

**Senate Economics Legislation Committee**

**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Supplementary Budget Estimates, 2 November to 3 November 2005

**Question: SBT 67**

**Topic: APRA – Senate Order**

**Hansard Page: Written**

Senator Murray asked:

1. What guidance is provided to staff with responsibilities for contract negotiations specifically about the requirements of the Senate Order? If relevant guidance is not provided, please explain why this is the case.
2. Has the department/agency revised its procurement guidelines to incorporate the new Commonwealth Procurement Guidelines that took effect from 1 January 2005, particularly with respect to the confidentiality elements contained in those guidelines? If so, when did this occur and can a copy be provided? If not, what is the cause of the delay and when will the revision occur?
3. ANAO audits for the last three years have revealed a consistently low level of compliance across most agencies with DOFA confidentiality criteria (February 2003) for determining whether commercial information should be protected as confidential. The ANAO's latest report on the Order (No.11 2005-2006, September 2005) states that departments and agencies need to give higher priority with this important requirement of the Senate Order.
  - What specific measures have been or will be taken to address this problem, give it higher priority and raise compliance levels?
  - What guidance and training are provided to staff about the confidentiality criteria and the four tests employed to determine whether information should be protected?

What internal auditing or checking is performed to test compliance in this area? If none is performed, why not and is the agency considering the adoption of internal controls and checks?

4. What problems, if any, has the agency and/or relevant staff experienced in complying with the Senate Order? What is the nature and cause of any problems? What measures have been, or could be, adopted to address these concerns?

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**Answer:**

1. APRA is an agency under the CAC Act to which the Senate Order 192 (Listing the Contract Details on the internet) does not apply.
2. Yes. APRA has reviewed its Procurement Guidelines in light of the CPGs to ensure compliance. This took place as part of the training by the Department of Finance and Administration in late 2004. The confidentiality requirements are applicable to FMA agencies. A copy is attached.
3. The ANAO audits applied to FMA agencies. APRA's policies and procedures are adequate to cover both the commercial risks and the mandatory component of the CPGs relevant to CAC Act agencies. There is no indication that APRA is not in compliance. Confidentiality is maintained on a "commercial-in-confidence" basis. The function was last audited in May 2005.
4. Not applicable

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# CHAPTER 4

## PROCUREMENT & DISBURSEMENTS

## 1. OVERVIEW

### 1.1 Objective

To establish a framework for the procurement of and payment for, goods and services required for APRA business. The intention of the Policy and Procedures is to balance efficiency of procurement with adequate risk management. Procurement recognises that greater financial risk is associated with greater value. Accordingly, the strength and nature of controls increase in line with the dollar value of the transaction.

### 1.2 Policy

The Cost Centre Manager (CCM) is responsible for ensuring that the procurement complies with this Policy. This means that the appropriately approved and coded Tax Invoice reaches Financial Services in sufficient time to enable the supplier to be paid within APRA's Terms and Conditions (T&Cs).

APRA's commercial interests are protected through its T&Cs. The Standard T&Cs apply for most procurement activities, but additional protection can be negotiated through Long Form T&Cs. Basic Order Agreement (BOA) extends the management of commercial interests where longer-term relationships are expected.

The T&Cs require APRA to make payment within a certain number of days of receipt of a properly rendered invoice. The earliest evidence of receipt (either APRA date stamp or date of authorising signature) will be used as the starting point for calculation of the Terms of Trade. Requests for payment which do not conform to APRA's policy will be returned to the originating CCM for resolution.

It is especially important to be aware of and apply the principles described in *Chapter 1 - Introduction* regarding *Code of Conduct (section 5.1)*, *Internal Controls (section 5.2)* and *Conflict of Interest (section 5.3)*.

### 1.3 Participants

This policy is relevant to all employees and managers who are required to procure and/or pay for goods and/or services to enable them to undertake APRA business. Only staff with specifically delegated authority may commit APRA to obligations for the payment of goods and services (*Chapter 2 - Financial Authorisation*).

There are six fundamental parties to procuring and paying for goods and services:

#### Chief Financial Officer

- Will authorise significant variations to APRA's T&Cs in relation to payment.

#### Originator

- Ensure the supplier accepts APRA's T&Cs. Any variation must be referred to the Administration Manager who ensures that the vendor is registered in the Vendor Master File (VMF).

### Authoriser

- Accepts financial responsibility for procurement. Usually this is the CCM who has responsibility for the budget. If the delegated authority to the CCM is exceeded then a more senior delegate is required to support the procurement.
- As a general principle, authorizers should not approve their own Diners, EEV or petty cash reimbursements. Approval should be sought from the next more senior delegate.

### Procurement

- Facilitates purchasing and is concerned with relationships with suppliers and managing the framework of the procurement process.
- Will assist in searching for value purchases.

### Supplier

- Supplies goods and services and in return expects to be paid the agreed amount at the agreed time.

### Financial Services

- Ensures validity of the transaction before transfer of payment to the supplier. This includes ensuring that APRA's funds are disbursed against authorised procurement with confirmation of goods and services received.

## **1.4 Forms used for Recording Procurement of Goods and Services**

### **1.4.1 Internal Purchase Request (IPR)**

An IPR is used to raise a purchase order (PO) for the procurement of goods and services. APRA will only honour the commitments made to suppliers, where the procurement of goods and services has been supported by a PO. The exceptions to this requirement are as follows:

- Purchases for an amount of \$2,000 or less appearing at the total amount on any invoice; and
- Payments for compensation and benefit programs (e.g. payroll, superannuation and motor vehicle fleet payments), Treasury (e.g. investments, insurance and tax) and specific activities (e.g. external audit).

### **1.4.2 Capital Authorisation Request (CAR)**

Capital expenditure must be distinguished from operating expenditure. If in any doubt consult the Financial Planning Analyst in Business Finance. As a general rule, those items of expenditure above the capital asset threshold (i.e. \$3,000) and defined as depreciable assets, will be capitalised according to accounting policy.

All capital expenditure must be supported by a Capital Authorisation Request (CAR). This form must be completed before an IPR is raised. The form is essential in monitoring capital expenditure against the capital budget.

### 1.4.3 Purchase Orders (PO)

Only Procurement Officers may raise a PO. The PO is a sequentially numbered document that refers to APRA's T&Cs and the details of the purchase of goods and services. When the PO is served on a vendor, APRA is committed to procure the goods and services ordered. The vendor's invoice must refer to the PO number.

If the CCM attests to the delivery performance of the order, Finance may pay the vendor according to the agreed T&Cs.

### 1.4.4 Blanket Purchase Order (BPO)

The BPO may be used to reduce the CCM's administrative load associated with frequent deliveries against a PO, typically over an extended period of time (not exceeding twelve months). In addition, the BPO must not cross over fiscal years. The approval of the BPO must be at the estimated aggregate value. The CCM has the option to authorise someone other than themselves, to approve the related invoices.

A BPO should only be used where:

- the level of expenditure is predictable;
- there are multiple deliveries;
- deliveries are clearly defined and materially the same; and
- the services/goods are considered to be low risk with regard to acceptance.

## 1.5 **Vendor Master File (VMF)**

The VMF is a detailed list of currently approved suppliers to APRA:

The VMF forms the basis of the procurement process. A PO cannot be raised on a supplier that has not been approved by Procurement. This permits the commercial management of both value and risk. The VMF includes information necessary to expedite orders, manage relationships and performance, and obtain maximum leverage through order aggregation.

## 2. TERMS AND CONDITIONS

### 2.1 Objective

To outline the policy, procedures and responsibilities for ensuring the protection of APRA's commercial interests. APRA's Terms and Conditions (T&Cs) have been agreed between Procurement, Finance and General Counsel as the optimal balance between commercial practice and the management of risk.

### 2.2 Policy

APRA's T&Cs should be used in the purchasing of all goods and services. The T&Cs are explicitly referred to on the PO. There are two additions to the standard T&Cs:

- Long-Form T&Cs are used when a more detailed (formal) contract or agreement is required. It covers issues such as sub-contracting, disclosure of information, conflict of interest, termination, fees and performance delivery.
- The Basic Order Agreement (BOA) is used to build a strategic alliance with suppliers that are already set up within the VMF and who represent an ongoing relationship that will deliver additional value for money. The BOA is used for suppliers who accept APRA's T&Cs, but whose contract will be on an ongoing basis.

It is expected that Standard T&Cs will apply to all procurements. APRA's terms of trade are thirty days from receipt of goods or services, and a properly rendered Tax Invoice that refers to APRA's PO number. Suppliers are to be made aware that these payment policies apply to all accounts. Non-standard conditions which include prompt payment (i.e. terms of less than thirty days) may be accepted where:

- Suppliers offer substantial prompt payment discounts for early payment (these discounts should be negotiated as part of the initial quotation process);
- APRA has no choice through lack of alternative vendors. This must be agreed by the Administration Manager; and
- Suppliers who will suffer financial hardship as a result of accepting our T&Cs must state their case in writing to the CFO or Administration Manager, who may negotiate an agreement suitable to both parties.

### 2.3 Procedure

1. The originator should use APRA's T&Cs. If additional risks need to be managed then use either the Long-Form T&Cs or set up a BOA. The originator must contact Procurement to ensure such agreements are properly established. BOAs are assigned a number and will:
  - Cover the estimated value for the term;

- Be authorised by the APRA Member/CFO with General Counsel having sighted the BOA and endorsed it as acceptable; and
  - Ensure that any related purchases are referenced with the BOA number.
2. The originator should ensure that the supplier is aware of APRA's T&Cs.
  3. If the vendor insists on the use of their T&Cs, refer the request to Procurement. Procurement may require the assistance of General Counsel in ascertaining the risk to APRA and in the subsequent negotiation of suitable T&Cs.
  4. The vendor must send the Tax Invoice (referring to the PO number and accepting the T&Cs stipulated by APRA) to the originator. If there is any dispute that cannot be simply resolved with the vendor, refer the matter to the Administration Manager. The originator must get approval for payment and send the approved Tax Invoice to Finance for payment. (see Section 7 - Payment for Goods and Services).

## 2.4 Responsibilities

### Originator

- Ensures that the supplier understands and accepts APRA's T&Cs. If in doubt, refer to the Administration Manager. Any disputes and dissatisfaction with the performance of the vendor must be referred to the Administration Manager.

### General Counsel

- Reviews the contractual basis upon which APRA does business including the establishment of APRA's T&Cs; and
- Offer guidance and direction on any variation to APRA's T&Cs and BOAs. Any serious disputes that the Administration Manager cannot assist the originator to resolve will be referred to General Counsel for advice.

### Chief Financial Officer and/or APRA Member

- Will authorise any variation to APRA's T&Cs in relation to payment requirements for amounts of \$10,000 or above.

### Administration Manager

- Will protect APRA's commercial interests through the administration of this Policy and these Procedures. This includes the review of all exceptions to Standard T&Cs and negotiations with vendors on acceptable commercial terms;
- Maintains sound relationships with all vendors and ensure disputes are avoided or managed professionally; and
- May authorise any variation to APRA's T&Cs for amounts of \$10,000 and below.

### Procurement Administrator

- Will ensure compliance with APRA's T&Cs; and maintain the VMF.



### 3. COMPETITIVE PROCUREMENT

#### 3.1 Objective

To outline the principle of competitive procurement. The purchaser must demonstrate that the transaction has obtained value for money, through the fair selection of the preferred provider of goods and services, from a range of possible bidders.

#### 3.2 Policy

The procurement of goods and services will demonstrate that value has been obtained through the competitive determination of price, functionality and service over the expected life of the items purchased. This will normally be demonstrated through a record of quotes by vendors, with a summary of the decision taken by the authoriser of the transaction. Significant purchases must be communicated to a wide base of vendors through a tender process, that will give a fair and equitable opportunity for vendors to demonstrate the value of their products and services.

Where there is an in-house bid to the tender, special reference should be made to the Commonwealth Competitive Neutrality Guidelines.<sup>1</sup>

#### 3.3 Procedure

To ensure that value is procured:

(a) Define the product or service in terms of estimated price, functionality and service over the expected life of the item to be purchased.

- Consider possible vendors who can support such procurement;
- Seek rough order of magnitude indications of price and performance; and
- Refine the products and services required to a precise definition of needs.

(b) Request formal quotes from either:

- A limited number of vendors depending on the size of the purchase (see Sections 3.3.1, 3.3.2, 3.3.3); or

<sup>1</sup> Commonwealth Competitive Neutrality Guidelines. The central principle of Competitive Neutrality (CN) is that government business activities should not enjoy net-competitive advantage over their private sector competitors simply by virtue of public sector ownership (eg. though tax exemptions or other advantages conferred by government).

Where there is competitive tendering with an in-house bid, reference to CN principles should be observed. This requires notional adjustment to the price of the in-house bid to both recover all costs and to include benefits implicit in government ownership. This includes adding back tax exemption for payroll tax and ensuring GST equivalence. Note that all costs include overheads of the unit providing the service.

- Establish a tender process and communicate to all possible vendors -this is a special process requiring care in construction (see the Administration Manager);
- Evaluate and record the formal quotes against promised specification, price and services;
- Establish our T&Cs. If the vendor requires their T&Cs refer to General Counsel (see Section 2 - Terms and Conditions); and
- Select and communicate to the successful vendor through the normal purchase process (see Section 4 - Purchasing Goods and Services).

### *3.3.1 PO Less than \$10,000*

The originator should use best business judgement in buying goods and services. If in doubt, seek the advice of the Administration Manager or Procurement Administrator.

### *3.3.2 PO between \$10,000 and \$50,000*

The originator is expected to obtain written quotes from more than one vendor. If the cheapest bidder is not selected, record on the IPR the reasons why the more expensive quote will provide higher value. If you need assistance in locating vendors and obtaining quotes seek the advice of the Administration Manager.

### *3.3.3 PO between \$50,000 and \$100,000*

The originator will need to formally document evidence of at least three written quotes. This can be done using Expression of Interest (EOI) or Request for Quote (RFQ) to the relevant market. The documented comparative statement of purchase should support the IPR. The originator should involve the Administration Manager throughout this process to ensure value and risks are adequately managed.

If this process is not followed the originator should provide a valid, acceptable reason for selection of the vendor, in writing, in support of the IPR.

### *3.3.4 PO greater than \$100,000*

In addition to the prior steps, the originator must implement a tendering process (or seek exemption) to ensure a soundly based and equitable opportunity for vendors to bid for the business.

The originator must formally document quotes on all expenditure equal to and over \$100,000. Evidence must be in the form of EOI, RFQ, and tender documents. The originator should involve the Administration Manager early in this process to ensure comprehensive management of value and risk.

Note that the setting up of BOAs with vendors may permit the modification of this P&P through an alternative arrangement for strategic purchases, where value and risk management is assured.

### 3.4 Responsibilities

#### Originator

- Must define the product or service in terms of estimated price, functionality and service over the expected life of the item purchased, obtain value and manage risk according to the above procedures; and
- Must be careful in defining the total commitment being undertaken by the vendor and not to split orders to circumvent this P&P.

#### Authoriser

- Must ensure that the originator will obtain value, manage risk and comply with this policy. This includes ensuring adequate documentation of the decisions taken on the selection of the vendor on a fair and equitable basis in line with advice from the Administration Manager.

#### Procurement Administrator

- Will support the originator in the process of defining value and risk through documentary support of the IPR and communication with vendors.

#### Administration Manager

- Ensures that this policy is communicated to originators and will influence its adherence;
- Supports the location of vendors and process for assessing value and risk;
- Influences the selection of vendors in line with their suitability as long term partners of APRA; and
- Is available to provide full support and advice on tendering for goods and services.

#### CFO

- Approves exceptions to this policy where appropriate.

#### Internal Audit

- Where there is an in-house bid, Internal Audit will be informed and a probity check with reference to both process and competitive neutrality principles will be made.

## 4 PURCHASING GOODS & SERVICES

### 4.1 Objective

To procure goods and services in a controlled way that manages risk, relationships and ensures promises are met.

### 4.2 Policy

Requests for the procurement of goods and services must be authorised, committed with the supplier and paid by Finance. The vendor must be approved as a suitable business partner and accept APRA's T&Cs, unless agreed as an exception.

### 4.3 Procedure

The following procedure is to be followed for all purchases:

1. Define the price, functionality and service requirements to be procured (see Section 5 – Purchase of Capital Goods or Services and Section 6 – Consultants and Contractors).
  2. Obtain competitive quotes and select vendors with assistance from Procurement.
  3. Communicate our T&Cs to the vendor (see Section 2 – Terms & Conditions). Check that the vendor is on the VMF or discuss with Procurement the process for registration.
  4. Check that adequate budget exists to support the purchase. If capital, ensure that a CAR has been completed against the approved capital budget.
  5. Raise an IPR that adequately defines the product or service and cost. Ensure that the cost centre, account codes and project code (where applicable) are accurate. Have the IPR approved by the CCM or higher authority if necessary (*Chapter 2 – Financial Authorisation*).
- Note: If the purchase is for less than \$2,000 and the vendor accepts a verbal order using our T&Cs, then no IPR needs to be raised. Consequently no PO will be raised and the originator is the only point of reference for communication with the vendor. Therefore, the originator must ensure that all communication on payment and invoicing is made through themselves.
6. Send the IPR to Procurement, who will raise a PO or refer to a specific contract. The PO will be sent to the vendor.
  7. The vendor is expected to confirm their performance of the PO through an invoice that meets all the requirements of a Tax Invoice and refers to the PO number;

8. The originator is expected to confirm the vendor's performance by having the CCM approve the transaction for payment, unless the CCM has indicated on the IPR that the originator may do so. In addition to the approval, the originator must ensure that the associated PO number is recorded on the Tax Invoice. If the purchase is for less than \$2,000 and no PO was raised, the originator must ensure that the cost centre and account code is recorded on the invoice.
9. The Tax Invoice is then forwarded to Financial Services in Canberra for payment (see Section 6 - Payment for Goods and Services).

#### 4.4 Forms

##### Internal Purchase Order (IPR)

When completing the IPR the following information will be required:

- Definition of good and/or services to be purchased;
- Supplier details (as per supplier's letterhead or other reference);
- The units and cost of the items to be purchased;
- All prices to be EXCLUDING GST (no separate GST line required)
- Shipping details of goods, or to whom the service provider should report;
- An indication of whether the CCM has approved the originator to receive the goods or services; and
- The cost centre, account code and project code (where applicable) that will be charged for the expense;

Note: The Standard T&Cs will apply to all subsequent POs on that vendor unless expressly modified, replaced by a specific contract or substituted for the vendors T&Cs (see Section 2 - Terms and Conditions).

##### Blanket Purchase Orders (BPO)

If an originator need to make repetitive orders on the same vendor (*see Section 1.4.3 - Blanket Purchase Orders*), complete the details as for the IPR and establish a tracking method to ensure that the BPO limit is not exceeded. Discuss with the Procurement Administrator the opportunities for discount, account management and communication with the vendor.

##### Purchase Orders (PO)

A PO may only be raised by Procurement who will register POs on the financial system and dispatch to vendors. The PO will include a sequential reference number essential in expediting deliveries and payment. The PO will explicitly refer to APRA's T&Cs or any other arrangement that has been agreed.

## 4.5 Responsibilities

### Originator

- Identifies the need and requirements for purchasing goods and services;
- In consultation with Procurement, the originator selects the supplier, paying due regard to competitive quotes, price, service and quality. If the order exceeds \$2,000, the originator must raise an IPR and forward the request to Procurement; and
- Must ensure that the vendor fulfills their responsibilities in accordance with the order and that payment is made within the terms agreed by the parties. This means that after the delivery of the order, the originator is responsible for assuring the quality of delivery, matching the delivery to the Tax Invoice and PO and obtaining approval for payment.

### Authoriser (usually the CCM)

- According to powers of delegation (see Chapter 2), the authoriser approves the purchase of goods and services;
- Expected to have knowledge of the budgetary capacity of the cost centre to commit to the expenditure including capital acquisitions. If the purchase is for less than \$2,000, the authoriser must informally pre-approve the originator's intentions. If the purchase is for more than \$2,000, the authoriser must approve the IPR;
- Ensures that the cost centre code, account code and project code (if applicable) are accurate; and
- Must subsequently attest to the performance of the order by approving payment of the Tax Invoice and ensure that the originator has met all the requirements of procurement. If the authoriser elects to delegate this task to the originator, the authoriser remains ultimately responsible. The Tax Invoice should then be forwarded to the Financial Services in Canberra for payment.

### Procurement

- The Administration Manager is responsible for the administration of procurement of goods and services set out in the policy and procedures;
- Ensure that the procurement of goods and services is completed in a controlled way that manages risk, relationships and ensures promises are met;
- Will support and advise originators in the commercial aspects of procuring goods and services;
- The Procurement Administrator will raise a PO from the IPR and will dispatch to the supplier; and
- The Procurement Administrator will maintain supplier details on the VMF.

### Financial Services

- Check that the Tax Invoice is appropriately authorised and process the payment (see Section 7 - Payment of Goods and Services).

### Chief Financial Officer

- Approves exceptions to this Policy.

## 5. PURCHASE OF CAPITAL GOODS OR SERVICES

### 5.1 Objective

To ensure that goods and services, which are to be capitalised, are procured in a controlled way that manages the longer-term risks associated with depreciable assets and that sufficient budgetary capacity is available for such purposes.

### 5.2 Policy

A capital budget will be set for the fiscal year and agreed with the Management Group and the APRA Members.

The purchase of capital goods or services must be funded by an authorised allocation of the budget. The depreciation or amortisation will be charged to the cost centre according to the ownership of the assets.

### 5.3 Procedure

For capital purchases:

1. **Before** procuring goods or services that may be capitalised, check with the CCM that a capital budget for the program or item to be procured has been allocated. A Capital Authorisation Request (CAR) should be prepared at the time budgeted capital items need to be acquired. If no budget is available, contact Financial Planning Analyst in Business Finance.
2. Complete a CAR for approval by the CCM. In the case of significant project, a CAR should be raised for each major component of the project.
3. Forward the CAR to the Financial Planning Analyst in Business Finance who will then assign a CAR number.
4. The CFO will approve the CAR. If no budget is available, the CAR should be endorsed by the EGM and the CFO will refer the CAR to the APRA Member for approval.
5. Reference to the CAR number is required in raising the IPR (see Section 4 - Purchasing Goods and Services).

### 5.4 Responsibilities

#### Originator

- Ascertains whether the need for goods and services is capital in nature. If in doubt, discuss the accounting treatment with Corporate Finance;
- Checks the intended purchase against the availability of budgeted capital; and
- Completes the CAR and register it with the Financial Planning Analyst.

Authoriser

- Checks the details of the intended capital purchase on the CAR with the available capital budget allocated to the cost centre or division;
- Considers the impact of depreciation on the operating budget allocated to the Cost Centre; and
- Approves the CAR in support of the IPR raised to procure the goods or services.

Financial Planning Analyst

- Supports the capital authorisation process and provides the business with advice on the utilisation of the capital budget; and
- Maintains the register of CARs and provide capital tracking reports.

Business Finance Manager

- Ensures that goods and services, which are to be capitalised, are procured with the support of capital authority;
- Ensures that capital budgetary capacity is managed accordingly.

Chief Financial Officer

- Approves CARs; and
- Manages requests for capital in excess of available budget and refer to the Executive General Managers and APRA Member for further approval as necessary.



## 6. CONSULTANTS AND CONTRACTORS

### 6.1 Objective

To minimize the commercial, ethical and technical risks associated with confidentiality and the preservation of intellectual property, in respect of the engagement of consultants and contractors.

### 6.2 Policy

In addition to the Standard T&Cs applicable to the procurement of goods and services, the procurement of consultants and contractors must be further protected through the extension of the T&Cs with additional contractual clauses covering confidentiality and intellectual property.

### 6.3 Procedure

To procure the services of a consultant or contractor:

1. The originator should consider the additional risks associated with the procurement of consultants and contractors.
2. Prepare documentation, including the selection criteria, defined objectives, budget and timetable that will form the defined work deliverable against which the performance of the consultant or contractor will be measured.
3. In conjunction with Procurement, consider potential sources of supply and short list for evaluation against the selection criteria.
4. Prepare an APRA Standard Consultancy Contract in draft form that includes the technical parameters decided earlier in the process. If the consultant or contractor requires their own T&Cs, see Procurement. General Counsel will be consulted and negotiation may be required.
5. Contact the Procurement Administrator for direction on the commercial aspects of the proposed contract.
6. Have the contract signed by the CCM and the selected provider and return the original to the Procurement Administrator. In conjunction with the contract, complete an IPR and have it approved (see Section 4). The Procurement Administrator will raise a PO. The PO will provide registration for expediting subsequent payments and administration of the order.
7. The contract relationship and work deliverables should be monitored and managed over the life of the contract. This includes checking that specifications are met, standards are maintained and expected performances are delivered. In the interest of protecting APRA's reputation in the market, management of the contract should ensure that contractors are treated fairly in all areas e.g. invoices are paid on time.

## 6.4 Guidelines for Classification of Consultants and Contractors

### Introduction:

APRA often engages outside assistance to deliver a variety of services, in pursuit of its objectives. This outside assistance is categorised by APRA in two ways; either consultants or contractors. The distinction is quite important for a number of reasons, not the least of which is our obligation to report to Parliament annually on the details of contracts entered into and expenditure on, consultants. The intention of this guideline is to assist APRA managers with a consistent classification of contracts between consultants and non-consultants (contractors). To ensure consistency across the Commonwealth, this guideline is based on the Department of Finance and Administration publication *Guidance on Identifying Consultancies for Annual Reporting Purposes*.

### General Principles:

To determine whether a contract is for consultancy or non-consultancy (i.e. contractor) services, managers should look to the nature of the work to be performed. Generally, a consultant is an individual, partnership or corporation engaged to provide professional, independent and expert advice or services. In determining whether a particular engagement is for consulting services two key questions need to be asked:

- Do the services involve the development of an intellectual output that assists with APRA decision-making? (E.g. outputs could include the expression of an original concept, research, findings, analysis, advice and/or recommendations).
- Will the output reflect the independent views of the service provider? (i.e. Has APRA control over the views expressed – is the output being produced **for** APRA (consultancy) or **on behalf of** APRA (contractor)).

If the answer to both questions is "yes" then the engagement should be categorised as a consultancy. Each engagement should be assessed on a case-by-case basis to determine its correct classification.

Note that where the contract includes some elements of a consultancy but the overall contract, in terms of value and relative importance is substantially for non-consultancy or contracting services, then the contract should be classified as a non-consultancy. There is no requirement to split out the consultancy component where it is a minor part of a larger non-consultancy arrangement.

Consultancy services with a cost of \$400,000 or more are subject to certain reporting requirements in accordance with the *Commonwealth Procurement Guidelines (January 2005)* and the *Guidance on Procurement Publishing Obligations (January 2005)* both published by Department of Finance and Administration.

**Characteristics to Determine Consultancy or Contractor**

<b>Consultancy</b>	<b>Contractor</b>
<b>Nature of services:</b>	<b>Nature of services:</b>
Involves specialist professional knowledge and/or expertise that may not be maintained in-house	External labour hire services to perform day-to-day duties of APRA (e.g. labour hire firm providing personnel to fill a temporary vacancy)
Involves development of an intellectual output (e.g. research, evaluation, advice, recommendations to assist with decision-making).	
Involves a one-off task, a set of tasks or irregular tasks making employment of a permanent staff impractical or undesirable.	Involves professional or expert services to implement an existing proposal or strategy (e.g. training specialists to deliver training in line with an existing strategy)
<b>Direction and control:</b>	<b>Direction and control:</b>
Performance of the services is left largely up to the discretion and professional discretion of the consultant.	External labour hire services are performed under the supervision of APRA. APRA specifies how the work is to be undertaken and has control over the final form of any resulting output.
Performance is without APRA direct supervision.	Professional or expert services under non-consultancy contracts are generally delivered without a high level of supervision and direction however the output produced will not necessarily represent the independent views of the service provider (i.e. APRA controls the form of the output).
The output reflects the independent views and/or findings of the individual or organisation.	The output produced is generally regarded as an APRA product.
<b>Typical examples*:</b>	<b>Typical examples*:</b>
<ul style="list-style-type: none"> <li>□ Advice on training needs and development of training plans;</li> <li>□ Legal services such as general legal advice (NOT related to litigation, potential litigation or in connection with development of contracts or other legal</li> </ul>	<ul style="list-style-type: none"> <li>□ Delivery of training;</li> <li>□ Conduct recruitment activity;</li> <li>□ Legal services such as development of contracts or other legal documents including related incidental advice;</li> <li>□ Litigation services including</li> </ul>

<p>documents);</p> <ul style="list-style-type: none"> <li>□ Legal advice on application of legislation and on development of new legislation;</li> <li>□ Legal audit, probity and process advice in relation to contracting out or tendering;</li> <li>□ Development of advertising campaigns;</li> <li>□ Analysis of technology needs, development of software and hardware specifications;</li> <li>□ Development of a framework for benchmarking;</li> <li>□ Change facilitation advice;</li> <li>□ Business process analysis, design and other advice;</li> <li>□ OH&amp;S advice and recommendations;</li> <li>□ Evaluation of program performance and recommendations regarding changes;</li> <li>□ Probity adviser and audit services; and</li> <li>□ Risk assessments.</li> </ul>	<ul style="list-style-type: none"> <li>□ drafting of advice connected with litigation or potential litigation;</li> <li>□ Drafting of legislation or legislative instruments;</li> <li>□ Travel booking services;</li> <li>□ Development of software in line with already developed specifications;</li> <li>□ Information technology support services;</li> <li>□ Data processing;</li> <li>□ Printing and copying services;</li> <li>□ Communication services e.g. telephone;</li> <li>□ Individuals undertaking operational work within APRA under temporary external labour hire arrangements;</li> <li>□ Indoor plant hire and maintenance services;</li> <li>□ Cleaning and waste removal services;</li> <li>□ Preparation of manuals covering existing processes;</li> <li>□ Project management;</li> <li>□ Security services; and</li> <li>□ Translation and interpreter services</li> </ul>
<p><b>Account coding:</b></p>	<p><b>Account coding:</b></p>
<p>Post 1 July 2005:</p> <ul style="list-style-type: none"> <li>□ General consultants - 63510</li> <li>□ IT consultants - 63515</li> <li>□ Audit services (ANAO) - 63520</li> <li>□ Legal services - 63525</li> <li>□ Recruitment consultants - 63530</li> <li>□ Outsourcing services - 63535</li> </ul>	<p>Post 1 July 2005</p> <ul style="list-style-type: none"> <li>□ General contractors - 61260</li> </ul>

\* The lists of examples are indicative only and are not intended to be definitive or exhaustive. There may be specific circumstances or characteristics of an arrangement which cause a particular example listed above as a non-consulting service to in fact be a consultancy service and vice versa. Each arrangement is to be treated individually on its merits.

Not all contracts will fit neatly into one category or the other and will exhibit characteristics of both consultancy and non-consultancy. In these cases it is necessary to consider the two key questions outlined in the General Principles

above. Where there is doubt about the appropriate classification, managers should consult with the Financial Controller or Administration Manager.

Further guidance can be obtained from:  
<http://www.finance.gov.au/ctc/identifying%5Fconsultancies%5F%2D%5Fex.htm>

## 6.5 Roles and Responsibilities

### Originator

- Prepares all the documents for the approval of the authorised delegate;
- In consultation with the Procurement Administrator the originator should follow the procedure for competitive procurement (see Section 3); and
- An IPR must be raised and submitted for approval with the contract. Any Tax Invoices received should be duly coded (cost centre, account and project) and the pertinent details inscribed on the face of the invoice prior to submission to CCM for signature.

### Authoriser (usually the CCM)

- Approves the IPR and authorises any associated contract in accordance with the Financial Delegations Matrix; and
- Verifies the subsequent performance of the contract and authorise payments to be made.

### Procurement Administrator

- Consults with the originator, the CFO and General Counsel on all matters relating to the proposed contract;
- Raises the PO from the approved IPR and contract;
- Records and forwards copies to the parties involved;
- Dispatches the PO to the supplier; and
- Maintains supplier details on the VMF.

### Administration Manager

- Responsible for the administration of procurement of goods and services set out in the policy and procedures;
- Ensures that the purchase of goods and services is completed in a controlled way that manages risk, relationships and ensures promises are met; and
- Supports and advises originators in the commercial aspects of procuring goods and services.

## 7. PAYMENT FOR GOODS AND SERVICES

### 7.1 Objective

To ensure that payment is made to vendors upon approved performance of the order, in accordance with the T&Cs, and that the expenditure is accurately recorded.

### 7.2 Policy

APRA's money may only be applied<sup>2</sup>:

- In payment or discharge of the costs, expenses and other obligations incurred by APRA in the performance of its functions or exercise of its powers;
- In payment of any remuneration or allowances payable to persons appointed or engaged under the APRA Act; and
- In making any other payments which APRA is authorised or required to make under the APRA Act or any other law.

Finance will make payments to vendors and reimburse employees for goods and services that have been procured, after the CCM has attested to the receipt of full value from such procurement.

Financial services will pay vendors according to APRA's T&Cs on receipt of a properly rendered Tax Invoice from the vendor, approved for payment by the CCM and referenced to APRA's PO where appropriate.

Finance will also ensure that the corporate charge card provider is paid within twenty eight days of statement date and that APRA employees are reimbursed within seventy two hours of receipt by the Financial Services Assistant (Payables) of properly rendered approvals for reimbursement.<sup>3</sup>

### 7.3 Procedure

#### 7.3.1 Standard Payments

The following outlines the tasks to be completed for ensuring payment of standard Tax Invoices for services incurred by APRA:

1. The originator must confirm that the full value of the procurement to which the invoice relates has been obtained.
2. The originator must then ensure that the invoice meets the requirements of a Tax Invoice (see *Tax Invoice Requirements User Guide*). If the invoice

<sup>2</sup> 552 APRA Act

<sup>3</sup> Reimbursement for expenses in relation to study and motor vehicle is to be handled by Human Resources.

- is not a Tax Invoice and GST is to be incurred, contact the supplier and request a Tax Invoice<sup>4</sup>.
3. The originator then dates the receipt on the documentation. This date is to be used as the start date from which APRA's terms of payment are to be calculated.
  4. Where a purchase order has been raised, record the APRA PO number and the amounts related to each line of the PO. If there is no PO, record the general ledger account codes and project code (where applicable), from APRA's current Chart of Accounts, on the invoice.
  5. Sign the documentation to authorise payment (where a CCM has approved an APRA employee to authorise payment on the IPR) and forward documentation to Financial Services for payment. Otherwise, obtain CCM's approval for invoice to be paid. A copy of the IPR is to be attached along with other required documentation.
  6. Financial Services are required to ensure that the Tax Invoice:
    - Is an original document, it meets APRA's requirements for substantiation and policy for GST has been met;
    - Has an authorising signature that is recorded in the CCM signature register and the amount approved is within the delegation limits; and
    - Is coded with current cost centre, account and project codes (if applicable).
  7. Financial Services will record the transaction on the Financial Management Information System (FMIS) and generate the payment in time to meet the agreed payment terms.

### 7.3.2 Small Payments from Petty Cash

The following outlines the procedure for the reimbursement of expenditure through petty cash:

1. Petty cash reimbursements shall be limited to GST-inclusive purchases of \$50.00 or less. This limit shall apply on a per-invoice/cash register docket basis.
2. The originator must obtain a Petty Cash Voucher (PCV) and record current general ledger account codes against which the payment is to be processed.
3. Forward the PCV and supporting documentation (Tax Invoice where appropriate) to the CCM for authorisation.

<sup>4</sup> Advise the supplier that failure to obtain a Tax Invoice will result in withholding a portion of the payment in accordance with GST legislation. Should the supplier refuse to comply, make a note on the documentation to this effect.

4. The CCM confirms that the expenditure complies with APRA's policy for reimbursement of petty cash and checks that the coding is correct.
5. The CCM authorises the PCV for payment and it is then forwarded to the Petty Cashier.
6. The Petty Cashier ensures that the PCV has appropriate accounting codes and is authorised by a CCM or approved delegate. Claims that do not meet the criteria are returned.
7. The Petty Cashier reimburses the employee and retains paperwork to be forwarded to Financial Services with the claim for reimbursement of the float (see *Chapter 6: Treasury and Cash*).

### 7.3.3 Reimbursement of Employee Expenditure

The following outlines the principles for the payment of Employee Expense Voucher (EEV) and joint liability charge card expenditure (Diners):

- All requests for reimbursement, including those incurred on the joint charge card, must be accompanied by external GST-compliant substantiation. The exceptions to this rule are:
  - (a) Air and taxi travel incurred on the joint liability charge card. For these items, provide the reason for the expenditure in the appropriate space on the charge card statement.
  - (b) Where the receipt is a train, bus, tram or similar ticket which was handed to or retained by the transport authority at the conclusion of the journey.
- Reimbursement will only be made where the original documentation authorising payment is provided to Financial Services (i.e. reimbursement will not be processed where the authorisation is faxed, photocopied or e-mailed). If the original documentation has been lost or destroyed approval to pay on a copy should be sought from the Financial Controller.
- Reimbursement of mileage allowance for work related travel in private motor vehicles or for study expense are to be processed by HR Services through the payroll system. (see HR Policy)
- Requests for payment, which do not conform to APRA's policy, will be returned to the responsible CCM for resolution.
- Where an employee has incurred business expenditure using the joint liability charge card, then the charge card statement may be used to record authorisation for reimbursement.
- The charge card statement may be substituted for a Tax Invoice for airfares and taxis provided that the purchase is not marked as a mixed supply and provided that an ABN is recorded for that supplier.



- APRA will not, as a general rule, reimburse liquidated damages. A CCM may authorise an exception to this rule, if the reason for the delay can be attributed to business reasons.
- Where an employee has incurred an airfare for official purposes from personal financial resources and seeks reimbursement for that expense, only the actual cost incurred shall be reimbursed regardless of whether the employee would have, in the normal course, been entitled to reimbursement at a higher (e.g. business class) rate.

### Employee Expense Voucher (EEV)

The following procedure is to be followed in order to obtain reimbursement on an EEV:

1. Due to the cost of processing individual payments, EEV reimbursement should not be used where the total GST-inclusive amount of the reimbursement is less than \$20.00. In these instances petty cash reimbursement is to be used (see 7.3.2). However, where staff frequently incur minor expenses they are encouraged to accumulate such minor purchases and seek reimbursement periodically using an EEV.
2. Open the template for EEV and insert the relevant information required.
3. The originator is to sign and date the EEV and forward it and the supporting documentation to the CCM for authorisation.
4. Once authorised the EEV and supporting documentation is forwarded to Financial Services, Canberra for processing.

### Diners Card

The following procedure is to be followed in order to obtain reimbursement on a joint liability card (Diners):

1. The owner of the joint liability card is required to complete the following details on the statement:
  - Check amounts with corresponding receipts. Enter the cost centre and general ledger account and (if applicable) project codes for each payment
  - Where private expenditure has been incurred the relevant transactions are to be clearly highlighted and excluded from the amount to be reimbursed.
  - Supply notes on the reason for each business expense.
2. The owner is required to sign the statement and pass it to the CCM for approval.
3. The CCM is required to check the substantiation, approve and forward document to Financial Services for payment.

4. Individual card holders are responsible for ensuring that Diners statements and supporting documentation are approved promptly and forwarded to Finance in sufficient time to meet the deadline for payment.
5. Individual card holders are to ensure that payment for any private expenditure is made to Diners before the twenty sixth day of the month and add to that payment an amount of seventy five cents, to cover the Diners transaction fee.
6. Liquidated damages are applied by Diners where the payment is not processed by the due date. Individual card holders are responsible for ensuring that their properly authorised and supported monthly statements are sent to Finance in sufficient time to be paid before the cut-off date.

### Financial Services

In the payment of both the EEV and Diners Statement, Financial Services will ensure that:

1. Documentation meets APRA's requirements for substantiation. Where the documentation is not adequate to recover GST input tax credits, Finance will charge the forgone GST to the originating cost centre.
2. Account coding, particularly the cost centre code, expenditure code and (if relevant), project code is correct and that the one-over-one principle is applied (see 1.3). In situations where the coding is unclear, authorisation is outside delegations or the documentation does not comply with policy, return the documentation to the CCM for resolution.
3. Authorising signature is recorded in the CCM signature register and that the amount approved is within their delegation limits.
4. Once the above has been completed, enter the transaction on FMIS and, at the appropriate time, generate the payment.

## **7.4 Role and Responsibilities**

### Employee

- Ensures that appropriate substantiation is obtained and attached to the charge card statement, petty cash voucher or EEV, as appropriate;
- Forward documents to the CCM for approval;
- Ensure Diners statements are approved and forwarded to Finance in sufficient time to meet the monthly payment deadline; and
- Ensure payment for private expenditure is made to Diners before the due date.

### Cost Centre Manager

- Confirms that the expenditure complies with APRA's policy for reimbursement of business expenditure, check coding and authorise the claim or invoice for payment.

Financial Services

- Ensures that the substantiation complies with APRA's policy and that the claim is properly authorised and coded;
- Return non-complying documentation to the CCM for resolution; and
- Generates the payment to ensure that the charge card provider is paid within twenty eight days of statement date and APRA employees are reimbursed within seventy two hours of receipt of properly rendered approval for reimbursement.

Administration Manager

- Resolves any systemic issues with suppliers where inadequate for reimbursement and/or taxation compliance purposes.

## 8. OVERSEAS TRAVEL

### 8.1 Objective

Overseas travel is fully understood before commitments are made and the purpose and costs are subsequently reported. Reference should also be made to HR Policies and Procedures (refer to Section 14 - "Overseas Travel" of the HR Policy Manual).

### 8.2 Policy

All proposed overseas travel, must have an Overseas Travel Approval Form (TA) approved by the Executive General Manager (EGM) or APRA Member prior to any commitment to or payment for any flight bookings.

Overseas Travel Approval Forms require a unique Travel Approval Number (TAN) to be issued by Procurement. This number must be quoted when paying for any overseas flight bookings.

### 8.3 Procedure

The following procedure must be followed prior to overseas travel:

1. Complete the TA;
2. Forward the TA with the supporting business case and plan to the EGM (or Member where appropriate) for approval;
3. Send the TA to the Purchasing Administrator for the inclusion of the Travel Approval Number (TAN);
4. Use the TAN as a reference when making final bookings/payment<sup>5</sup> for the overseas flight;
5. The Purchasing Administrator will maintain records of the overseas travel and will report quarterly on this activity;
6. Other matters to consider:
  - For tax and financial control purposes, keep an accurate diary of your travel itinerary for any overseas journey. This diary should note all meetings, the purpose and persons attending. An accurate record of costs together with all original substantiation must be maintained. On completion of the travel you should keep this diary to demonstrate the business nature of the visit in line with taxation requirements;
  - You should recover the costs of travel in line with the normal reimbursement procedures as explained in Chapter 7 -Payment for

<sup>5</sup> Payment for the ticket will take place when the ticket is confirmed as reserved by the travel agent and a charge is made against the Diners Card.

Goods and Services. Take special care not to incur liquidated damages on the discharge of the Diners charge card; and

- You will be insured for official overseas travel. This means that you will be covered for the business purpose that you were approved to carry out, including any incidental activity required to achieve this purpose e.g. travel to and from the location. If any excursion from the business plan is envisaged you should consult the EGM / Member and consider the need for additional insurance.

## 8.4 Forms

### The Travel Approval Form (TA Form)

A "Travel Approval Form" which can be accessed on the intranet under Finance and Administration Travel site. When completing the form, the following information should be recorded:

- Traveler's details;
- Destination (if there are multiple destinations in the trip, state each on a new line);
- Flight date;
- Primary reason for travel (if more than one, please state main reason for trip);
- Event name

## 8.5 Responsibilities

### Traveling Staff

- Complete the TA form
- Forward the TA to the relevant EGM or Member for approval
- Once the TA is approved forward to the Purchasing Administrator to have the Travel Approval Number (TAN) issued; and
- The TAN must be quoted to Qantas when making any payments for overseas flight bookings.

### Purchasing Administrator

- Issue the approved TA with a unique "Travel Approval Number" (TAN);
- File the original copy of the TA
- Advise traveling staff of the TAN to make the required payments for flight bookings;
- TA Forms will be checked off against Qantas and Diners Reports; and
- Report to Members quarterly Overseas Travel

### EGM or Member Approval

- Review business case for overseas travel
- Approve TA form