of Australia, version 1.0, June 2005</p>
<b>Contact</b>	<p>National Museum of Australia GPO Box 1901 CANBERRA ACT 2601</p> <p>Tel: (02) 6208 5000 Email: <a href="mailto:information@nma.gov.au">information@nma.gov.au</a> Website: <a href="http://www.nma.gov.au">www.nma.gov.au</a></p>

## 1. Title

Procurement policy

## 2. Introduction

The National Museum of Australia (the Museum) is a major cultural institution charged with researching, collecting, preserving and exhibiting historical material of the Australian nation. The Museum focuses on the three interrelated areas of Aboriginal and Torres Strait Islander history and culture, Australia's history and society since European settlement in 1788 and the interaction of people with the environment.

Established in 1980, the Museum is a publicly funded institution governed as a statutory authority in the Commonwealth Arts portfolio. The Museum's building on Acton Peninsula, Canberra opened in March 2001.

## 3. Scope

### 3.1 Description

This policy covers the arrangements and processes for the procurement of property and services by the National Museum of Australia from external sources. This includes services provided on behalf of the Museum and services which generate income for the Museum.

### 3.2 Purpose

A clear and effective policy for the procurement of property and services by the Museum is essential for the efficient operation of the Museum and for the discharge of the Museum's responsibility for the management of public resources.

The principal outcomes include:

- procurement processes which meet the Museum's legal obligations under Commonwealth laws, regulations, directions and Australia's obligations under international trade agreements
- efficient and transparent procurement processes which result in the sound management of public resources
- procurement outcomes which meet the Government's principal objectives of value for money, encouraging competition, efficient, effective and ethical use of resources and accountability and transparency
- consistency of procurement practices and knowledge of processes across the Museum.

### 3.3 Rationale

The Finance Minister has issued a direction in the form of the Finance Minister's (CAC Act Procurement) Directions 2004 to the Museum requiring it to apply the Commonwealth Procurement Guidelines (CPGs) effective from 1 January 2005.

For the Museum a covered procurement is for the procurement of property and services over \$400,000 and construction services over \$6,000,000. Notwithstanding the limited application of the Commonwealth procurement guidelines under the Finance Minister's direction, the guidelines represent better practice in relation to procurement and this document adopts the general principles and processes prescribed in the guidelines for all Museum procurement.

## 4. Principles and guidelines

### 4.1 General

All procurement by the Museum must be undertaken in accordance with this policy and procurement procedures issued by the Director pursuant to this policy. In the case of the

acquisition of items for the National Historical Collection, except where specifically exempted, this policy applies to the extent practicable or where it is not inconsistent with the collection policy.

#### **4.2 Objectives and principles**

The primary principles of procurement are to achieve:

- value for money
- encourage competition
- efficiency, effectiveness and ethical use of resources
- accountability and transparency.

#### **4.3 Procurement methods and documentation**

The method of procurement will depend on the value, risk, complexity and market conditions.

As a general rule all procurements over \$50,000 should be subject to a public tender process. An exception would be the use of a select tender process where a panel of providers has been established through a public tender process. For procurements between \$50,000 and \$200,000 a business case should be prepared and approved by a delegate prior to approaching the market.

For procurements greater than \$200,000 a business case should be developed. If approved, then a procurement plan, including detail on how tenders will be evaluated, should be prepared. The procurement plan should be approved by a delegate prior to approaching the market.

Appendix A provides a summary of the recommended minimum procurement methods and required documentation.

#### **4.4 National Historical Collection acquisitions**

Although the commonwealth procurement guidelines principle of encouraging competition is not normally applicable to National Historical Collection acquisitions, the other three principles listed above apply.

The main methods of acquiring items are by donation, direct purchase or auction. All items should be assessed against criteria in the Council approved collections development policy.

Detailed procedures will be set out in the National Historical Collection acquisition procedures to be approved by the Director.

#### **4.5 Exceptions to recommended procurement methods**

All procurement method decisions which do not follow the recommended thresholds (refer appendix A) must be documented and clearly state why a different approach was used. Such decisions must be approved by the Director or a general manager before approaching potential suppliers to seek prices and offer conditions. Consistent with Government archive policy the documentation is required to be kept for at least three years.

All decisions to use direct sourcing must be documented, including referencing all relevant reasons. Similar to other instances where a public tender process is not used, approval is required by either the Director or a general manager.

All procurement decisions are open to parliamentary scrutiny. All contracts with a value greater than \$400,000, irrespective of procurement method, must be published on AusTender within six weeks of entering an arrangement.

#### 4.6 Valuing a procurement

The value of a procurement must:

- take into account all forms of remuneration, including premiums, fees, commissions, interest and other revenue streams that may be provided for in a proposed contract
- include the total maximum value of the property or services being procured over the life of a contract, including the value of any options in the proposed contract
- include any taxes or charges, including goods and services tax.

Where the procurement is to be conducted in multiple parts with contracts awarded either at the same time or over a period of time, with one or more suppliers, the estimated value must include the estimated total maximum value of all of the contracts. A procurement must not be divided into separate parts for the purpose of avoiding a procurement threshold.

#### 4.7 Delegations

The Council has delegated to the Director and other positions its powers under the *National Museum of Australia Act 1980* to approve transactions related to the procurement of property and services. The procurement of property or services must be approved by a delegate. The value of a procurement for the purposes of the delegation thresholds is the total value calculated in accordance with section 4.6 of this policy.

In accordance with section 37 of the *National Museum of Australia Act 1980*, the Museum requires the approval of the Minister to enter into a contract under which the Museum is to pay or receive an amount in excess of \$1 million. In all cases where the Minister approves entering into a contract, the common seal of the National Museum must be affixed to the contract.

Any variation which is up to 10 per cent of the original contract value to a maximum of \$20,000 must be approved by a delegate authorised to approve the revised total value of a contract or purchase order.

In the case of a tender process, the tender must be approved by a delegate prior to the publication of a tender or issuing select tender documentation.

### 5. Definition of terms

#### **Commonwealth contracts**

Commonwealth contracts are agreements for the procurement of property and services under which the Museum is obliged, or may become obliged, to make a payment of public money.

#### **Commonwealth Procurement Guidelines (CPGs)**

The Commonwealth Procurement Guidelines is a document issued by the Finance Minister under regulation 7 of the Financial Management and Accountability Regulations 1997.

#### **Construction services**

Construction services are procurements related to construction of buildings and all procurements covered by the *Public Works Committee Act 1969*.

#### **Covered procurements**

Covered procurements are procurements, other than one that is specifically exempt, where the value of the property or services exceeds \$400,000 and for construction services over \$6 million.

### **Delegate**

A delegate is a person occupying a position listed in the Council approved delegations schedule for the purchase of historical material, or the delegation schedule for the purchase of furnishings, equipment and other goods.

### **Mandatory procurement procedures**

Mandatory procurement procedures are a set of rules and procedures, outlined in division 2 of the Commonwealth Procurement Guidelines, which must be followed when conducting a covered procurement.

## **6. Definition of responsibilities**

### **Director**

The Director is responsible for issuing procurement procedures and National Historical Collection acquisition procedures consistent with this policy.

### **Chief Finance Officer**

The Chief Finance Officer is responsible for:

- developing and implementing the procurement policy and procurement procedures in accordance with Council directives
- maintaining the tender and contract register
- staff training and ongoing procurement awareness updates
- acting as the Museum point of contact for the Department of Finance and Administration.

### **General managers**

General managers are responsible for the conduct of their respective staff in connection with the procurement of property and services.

### **Business unit managers and project managers**

Business unit managers and project managers are responsible for:

- developing business cases, procurement plans and tender documents
- evaluating submissions and preparing recommendations
- complying with the requirements of the Commonwealth Procurement Guidelines and Museum procurement procedures
- negotiating and managing contracts on behalf of the Museum.

## **7. References**

The legislation, regulations and guidelines relevant to this policy include:

*Commonwealth Authorities and Companies Act 1997*

Commonwealth Procurement Guidelines, January 2005

Finance Minister's (CAC Act Procurement) Direction, 2004

## **8. Implementation**

### **8.1 Coverage**

This policy covers all procurements of property and services.

## **8.2 Other related policies and procedures**

- collections development policy
- procurement procedures manual
- National Historical Collection acquisition procedures (to be drafted)
- staff circular SC-004 Legal services panel, version 1.0, November 2004
- staff circular SC-015 Custody and use of the common seal, version 1.0, June 2005

## **8.3 Exclusions**

This policy covers all major contracts between the Museum and suppliers/service providers, including revenue contracts.

## **8.4 Monitoring**

This policy will be administered by the Chief Finance Officer in association with business unit managers.

Procurement practices will be included in annual internal audit coverage.

This policy will be reviewed in July 2007.

## Appendix A

### Procurement thresholds

The method of procurement will depend on the value, risk and complexity involved, and the conditions applying in the market. The following thresholds are a guide to the minimum procurement method to be applied. The value of the procurement price includes property or services, delivery costs and other charges such as goods and services tax. Variations from these thresholds should be documented.

Total estimated value of procurement, including the value of any options and goods and services tax	Procurement method to be used	Minimum documentation requirements
Less than \$2000	<ul style="list-style-type: none"> <li>verbal quotation</li> </ul>	<ul style="list-style-type: none"> <li>minimum one verbal quotation</li> </ul>
\$2001 to \$9999	<ul style="list-style-type: none"> <li>verbal quotations</li> </ul>	<ul style="list-style-type: none"> <li>minimum three verbal quotations</li> </ul>
\$10,000 to \$49,999	<ul style="list-style-type: none"> <li>written quotations</li> </ul>	<ul style="list-style-type: none"> <li>minimum three written quotations</li> </ul>
\$50,000 to \$199,999	<ul style="list-style-type: none"> <li>tender process</li> </ul>	<ul style="list-style-type: none"> <li>business case</li> <li>tender documentation (available for downloading from AusTender)</li> </ul>
\$200,000 to \$399,999	<ul style="list-style-type: none"> <li>tender process</li> </ul>	<ul style="list-style-type: none"> <li>business case</li> <li>procurement plan</li> <li>tender documentation (available for downloading from AusTender)</li> </ul>
More than \$400,000	<ul style="list-style-type: none"> <li>tender process</li> </ul>	<ul style="list-style-type: none"> <li>business case</li> <li>procurement plan</li> <li>tender documentation (available for downloading from AusTender)</li> <li>gazettal of successful contractor</li> </ul>
More than \$1 million	Ministerial approval then same as for more than \$400,000	

Procurements must not be divided into a number of separate orders to avoid any minimum threshold requirement.

A business case explains *why* a procurement is being proposed.

A procurement plan explains *how* the procurement will be undertaken and includes the proposed tender evaluation criteria and weighting.