

8.4 PURCHASING / SUPPLY MANAGEMENT

8.4.1 Introduction

Corrective Services Industries (CSI) as a government business enterprise and organisational unit of the Corrective Services NSW (CSNSW) manufactures supplies and provides a diverse range of products and services to the public and private sectors.

As a commercial based entity, the policies, practices and procedures adopted in relation to purchasing and supply management are fundamental to the effective, efficient and ethical performance of CSI.

CSI is committed to implementing the requirements of the Public Sector Management Act (Goods and Services Regulations). Directions issued by the NSW Procurement Board and CSNSW Policies (reference should be made to Trim Document No. 12/14013) including [Business Ethics for Contractors and Suppliers to the Department](#) must also be complied with covering purchasing and supply.

A copy of the ([Business Ethics for Contractors and Suppliers to CSI](#)) is to be forwarded as part of the tender package to any prospective tenderer to ensure they are aware of the CSNSW requirements in respect of tenderer's responsibilities.

As CSI operates within a competitive market environment, a dynamic approach is taken to purchasing and supply management. Every effort is to be taken to ensure that purchasing and supply practices are pursued which:

- Are cost effective and embrace an overall competitive advantage
- Fulfil CSI responsibilities to customers
- Provide commercial viability
- Provide products and services which conform to Quality and Safety standards
- Place stringent expectations upon suppliers to fulfil their responsibilities and obligations to CSI and, by extension, CSI customers
- Fulfil standards of sound business and individual ethical standards and meet the CSNSW probity standards.

CSI staff at all levels have a responsibility to implement in principle and spirit this policy. The Senior Procurement Officer, CSI Corporate Office, is responsible for ensuring the overall implementation of the policy including ongoing monitoring and reporting of results.

8.4.2 Legislative Authority

The NSW Procurement Board has issued these directions pursuant to section 148(1), Public Sector Employment and Management Act 2002. Pursuant to Section 149 of the Act, a government agency is to exercise its functions in relation to the procurement of goods and services in accordance with any policies and directions of the Board that apply to the agency.

8.4.3 The Structure and Role of the Department of Finance & Services

The functional arms of NSW Procurement Board include:

- NSW Procurement Board – which arranges period contracts for high volume commonly used commodities and information technology equipment, software, peripherals and communications equipment, cleaning contracts as well as one-off acquisitions.
- Statefleet Services – operates a large fleet of passenger and commercial vehicles which it leases to the public sector and also undertakes fleet management.

8.4.4 Compliance with the Regulation

CSI is obliged to utilise the period contract system administered by NSW Procurement Board unless specific and approved alternate arrangements are made by the CSI Supply Officer.

8.4.5 General Purchasing Delegation

Where no contract exists to cover the procurement of an item or service, the NSW Procurement Board has delegated authority to CSNSW to acquire the necessary goods or services.

(i) Goods/Services Not in Contract Up To \$100 In Value

Wherever possible the Pcard system is to be utilised for purchases up to \$100 in value.

A Pcard payment must be completed with details of purchase:

- Name of department
- Name of Officer incurring expense
- Date
- Particular item purchased and cost
- Attach paid receipt
- Fourteen digit GL code
- All claims of \$75.00 or more requires a tax invoice

(ii) **Goods/Services Not in Contract Up To \$3,000 In Value**

A government agency located in non-metropolitan areas can purchase goods and services valued up to \$3,000 (including GST), from any source, despite those goods and services being available on specified whole-of-government contracts, provided that the supplier's rates for the goods or services are reasonable and consistent with normal market rates.

Specified contracts are listed at www.procurement.nsw.gov.au

Approved Procurement Methods for Goods and Services:

1) **Procurements Over \$3,000 Up To \$30,000**

An unaccredited government agency can procure goods and services valued over \$3,000 and up to \$30,000, which are not available on whole-of-government contracts (listed at www.procurement.nsw.gov.au), subject to seeking at least one written quotation.

For further action proceed to [8.4.7](#) (iv)

2) **Procurements Over \$30,000 And Up To \$150,000**

An unaccredited government agency can procure goods and services valued over \$30,000 and up to \$150,000, which are not available on whole-of-government contracts (listed at www.procurement.nsw.gov.au), subject to seeking at least three written quotations.

For further action proceed to [8.4.7](#) (i), (ii), (iii) and (iv).

3) **Procurements Over \$150,000 And Up To \$1 million**

An unaccredited government agency can procure goods and services valued over \$150,000 and up to \$1 million, which are not available on whole-of-government contracts (listed at www.procurement.nsw.gov.au), subject to conducting a tender.

For the above three classes of procurement, "value" must be the estimated value over the proposed term of the acquisition and not a value per annum.

For further action proceed to [8.4.7](#)(iv)

4) **Procurements Over \$1 million**

An unaccredited government agency can procure goods and services valued over \$1 million, which are not available on whole-of-government contracts (listed at www.procurement.nsw.gov.au), subject to:

- Conducting an open competitive procurement process that is appropriate to the nature of the goods and services; and
- Prior to conducting the procurement, submitting full details and specifications of the proposed procurement to the Department of Finance and Services to receive its concurrence to the procurement

The above arrangement is subject to a government agency complying with:

- All legislative obligations, including those set out in section 149, Public Sector Employment and Management Act 2002
- NSW Government Procurement Policy (TPP04-1)
- NSW Government Tendering Guidelines (December 2000)
- Relevant Ministerial Memoranda; Department of Premier and Cabinet Circulars; and Treasury Circulars, policies and guideline
- Other relevant NSW Procurement Board directions.

Special Notes

- a) Monetary figures are inclusive of GST
- b) Where purchasing of a repetitive nature may be required CSI staff are to ensure that details of requirements are referred to the CSI Supply Officer to determine whether formal and continuing purchasing action is required.
- c) Notwithstanding the above delegations, if the proposed purchasing action warrants consideration of the Dept. of Finances and Services and/or the NSW Procurement Board, the matter can be referred for consideration irrespective of monetary value.
- d) The procurement of capital equipment embraces additional specific requirements covered in [Section 7.1](#)
- e) In certain circumstances CSNSW instructions may require additional issues to be considered. Reference is to be made to the Procurement and Materials Management Manual issued by the Business Infrastructure Division.

(iii) **Specific Supply Delegations of Authority for CSI**

The NSW Procurement Board has provided specific supply delegations under the Public Sector Management (Goods & Services) Regulation 2000 as detailed below. For financial delegations refer to section [3.1](#)

8.4.6 Planning a Purchase

Each procurement action is based on a set of fundamental principles, which, if followed, will ensure the satisfactory fulfilment of the requirement whilst ensuring compliance with all necessary policy and regulatory requirements

The following steps are to be followed:

1. Ensure that there is a valid need for the purchase.
2. Ensure funds are available.
3. Ascertain the specific use to which the acquisition is to be put.
4. Define the end user's expectation of the item or service
5. Ensure that there is an objective basis for the quantity sought i.e. quantity is kept to a minimum.
6. If the monetary value of the requisition exceeds \$10,000 then the advice of the Supply Officer must be sought to ensure best price and value for money is achieved for CSI.
7. If a period contract exists (refer State Procurement Period Contract Website – www.nswbuy.com.au) the item can be purchased direct from the period contractor or from the selected contractor if there are multiple contract suppliers. Proceed to Policy Manual [Section 8.4.7](#) (iii) and (iv).
8. If the requirement is not available by way of period contract, purchasing officers may proceed to purchase in terms of the General Purchasing Delegation from the NSW Procurement Board, [Section 8.4.5](#)
9. If the purchase is an item of plant and equipment, or involves any type of construction, the collated information as required in [Section 8.4.8](#) of this policy must be forwarded to the CSI Supply Officer prior to any purchases being made. The information is then to be forwarded to the CSI Technical Support Officer for evaluation as detailed in [Section 8.4.8](#) of this policy.

Special Notes

- (a) Country locations are able to make local purchases of up to \$1,500 in value, irrespective of whether the items concerned are available on contracts, provided of course, that the local purchases are more advantageous.
 - (b) The quotation process is intended to ensure that the purchaser receives value for money based on fair competition with probity.
- 10. The purchaser must ascertain the relevant process for acquisition in terms of the Purchasing Delegation
 - 11. The offers of goods or services should generally be evaluated in terms of suitability to purpose and functionality.
 - 12. The order can now be placed.

8.4.7 The Purchasing Process

A copy of the [Department's Business Ethics for Contractors and Suppliers to the Department](#) is to be included with this information.

- (i) A specification must be developed and forwarded by fax, letter or email to potential suppliers for quotations. See [8.4.8\(i\)](#) and [Figure 8.4.7 OD](#)
- (ii) The Officer on receiving written quotations must enter on the external purchase requisition the following information:
 - * A detailed description of the stores and services from which quotations are invited
 - * The names of persons / firms submitted quotations and the cost and delivery of goods and services
 - * An explanation if fewer than three (3) quotations are received.
 - * An explanation if the quotation accepted is other than the lowest price received and the reason/s for not accepting the lowest price quotation.
 - * Where there is only one known supplier, that fact must be noted on the requisition, the purchase may be made from that supplier within the delegation without inviting other quotations. (Refer [Appendix 1](#))

- (iii) The requesting Officer must complete either a manual or electronic requisition with a detailed description of the required goods/services (figure [8.4.7 \(j\)](#)) or if utilising the Pronto system details as per the Pronto system procedure manual.
- (iv) The requisition/or petty cash voucher must be approved by an Officer with the relevant financial delegation [Section 3.1](#) which also includes certification – refer [Section 5.8](#) regarding appropriation.

8.4.8

Purchasing Practice

When exercising the purchasing delegation the following is to be considered and observed:

(i) Specification

When seeking written quotations, a written specification must be prepared to ensure uniformity of information to suppliers. Both CSI and the Tenderers need to be absolutely clear as to the scope of requirements included in the specification. This must include any abnormal requirements eg: restricted access, special operator training.

If the specification relates to the purchase of plant and equipment, it must reference the relevant Australian / New Zealand Standards for safety and machine guarding and must include the requirement that the supplier provide written advice that the item of plant and equipment is fit for the task they are to be used for. If the specification relates to an item of mobile plant, such as a Crane, Forklift, Bobcat, Tractor, Elevated Platform, or Front End Loader, the specification must include a site visit as part of the requirements.

Should the specifications relate in any part to construction work the specification must also include the requirement that the successful tenderer must include with their response that the construction work undertaken is suitable for the task it is intended for. The successful tenderer must provide all assessments and safe work method statements for all high risk activities relating to the proposed contract including a copy of any relevant licences must be provided with their quotation / tender.

As part of the evaluation process for any plant, equipment, machine, or construction work, confirmation must be received from the Technical Support Officer CSI that the quotation / tender meets all specification requirements and the item is fit for the purpose you intend to use it for.

As far as practicable, a specification should be expressed in performance or functional terms rather than in design terms.

A performance specification focuses on functional needs rather than a fixed description of how the job should be done. It allows Tenderers to respond flexibly and be innovatively, allowing CSI to benefit from the knowledge and experience of the bidder.

A design specification starts with a preconceived and detailed answer to the need, and then sets that out in fixed terms. A design specification may be unavoidable, however, to the extent detailed design is included, and the potential for cost savings and increased effectiveness through innovative solutions will be limited.

Care must be taken that the criteria and standards;

- Do not pre-empt solutions
- Are not biased towards a particular supplier
- Are realistic and do not specify beyond the needs required

(ii) Quotations

Written Quotations are required for not in contract purchases of a value over \$1,500 to \$150,000.

When obtaining written quotations, the Purchasing Officer is to ensure that:

- (i) Those invited to quote are all requested at about the same time in writing by letter or facsimile and include references to email.
- (ii) Those requested to quote are to be provided with the same specifications and other details;
- (iii) Those requested to quote are to represent a fair selection of available suppliers;
- (iv) At least one valid written response must be received for values up to \$30,000 and three written quotes are required for values of \$30,000+ to \$150,000
- (v) The quotation documentation is to be retained for audit and probity purposes. Section 404.1 of the Treasurer's Directions refers to the relevant retention periods for Order Books and Requisitions. (Order Books, 6 years and Requisitions, 2 years)

(iii) Evaluation of Quotations

When undertaking the evaluation of quotations, purchasing officers are to consider:

- Unit price and quality offered (value for money)
- Delivery terms and conditions
- Price firmness
- Service or warranty provisions, if necessary
- Discounts for prompt payment
- Quantity discounts
- Inventory levels and lead times for delivery
- Known history of previous performances of suppliers
- Compatibility with products already in use
- Residual use or value, if appropriate
- Environmental concerns eg. Waste management implications

Any other issue covered in the specification

(iv) Late Quotations

A closing date is established for all quotations to ensure probity. Officers are reminded of the sensitive issues involved in the handling and consideration of late quotations.

Note: The evaluation criteria are to be detailed on any request for quote/tender which is sent to prospective tenderers.

8.4.9

Tenders

As indicated in Section 8.4.5 (v) purchases with an estimated value above \$150,000 are to be reviewed by Justice Procurement. However all parameters of Section 8.4.6 and 8.4.7 similarly apply. The CSI Senior Procurement Officer should be consulted for assistance in relation to proposed purchases which fall within this Section.

The following aspect of tender invitations and evaluations are particularly important:

- * If lower Tenders are not acceptable, full technical reasons, supported by reference to the relevant clause(s) in the specification, must be given. Non conformity to the specification must be accompanied by an explanation in support of the CSNSW requirements. Unsupported statements such as “not to specification”, “insufficient information provided”, “not suitable” etc are not acceptable
- * Tenders are to be treated as strictly confidential and under no circumstances are details to be divulged to any person(s) other than CSNSW Officers directly concerned with the preparation of the recommendation
- * Tenders must not be altered in any way either by Tenderers or CSNSW Officers nor should any notations be made thereon.
- * Contact is only to be made with Tenderers in order to clarify aspects of a specification or to ascertain details of equipment offered. The information sought should be obtained or confirmed in writing and attached to the relevant Tender. If it is considered desirable that firms be approached for any other reason NSW Supply is to be requested to make the necessary approach, unless the delegation allows otherwise.

If required, advice regarding the preparation of recommendations may be obtained from Justice or CSI Procurement.

8.4.10

Quotation/Tender Selection Criteria

This includes five components:

- The capability assessment includes the experience of the firm and if applicable the capability and qualifications of key personnel who will be providing the goods/service.

- The technical assessment establishes whether the offer exactly meets the requirements set out in the specification. For example, where the contractor's own plant, equipment and site are proposed to be used, their capacity to meet the workload should be verified. Any modifications proposed in the bid should be checked for acceptability.
- The contractual assessment appraises the acceptability of any contractual qualifications or variations stated in the offer, particularly where these propose variations to schedules of delivery or quality. The cost and other effects of any acceptable qualifications will need to be taken into account.
- The financial assessment includes identification of all relevant costs and calculation of annual costs and/or net present values of the competing bids. The initial (once only) costs, the on-going costs associated with maintaining the service and the costs of handing the service over at the expiry of the contract should be identified and calculated.
- From a longer term perspective, various assumptions will need to be made about future costs and workload. An analysis should be undertaken which varies the main assumptions made to assess whether the apparently advantageous bid remains the correct choice under plausible alternative conditions.

The implications of contractor failure and the risk of being locked into one provider should be considered. Where plant and equipment is involved the likely state of plant and equipment at the time of renewal and the need to plan ahead for capital replacement may require consideration.

8.4.11 The Law and Purchasing

- Period contracts are put in place under the auspices of the NSW Procurement Board and are in fact a standing offer to supply in terms of the standard and any special terms and conditions stipulated therein. The contract is activated upon the placing of an order by a Purchasing Officer.

Not-in-contract purchases are regulated by the Public Sector Management (Goods and Services) Regulation 2000.

- Purchasing Officers are to be cognisant of the Public Finance and Audit Act, 1983, and the associated Treasurer's Directions.

- Contract Law applies clearly to purchases of not-in-contract goods and services. Following the evaluation of responses to requests for quotes, the successful tenderer is regarded as making an offer which is then accepted by the placement of an order. Essentially the supplier has promised to sell and deliver stipulated goods or services at a nominated price and the purchaser has in return agreed to buy these items at the nominated price.

8.4.12 Delegation of Authority

a) Public Finance & Audit Act. 1983

The activity of purchasing, receipt of goods and payment of invoices involves the accountable activities of incurring expenditure, certifying the receipt of goods and authorising the payment of the claim. The Public Finance and Audit Act, 1983, and the associated Treasurer's Directions deal with the specific requirements of these procedures.

(i) Incurring Expenditure (Section 12, Public Finance and Audit Act)

On completion of the evaluation process and prior to the issue of any purchase order, it is necessary to obtain an approval to incur expenditure.

Officers exercising a delegation to incur expenditure are to satisfy themselves that all policy requirements relating to the acquisition have been addressed.

(ii) Certification of Performance of Services (TO 180.01(09) (a) (I))

Upon receipt of goods or completion of service, an officer who has personal knowledge of the receipt of those goods or performance of the service is required to certify on the relevant document (delivery docket, invoice or order) that the goods/services have been satisfactorily provided. Payment is not to proceed without the certification of a responsible officer. Evidence of this certification is required to be retained for audit purposes.

8.4.13 Authorisation of Payment (Section 13, Public Finance and Audit Act 1983)

The authority to actually make payment against an invoice should only be exercised when:

- (i) The responsible officer is satisfied that an authority to incur expenditure has been exercised correctly in terms of the relevant Delegation of Authority;
- (ii) The goods have been received in good order or the service has been performed satisfactorily by way of the Certification (ii) above; and

- (iii) The invoice details have been properly examined and recorded.

On satisfaction of the above payment may proceed.

Officers holding this delegation are to be independent of the purchasing process to satisfy internal control requirements

8.4.14 Consultants

A separate delegation must be exercised for the engagement of consultants. This delegation is administered by the Office of Public Management within the Premier's Department and a publication entitled "Guidelines for the Engagement and Use of Consultants" may be obtained from that Department. The CSI Supply Officer maintains a "Register of Specialist Contractors" in relation to ongoing consulting services provided to CSI. Additional controls may be in place restricting from time to time the engagement of consultants without the express approval of the Commissioner of Corrective Services NSW.

8.4.15 Disposal of Surplus and Unserviceable Stores

The disposal of surplus and unserviceable stores, excluding motor vehicles, is the subject of a separate delegation in terms of Clause 17 of the Public Sector Management (Goods and Services) Regulation 2000.

8.4.16 Expressions of Interest

The 'expressions of interest' procurement process is utilised by CSI for certain business development intentions and, in some cases, for market testing. The application of this process is undertaken through the authority and direction of the Executive Director, CSI.

8.4.17 Accountability

All Purchasing Officers are reminded that their activities are subject to scrutiny by both Internal and External Audit. They are also to be aware that Section 11 of the Independent Commission Against Corruption Act requires the public officers of every public sector organisation to report any matter that is suspected, on reasonable ground, to concern corrupt conduct to the Commission. Any member of the public may also report such a matter to the ICAC by way of a complaint.

8.4.18 Definition of Terms

Definitions of terms are referred to in [Appendix 2](#)

APPENDIX

APPENDIX 1

REQUISITIONING PROCEDURES

This instruction sets out the procedure for the use, preparation and processing of purchase requisitions for those centres not using the Pronto system or electronically via BIMS.

The manual purchase requisition is to be used as the source of information for a purchase order. It must contain the following details so that store person can initiate supply or service.

MANUAL PROCEDURE

Standard printed requisition form has the following sub heading, which must be completed.

Branch/Division	Industries
Location	Name of Correctional Centre
Name of Supplier	Preferred
Address	Use postal address if possible
Postcode	
Contact Name	Important when making enquiries
Order No	Entered by storeman after placement
Cost Centre	Refer to chart of accounts
Phone No	(xx)
Fax No	(xx)
Delivery Instructions	How, where and what time of day
Contract No	Enter contract number or insert NIC if no contract has been arranged
Item ND	Enter contract number
Quantity Required	Enter amount required
Description of Item	
Stock Code No	Part Number

Unit of issue	i.e. each, tonne, metre etc
Approximate Cost	
Reason for purchase	Short description
And/or	Short explanation or why, purchase is
Necessary and	
Supplier Justification	Selection of supplier
Requisitioning Officer	Signature certifies that items are essential and the quantity is not excessive
Recommended	Signed by department head responsible for Expenditure
Date	Day signed
Ministerial delegate	As per policy financial delegations
Date	Day signed

When completed the requisition should be passed on to the storeman / purchasing officer for processing. It is important that an order be raised before any goods or services are obtained. The electronic version of the requisition template can be accessed on Intranet as follows: -
Forms and templates ⇒ reports and online services ⇒ BIMS Connector Services ⇒ Requisition Template

The purchase order is faxed to supplier automatically.

APPENDIX 2

DEFINITIONS

1. NSW PROCUREMENT BOARD:

A government agency (within the meaning of the Public Sector Employment and Management Act 2002) listed in the attached Schedule may do all things necessary to conduct procurement for that agency and other government agencies.

This direction applies from 1 September 2012 until it is withdrawn.

- Department of Finance and Services
- NSW Police Force for procurement of goods and services for that agency and for: Department of Attorney General & Justice; Corrective Services, Juvenile Justice; Ministry for Police and Emergency Services; Disaster Welfare Assistance; Emergency Management; Information and Privacy Commission; Judicial Commission; Legal Aid Commission; Office of the Director of Public Prosecutions; Fire & Rescue NSW; NSW Crime Commission; Rural Fire Service; and State Emergency Service
- Fire & Rescue NSW, for the purposes of a contract to provide fire fighting equipment/foam

2. NSW PROCUREMENT BOARD:

Is the administrative arm of the Department of Finance and Services, which arranges period contracts for high volume commonly used commodities.

3. TENDER:

Is a document which is used to invite suppliers to offer a quotation against a specification.

4. QUOTATION:

Is an offer from a supplier which responds to Tender conditions

5. STORES:

Includes, plant, machinery, motor vehicle, tools, furniture, floor covering, office equipment, scientific apparatus, appliances and provisions.