

**QUESTION TAKEN ON NOTICE**

**ADDITIONAL ESTIMATES HEARING: 17 February 2004**

IMMIGRATION AND MULTICULTURAL AND INDIGENOUS AFFAIRS PORTFOLIO

**(95) Output: Aboriginal and Torres Strait Islander Services**

Senator Crossin (L&C 86) asked:

Please confirm that the budget for the language and cultural maintenance component was \$9 million over the first 3 years. Was the amount varied by ATSIC for the second four years? If so, by how much?

*Answer:*

From 1998-99 to 2001-02 ATSIC spent \$26.125m on language maintenance activities. Of this sum, \$8.986m was an additional contribution made by the Board to support the implementation of the Bringing them Home inquiry.

ATSIS will expend \$29.566m on language maintenance activities between 2002-03 and 2005-06.

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**(96) Output: Aboriginal and Torres Strait Islander Services**

Senator O'Brien (L&C 104) asked:

In relation to the 800 allocated CDEP places, provide a breakdown of allocation by trial site and a breakdown on the projects as well.

*Answer:*

There are currently 924 participant places approved for the CDEP Working for Families initiative. Activities are not being conducted at trial sites; they are being conducted by organisations across the country, which have demonstrated a need for these places. A breakdown by state, organisation and activities follows:

2003-04 CDEP WORKING FOR FAMILIES BUDGET ALLOCATIONS

STATE	Organisation	Activity Description	Places
<b>Queensland</b>	CAPE York Aboriginal Corporation	Resource Centre	<b>25</b>
	New Marpoon Aboriginal Council	Day Care Services (2), Playgroup Support(2), Vacation Care /After School Program (3),Women's Development Officer(2), Admin Support Officer(1)	<b>10</b>
	Coen Regional Aboriginal Corporation	Family Violence Action Plans (4), Community Initiatives (4),Community Legal Education Officers(1)	<b>10</b>
	Umagico Community Council	Family Violence Action Plans(4)	<b>10</b>
	Injinoo Aboriginal Council	Family Violence Action Plans(4)	<b>10</b>
	Pormpuraaw Aboriginal Council	Family Violence Action Plans(4)	<b>10</b>
	Wujal Wujal Aboriginal Council	Family Violence Action Plans(4)	<b>10</b>
	Gungarde Community Centre Aboriginal Corporation	Family Violence Action Plans (2)	<b>5</b>
	Napranum Aboriginal Council	Family Violence Action Plans(4)	<b>10</b>
	Aurukun Shire Council	Outstation Initiatives	<b>10</b>
	Mapoon Aboriginal Council	Family Violence Action Plans(4)	<b>10</b>
	Hopevale Aboriginal Council	Family Violence Action Plans(4)	<b>10</b>
	Kowanyama Aboriginal Council	Family Violence Action Plans(4)	<b>10</b>
	Lockhart River Aboriginal Council	Family Violence Action Plans(4)	<b>10</b>
	Central Queensland Regional CDEP	Family Support Workers	<b>10</b>
	Mimosa CDEP	Family Support Workers	<b>4</b>
	Gumbudda CDEP AC	Liaison Officers to assist people to approach other agencies	<b>2</b>
	Heartland CDEP Co-op	Youth Activities (10) Alcohol & Substance Abuse Program (20)	<b>30</b>
	TTIPCEEDAC	Community Patrols (18)/Employment Program(12)	<b>30</b>
	Coolgaree AC	Comm Police(8)/FV Centre(12)	<b>20</b>
	Western QLD CDEP	Night Patrols/Family Violence Issues	<b>77</b>
<b>South Australia</b>	Burrandies Aboriginal Corporation	Establish Women's Shelter in area that is socially/culturally isolated to work in conj with SE Regional Domestic Violence Service Inc.Indigenous trainee placed with orgn.Youths with alcohol/drug/ aggressive behaviours will be provided with counselling/support.	<b>5</b>
	Yalata		<b>6</b>
	Aboriginal Corporation of Employment and Training Development	Training Access and Services for Women and Youth	<b>50</b>
	Amata Community Council	Disability Employment Program	<b>7</b>

	Tanggulun Piltengi Yunti CDEP at Neporendi Aboriginal Forum (Onkaparinga Council) and Murray Bridge	Supports local initiative already commenced in conjunction with local Govt. Primarily targets Dom Violence victims or those at risk, Support services in lower Socio Economic Southern Adelaide & Murray Bridge	<b>20</b>
	Pitjantjatjara Homelands	Night Patrol (1)/Playgroup Officer(1)/Youth Support Officers(4)	<b>6</b>
	Pukatja Community Inc	Night Patrols, Disability Employment Program	<b>13</b>
	Kaltjiti Community Aboriginal Corp	Support for Disabilities	<b>7</b>
	Mimili Community Incorporated	Night Patrol	<b>7</b>
<b>Victoria</b>	Goulburn Valley CDEP	Support Workers	<b>10</b>
<b>Northern Territory</b>	Papunya	Juvenile Pre-court Diversionary Scheme	<b>20</b>
	Gurungu Council AC	Band Activities	<b>6</b>
	Southern Barkly AC	Alpurrurulam Night Patrol	<b>10</b>
	Jukalikari Council AC	Night Patrol	<b>15</b>
	Mabunji Aboriginal Resource Association	Youth Development Program	<b>2</b>
	Mabunji Aboriginal Resource Association	Night Patrol	<b>2</b>
	Mabunji Aboriginal Resource Association	Gulf Health Service	<b>2</b>
	Ngaliwuru-Wuli Association	DV & Substance Abuse Councillors	<b>5</b>
	Nyirrangulung-Mardrulk-Ngadberre	Womens Resource Centre	<b>17</b>
	Kunbarllanjja Comm Govt Council	Support to disabled & disadvantaged including mental health & substance misuse victims through making them CDEP participants with support from "strong" buddies. Location is remote at 300km east of Darwin	<b>13</b>
	Darwin Regional CDEP Inc	2 host organisations: Larrakia Nation(20) Mission Australia(15)	<b>35</b>
	Mabunji Aboriginal Resource Association	Womens Safe House	<b>4</b>
<b>Tasmania</b>	Workforce Aboriginal Corp	Working for Families, socially and geo isolated on mainland and islands.	<b>4</b>
<b>New South Wales</b>	Murdi Paaki	Regional Sport & Rec Trainees	<b>14</b>
	Murdi Paaki	Bourke Community Action Patrol	<b>10</b>
	6 CDEPs across outer Sydney Regions	Referrals, implementation of family violence initiatives and strategies to reach socially disengaged and isolated women and women at risk	<b>12</b>
	Murdi Paaki	Regional ACLO Trainees	<b>10</b>
<b>Western Australia</b>	Peedac Pty Ltd	To improve Family wellbeing and reduce substance misuse. Mostly expanding the current range of intervention activities and reducing vandalism in outlying areas.	<b>290</b>
<b>Total</b>			<b>924</b>

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Senator Crossin (L&C 105) asked:

What is the total cost of the 1,000 additional CDEP places each year?

*Answer:*

The estimated cost of the 1,000 CDEP Working for Families additional participant places, each year for four years, is:

2003-04	CDEP Wages	\$3,500,000
	CDEP Oncosts	\$1,394,939
2004-05	CDEP Wages	\$11,596,000
	CDEP Oncosts	\$3,434,570
2005-06	CDEP Wages	\$11,827,400
	CDEP Oncosts	\$3,500,380
2006-07	CDEP Wages	\$12,123,280
	CDEP Oncosts	\$3,580,540

These figures include CPI increases. As part of the Working for Families initiative ATSI only receives additional funds for the Wages component with the Oncost component being met from existing allocations.

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Senator O'Brien (L&C 105) asked:

How many applicants for funding asked for their applications to ATSIC to be assigned to ATSIIS?

*Answer:*

Prior to ATSIIS's commencement, ATSIC had ninety-three applications for funding from the Business Development Program (BDP) on hand. None of these applications had been approved for funding.

As ATSIC was no longer responsible for delivering the Business Development Program after 1 July 2003, all applicants were formally requested to assign their application to ATSIIS for assessment in accordance with the BDP's latest policy and guidelines (approved by the ATSIC Board in June 2003).

All applicants agreed to have their application assigned to ATSIIS for assessment.

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**(99) Output: Aboriginal and Torres Strait Islander Services**

Senator Crossin (L&C 108-109) asked:

In relation to the ATSIC review, can you provide an update on the response that was provided to Question no.90 at the Budget Estimates Supplementary hearing in November 2003, including a breakdown between travel and travelling allowance and between members of the panel?

*Answer:*

The updated expenditure figures incurred by ATSIC are provided in the following table. The table provides a breakdown of accrued expenditure on the ATSIC Review for the financial years 2002-03 and 2003-04. The expenditure for 2003-04 is as at 1 March 2004. Total expenditure to date is \$1,394,279.73. Some minor invoices are yet to be received and therefore the figures could vary slightly once these costs are included.

ATSIC did not pay the travel costs associated with the panel members and support staff directly, but reimbursed other agencies on a total cost basis. The other agencies have advised that a breakdown between travel and travelling allowance overall, and between members of the panel, would involve a considerable workload.

<b>Item</b>	<b>2002-03</b>	<b>2003-04</b>
Advertising	\$26,475.51	\$24,607.16
Office requisites / administration	\$24,807.75	\$29,141.37
Freight & Cartage	\$2,707.84	\$2,291.26
Computer Services	\$3,039.05	\$0.00
Communications	\$3,686.69	\$479.19
Travel	\$64,274.67	\$78,767.76
Consultants	\$297,061.80	\$247,846.67
Training	\$23,653.30	\$1,295.01
Meeting Expenses	\$9,311.35	\$1,627.95
Motor Vehicle Hire	\$2,308.05	\$19,240.96
Recruitment	\$2,518.22	\$0.00
Minor Office Equipment	\$18,381.18	\$6,982.80
Office Accommodation	\$36,024.99	\$0.00
Staff Housing	\$8,989.50	\$0.00
Employee costs (inc super / salary)	\$87,916.88	\$370,842.82
<b>Total</b>	<b>\$611,156.78</b>	<b>\$783,122.95</b>



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Senator O'Brien (L&C 110) asked:

Can you provide a copy of the ATSIC and ATSI November 2002 procurement guidelines?

*Answer:*

The ATSIC procurement guidelines as at November 2002 are attached. As ATSI was not established until 1 July 2003 no procurement guidelines were in place for it as at November 2002.



**Attachment**

# Procurement Policy and Procedures 2002

Revised November 2002

# INTRODUCTION

Pursuant to the Minister's Finance Direction 6, ATSIC develops and implements procedures for the procurement of goods and services consistent with the cost-effective application of Commission funds. The Procedures give effect to ATSIC's procurement policy and the operating principles outlined in Chief Executive Instruction No 6.

Procurement is defined as the process by which the external resources of an organisation are obtained and managed. This includes:

- planning and design, including:
- setting standards;
- market research;
- developing the statement of requirement or terms of reference; and
- tender documentation;
- selecting a provider or supplier, including
- calling quotes or tenders
- negotiation; and
- performance evaluation.

The *Procurement Policy and Procedures 2002* set out the policy and procedures to be followed by all ATSIC managers and staff involved in procurement, to ensure that ethical and sound procurement practices underpin the achievement of value for money outcomes for the Commission. These new Procedures replace those previously issued in *The Property and Services Manual*. They apply to the procurement of straightforward goods and services of all kinds across ATSIC including specialised goods and equipment required by individual programs.

The Procedures are set out in two main parts and cover:

- Part 1 - Policy and Principles; and
- Part 2 - The Procurement Process.

Further advice on accepted procurement practices is contained in the Appendices.

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## ATSIC PROCUREMENT POLICY

The aim of ATSIC's procurement is to support the achievement of the Commission's goals by securing the external resources required in a cost-effective and timely manner. In conducting procurement activities, ATSIC expects its staff to:

- seek best value for money outcomes in all transactions;
- use methods that are open and transparent and foster effective competition among potential suppliers;
- act in an ethical manner and maintain ATSIC's reputation for fair dealing in its arrangements with suppliers; and
- be accountable for outcomes and manage risks.

### ***Value for Money***

Value for money is the essential test against which procurement outcomes must be justified. It is not a criterion in itself, but is the basis for comparing alternative offers to identify the one that meets needs in the most cost-effective manner when all costs and benefits are taken into account.

### **A Project Management Approach**

In achieving value for money ATSIC seeks to ensure that its procurement activities are part of an integrated approach to program delivery. To this end it expects its staff to adopt sound planning, management and evaluation strategies when procuring goods or services or engaging consultants.

ATSIC staff are expected to focus on outcomes in framing terms of reference, sourcing and selection, and in monitoring and managing performance. They must consider overall costs and benefits on a whole of life basis when making procurement decisions. This applies at all stages of a procurement process, in particular:

- the conceptual/design stage, when the business case is being prepared;
- the evaluation stage, when tenders are being assessed;
- the performance stage, when monitoring and evaluating provider performance.

## **National arrangements**

To improve the efficiency of its procurement activities, ATSIC proposes to:

- consolidate its procurement requirements in order to maximise market leverage and achieve economies of scale; and
- streamline processes to reduce administrative workload wherever possible, so that it can remain focused on its core activities.

To achieve this, ATSIC will establish major contracts and standing offers that represent best value for money for ATSIC. In putting these arrangements in place, ATSIC will make use of the functionality of its new financial system, SAP R3, and other emerging technologies to achieve economies in its procurement processes. This includes:

- using on-line requisitioning;
- streamlining payment processes via purchasing cards and Electronic Funds Transfer (EFT) where possible; and
- consolidated invoicing arrangements including electronic billing.

These arrangements will be available for use nationally, and all ATSIC staff are expected to use them.

## ***Open and Effective Competition***

### **Open and Transparent Processes**

ATSIC seeks to conduct its business in an open and transparent manner through effective networking and communication. In particular ATSIC seeks to foster a competitive supply base and encourage competitive indigenous providers to bid for its business by ensuring ready access to information about its business rules and business opportunities.

Openness means visibility to the public and Parliament and this is promoted by the use of the Commonwealth Purchasing and Disposal Gazette.

### **Competition**

ATSIC seeks to deal with competitive providers that offer value for money goods and services, including competitive indigenous providers. Its staff are expected to publish business opportunities as widely as practicable consistent with ATSIC procurement procedures.

Selection decisions must be justified and documented, and where open competition is not practicable, reasons for confining bids must be formally documented and procurement methods approved by the appropriate delegate.

## ***Ethical and Fair Dealing***

### **Ethical and Fair Dealing**

It is essential that ethical and sound procurement practices underpin the achievement of value for money outcomes for ATSIC. In this regard ATSIC adopts the principles underlying the Commonwealth Code of Ethics for procurement, in requiring all members of staff who are involved in the procurement function to possess the highest standards of personal integrity.

ATSIC and Commonwealth practice is based on the following principles:

- open, honest and co-operative business relations with colleagues and suppliers;
- confidentiality of commercial information obtained in performing the procurement function;
- avoidance of conflict of interest or perceptions of bias;
- disclosure of possible conflict of interest whether real or capable of being reasonably perceived;
- fair dealing and impartiality in evaluating possible suppliers; and
- fostering the highest possible standard of professional competence amongst procurement staff members.

### **Conduct of Procurement**

ATSIC respects the rights of suppliers and seeks to conduct its business in a manner that achieves good procurement outcomes for both itself and its suppliers. It recognises that its processes must not only be fair, but be seen to be fair. ATSIC staff associated with procurement must:

- deal with suppliers even-handedly;
- recognise and deal with conflicts of interest;
- not engage in misleading or deceptive conduct;
- not compromise ATSIC's standing or the integrity of its procurement activities through acceptance of gifts or hospitality; and
- be scrupulous in their use of public property.

## ***Managing Risk and Accountability***

### **ATSIC Procurement Procedures**

The ATSIC Procurement Procedures represent the minimum standards all ATSIC staff are expected to achieve in their procurement activities. This requires staff entering into procurement arrangements to ensure that:

- they have the authority to commit the Commission in the manner contemplated;
- procurement arrangements are equitable;
- the Commission obtains value for money in its procurement process; and
- no arrangement is entered into until a properly authorised Purchase Order, Local Purchase Order, Consultancy Contract or other written contract has been executed by the appropriate delegate.

### **Compliance with and Government Policy Legislation**

ATSIC must comply with Commonwealth and most State legislation. For the most part this requirement is reflected in ATSIC's own procedural standards. ATSIC staff are, however, expected to take account of other specific legislative requirements impacting on their particular procurement activities and certain government policies which ATSIC is required to follow, eg policy on Information Technology outsourcing, or has decided to follow, eg, all budget funded works should comply with the National Code of Practice for the Construction Industry.

Health and safety issues should be considered prior to any purchase of equipment, materials or substances. This helps to anticipate hazards and avoid or minimise the risks connected with the use of the new equipment or materials. Those involved in the selection of new products should check the health and safety information before making the purchase.

### **Managing Risk**

ATSIC expects its staff to take a systematic approach to identifying, analysing, evaluating, treating and monitoring procurement risks. Responsibility for managing each particular risk should be assigned to the party best able to manage it. ATSIC should expect to pay under a contract for the contractor's management of risk but should not expect to pay when it bears the risk itself. The cost of managing risk should be commensurate with the value of the procurement.

### **Managing Performance**

ATSIC seeks to establish arrangements with providers that are mutually beneficial, founded on trust and co-operation, and result in the achievement of value for money. To ensure that its contractual arrangements are meeting these objectives and that commitments are being



honoured, ATSIC expects its staff to monitor and periodically evaluate and measure contractual performance.

### **Training**

ATSIC is committed to ensuring that its staff have the knowledge and skills necessary to perform their duties competently and to deal fairly and ethically with suppliers. It expects its managers to ensure staff involved in procurement are adequately trained and have the opportunity to develop their competence.

### **Gazettal of Purchases over \$2,000**

ATSIC's policy is to publish in the Commonwealth Purchasing & Disposal Gazette all purchases with an estimated value of \$2,000 or more within 6 weeks of the date of the transaction. The Purchasing Officer will gazette details of all purchases over \$2,000.

## PROCEDURES

### ***Defining and Justifying Requirements***

The first step in any procurement process including engaging a consultant is to determine what is actually needed (not just what is wanted). Buyers must therefore consult with end users and in more complex cases a wider group of stakeholders, to ensure they are clear about:

- what is required;
- whether funds are available; and
- whether there is **appropriate approval** to spend the money.

The more costly the good or service, the more likely it is that a formal written business case will need to be developed to justify and seek approval for the proposed expenditure.

### **Straightforward purchases**

For simple, low cost purchases buyers may only need to identify and describe the requirement and, if the price is within the buyer's delegation, proceed with the purchase.

If the price exceeds the buyer's delegation, then it will be necessary to define the requirement and justify the purchase sufficiently to obtain the approval of the appropriate delegate or agent.

An audit trail must be maintained at all times. For most purchases this process is managed through the SAP R3 online requisition process.

### **Higher value or complex procurement**

For high value procurement or more complex requirements, a business case that fully justifies the expenditure case must be prepared for submission to the delegate. The business case should identify:

- what is needed, focussing particularly on the reasons for the requirement and what is to be achieved;
- the likely timeframes involved;
- the estimated costs and benefits on a whole of life basis;
- whether funds are available;
- the costs of managing the project; and
- the appropriate procurement method.

Whole of life costs and benefits must be taken into account, particularly where there will be an ongoing cost of ownership or there is an impact on overall program outcomes.

## **Sources of Supply**

Where available, goods and services should be sourced from ATSIC national arrangements.

If a national arrangement is not in place, buyers should identify suitable suppliers in the open market. Options for identifying suppliers include:

- recent offers. New quotes may not be needed for the same goods and services where:
  - a previous quote is less than six months old and remains valid<sup>1</sup>;
  - goods and services are the same as previously supplied;
  - price is confirmed in writing and there is no price increase;
  - copies of previous quotations can be provided with the request for approval; and
  - the goods and services were previously found to be acceptable.
- ATSIC registers of information provided as a result of direct approaches from suppliers or past performance of work for ATSIC, available on the ATSIC Intranet;
- the yellow pages and local business directories;
- networking with colleagues in other ATSIC, State or Commonwealth offices;
- State government contracts;
- Commonwealth government Endorsed Supplier Arrangements (ESA) (information technology, office machines, commercial furniture and auctioneering services) the internet site for ESAs is <http://www.dofa.gov.au/online/esa/>;
- invitations to register interest in doing business with ATSIC<sup>2</sup>; and
- public requests for offers.

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<sup>1</sup> **Note:** Once an offer has been rejected it is no longer valid. However, the list of bidders for previous requirements is a useful starting point when identifying potential suppliers.

<sup>2</sup> An invitation to Register Interest (ITR) is usually the first step in a staged tender to select a provider for a complex requirement, or appoint a number of preferred providers to a panel. Proposals to invite suppliers to register their interest in doing business with ATSIC should first be discussed with the Telecommunications and Consultancies Management Support Group (TCMSG) as improperly handled they may raise false expectations among suppliers.

When dealing in the open market, buyers should ensure that any supplier is genuinely trading in the market. The procurement of goods or services from suppliers who are also, first and foremost, ATSIC employees should be avoided whenever possible.

### **Indigenous providers**

Consistent with ATSIC's goals to strengthen indigenous businesses, staff should identify competitive indigenous providers, ensure they have access to information about ATSIC business opportunities, and invite them to bid for ATSIC business.

### **Goods & Services Tax**

Suppliers should be asked to quote prices inclusive of GST.

### **Procurement Methods**

Procurement methods will vary according to the value and complexity involved in each particular case.

ATSIC expects its staff to adopt a simple, straightforward approach to the purchase of low value goods and services and use more complex methods to manage the risks involved in major procurements. It has set a number of benchmarks to govern the procedures used.<sup>3</sup> See Appendix A.

### **Goods and services valued at less than \$2,000**

Where national contracts are in place, buyers should order directly from the ATSIC preferred supplier.

Where goods and services are not available through a national contract, or where an emergency requires that a purchase valued under \$2,000 be made locally, buyers should use their knowledge of the available market to secure value for money for ATSIC.

Only one oral quotation is required, but if the buyer considers there is value in contacting two or three suppliers to obtain additional oral quotes he/she should do so. The buyer must be mindful, however, that an extensive survey of the market is in itself costly and time consuming, which may offset any savings from lower prices.

Purchasing Officers should use the Purchasing Card to pay for purchases in this range unless there are other billing arrangements in place under a national contract.

The Purchasing Card can be used for the purchase of low value assets (ie a good over \$500 that is portable and attractive), an Assets Master Record must be created in SAP R3 and this must be used for the reconciliation of the Purchasing Card Statement at the end of the month.

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<sup>3</sup>This is a risk management approach, and staff should always be aware that some less costly items may, for one reason or another, carry risk out of proportion to their value. For example, timely delivery of certain items might be critical to the successful outcome of a long term, costly experiment. In such cases specific risk strategies may be needed. If in doubt, seek advice from the TCMSG.

Purchase Orders may also be used for the purchase of low value assets where the Assets Master Record must be created as the first step.

Buyers should be aware that when using the Purchasing Card the supplier's terms and conditions apply, unless the order is being placed against an established procurement arrangement.

***Staff travelling in remote areas where the Purchasing Card cannot be used should raise a Local Purchase Order for any emergency requirements.***

### **Goods and services valued between \$2,000-\$100,000**

Where national contracts are in place, buyers should order goods and services in this range directly from the ATSIIC preferred supplier.

The Purchasing Card can also be used to pay for purchases up to \$5,000 ensuring that the correct purchasing procedures are carried out according to the value of that particular purchase unless there are other billing arrangements in place under a national contract.

Where there is no national contract in place, buyers sourcing goods and services in this range should use their knowledge of the available market to **obtain a sufficient number of written quotations to ensure a value for money outcome.**

**Quotations should be sought in writing and the ATSIIC terms and conditions attached at Appendix B.** It is up to the buyer to decide how many quotations will be needed to ensure a value for money outcome. This will depend on the value of the procurement and the competitiveness of the market.

As a general guide, wider competition should be sought as the competition and costs increase.

- Where costs are higher, there is greater scope for price variation and consequently greater capacity to negotiate savings.
- Where there are many potential suppliers and, particularly, where the product is non-differentiated, there may be significant differences in price.

In these cases it is both sensible and consistent with ATSIIC's policy of open and effective competition to obtain a number of written quotations. Staff should bear in mind however, that the cost of obtaining goods and services should be commensurate with their value, and that **the cost of seeking and evaluating a large number of quotations should not outweigh the benefits gained.**<sup>4</sup>

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<sup>4</sup> For higher value procurement in this category the principles outlined for the tendering process should be followed when seeking and evaluating quotations.

For specialised goods/services where supply is limited to only a few suppliers, quotations need only be sought from the limited field. Where there is a sole supplier, approval should be obtained to negotiate directly.<sup>5</sup>

The reasons for limiting quotations to a sole supplier must be submitted in writing to the appropriate delegate for approval. A staff member with an expenditure delegation must always seek approval to waive the requirement for quotations from a higher delegate.

In some cases a formal tender process will be the most appropriate method for obtaining offers and selecting a provider even though the total cost of the requirement may be less than \$100,000. **In these cases the steps outlined below for managing the tender process must be followed.**

**An on-line requisition and Purchase Order must be raised in SAP R3 for all purchases over \$2,000.** If the purchase is for an asset (ie a good over \$5,000) or a low value asset (ie a good between \$500-\$5,000 that is portable and attractive) then an Assets Master Record **must** be created as the first step.

### **Goods and Services valued above \$100,000**

ATSIC's policy is to seek public tenders<sup>6</sup> for all goods and services valued above \$100,000.

Where the market is highly specialised and limited to a few suppliers, or if there are special circumstances, there may be sound reasons for not calling for public tenders. In such cases, it may be appropriate to confine tenders to known suppliers or negotiate directly with a sole supplier.

**Reasons for confining tenders must be documented as part of the business case and submitted to the appropriate delegate for approval to waive the public tender requirement.**

Buyers must bear in mind that tendering processes can be costly for both ATSIC and suppliers and seek to keep these costs to a minimum through sound planning and effective management of the process.

**Before commencing the tender process, buyers must obtain a contract number from the TCMSG.** Requests for Tender (RFT) or Proposal (RFP) should be developed in consultation with the TCMSG to ensure the documentation is satisfactory and ATSIC is not exposed to any risk. Legal Affairs should clear these documents.

**Bid documentation and advertisements must be cleared with the TCMSG prior to calling tenders, either publicly or from a limited number of suppliers.** The TCMSG will arrange placement of all advertisements.

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<sup>5</sup> In the past many staff thought they must get three quotations in all cases. Where there are only one or two suppliers it would be a waste of resources to try to source additional suppliers to fulfil an arbitrary requirement for three quotations.

<sup>6</sup> In these Procedures "tenders" includes both tenders and proposals.

The TCMSG will maintain a register of all requests for tenders (RFT) or proposals (RFP) and a register of all consultancy tenders and contracts.

### ***The Tendering Process***<sup>7</sup>

Please refer to "Contracting for Consultancy Services" document.

### ***Training***

Purchasing Officers are responsible for the cost-effective procurement of supplies to support ATSIC's programs. They deal with suppliers who rely on trade with ATSIC for their income, and spend a significant amount of public money. They must, therefore, have adequate knowledge and skills to deal in an ethical and fair way with suppliers and to make sound procurement decisions.

Staff involved in procurement should discuss knowledge and skill requirements with their supervisor and seek further training where this is needed to improve their competence.

The Manager, Travel and Purchasing can advise on training requirements and options and will co-ordinate the provision of procurement training.

APPENDIX A Commonwealth publication *Risk Based Approach to Assuring Quality*.<sup>8</sup>

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<sup>7</sup> The "tendering process" applies to both requests for tenders and proposals

<sup>8</sup> Purchasing Australia, 1997, *Risk Based Approach to Assuring Quality*, AGPS, Canberra

## APPENDIX A

### ADDITIONAL READING

Department of Administrative Services, Exposure Draft 1997, *The CTC Roadmap - A practical guide to contracting* AGPS Canberra

Department of Finance and Administration, 1998, *Commonwealth Procurement Guidelines: Core Policies and Principles*

Purchasing Australia, 1997, *Applying Risk Management techniques to Complex Procurement*, AGPS Canberra

Purchasing Australia, 1990, *Guide to Specification Writing*, AGPS, Canberra

Purchasing Australia, 1996, *Managing Risk in Procurement*, AGPS, Canberra

Purchasing Australia, 1997, *Risk Based Approach for Assuring Quality*, AGPS, Canberra

Purchasing Australia, 1996, *Whole-of-life Costing in the Assessment of Value for Money*, AGPS, Canberra



## APPENDIX B

### SUPPLIER SELECTION AND AWARD OF CONTRACT

The Tender Evaluation Committee (TEC) is appointed by the responsible Manager and is responsible for evaluating tenders to identify the tender that offers best value for money. The Project Manager usually chairs the TEC.

To streamline arrangements, the membership of the TEC should be nominated when the business case is submitted for approval. It is useful for the TEC to have some input to the development of the evaluation criteria and methodology. The TEC will also need to deal with the risks involved in the evaluation process and should be involved in planning to manage them.<sup>9</sup> Such risks include:

- breaches of security,
- failure to adhere to the published evaluation criteria and methodology;
- inappropriate supplier selection;
- inappropriate product selection; or
- taking too long to do the evaluation.

For relatively straightforward purchases, the evaluation approach need not be too involved. For more complex purchases, technical experts and more sophisticated cost and price analysis tools may be needed. In some cases it may be useful to ask tenderers to give a presentation on their proposal to the TEC.

*Table D1* sets out the selection and contracting process step by step.

**Table D1. The Tender Evaluation and Contracting Process**

Activity	Process
<b><i>Receiving tenders and checking for compliance</i></b>	<input type="checkbox"/> The appointed Committee (scheduling officers) will open and schedule tenders, check them for completeness and pass them to the Chair of the TEC.  Checking completeness involves ensuring that tenders comply with the request, ie the tender has been signed, all relevant schedules have been completed and a complete pricing offer made. As a rule, non-compliant tenders are set aside by the TEC and not evaluated.

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<sup>9</sup> See Appendix B

Activity	Process
<b><i>Preparation</i></b>	<p>All members of the TEC must declare themselves free from any actual or potential conflict of interest. The Chair should obtain declarations to this effect at the time of appointment.</p> <ul style="list-style-type: none"> <li>❑ All members of the TEC must maintain confidentiality and ensure that tender documents are kept secure at all times. The Chair should obtain declarations to this effect before distributing the tender documents.</li> <li>❑ The Chair should ensure that each member of the TEC has a copy of each tender, and has the opportunity to examine them and take appropriate assessment notes prior to discussion and agreement in Committee.</li> <li>❑ Before members of the TEC start to consider the tenders they should revisit the evaluation criteria and methodology, and assure themselves of the points that need to be addressed to satisfy each criterion.</li> </ul>
<b><i>Collusion</i></b>	<ul style="list-style-type: none"> <li>❑ When examining the tenders the TEC should be conscious of any similarities or patterns between tenders that might indicate possible collusive behaviour.</li> <li>❑ Collusion of bidders is illegal under the <i>Trade Practices Act (1974)</i>. Some indicators include: <ul style="list-style-type: none"> <li>➤ similar or identical costing;</li> <li>➤ similar presentation;</li> <li>➤ similar errors;</li> <li>➤ withdrawal of bids;</li> <li>➤ use of industry or association prices;</li> <li>➤ suppliers winning only certain bids;</li> <li>➤ rotating winners - sharing winners; and</li> <li>➤ unrealistic high bids.</li> </ul> </li> <li>❑ If collusion is suspected, then advice should be sought from the Manager of the CSPU.</li> </ul>
<b><i>Contact with Tenderers</i></b>	<ul style="list-style-type: none"> <li>❑ Some tenderers will contact the TEC or the delegate during this stage to ascertain how matters are progressing and try to glean some information about the status of their tenders. Each inquiry must be treated the same by politely advising that tenders are being evaluated and that each tenderer will be advised of the outcome when the process has been finalised.</li> <li>❑ Ideally, there should be no meetings with tenderers other than at an industry briefing or site visit. If this is unavoidable, the tender should not be discussed and, if</li> </ul>

Activity	Process
	possible, a third party should be present.
<i>Gifts or Hospitality</i>	<ul style="list-style-type: none"> <li>❑ It is most important not to accept any form of entertainment or gifts from tenderers during a tender process and to avoid any situations that could give rise to a conflict of interest, whether real or perceived.</li> </ul>
<i>Assessing and Ranking Tenders</i>	<ul style="list-style-type: none"> <li>❑ After each member has examined all tenders, the TEC should convene to score each tender against the evaluation criteria in accordance with the published tender evaluation methodology.</li> <li>❑ The TEC should note any incomplete/non-compliant tenders and set them aside. Each of the conforming tenders should then be scored against each evaluation criterion according to its merits, compared with the other responses and ranked accordingly.</li> <li>❑ All decisions should be carefully recorded and the reason for each decision documented.</li> </ul> <p>There are a number of proprietary software programs available that can assist with the evaluation process, but the element of judgement involved in evaluating tenders and the responsibility for outcomes cannot be replaced by technology.</p>
<i>Clarification</i>	<ul style="list-style-type: none"> <li>❑ After examining all tenders, the TEC may need to seek some clarification on aspects of a tender. Where there is doubt or ambiguity the Chair should seek written clarification from the potential tenderer.</li> <li>❑ Such clarifications must not provide an opportunity for a tenderer to materially change an offer.</li> <li>❑ Tenderers should be required to reply to the request within a defined timeframe so as not to unduly delay the process.</li> </ul>
<i>Checking References</i>	<p>After the TEC has scored each tender, previous performance of the leading tenderer(s) should be checked by contacting the nominated references. The TEC should also follow up any other available sources of information on past performance.</p> <ul style="list-style-type: none"> <li>❑ In some cases the TEC will need to be satisfied as to the company structure and viability of a tenderer. This will involve an independent inquiry into the financial viability of the tenderer through services such as those provided by Dun and Bradstreet and other accounting firms.</li> <li>❑ The usual practice is for the TEC to agree on a standard set</li> </ul>

Activity	Process
	of questions and nominate one member of the TEC to follow up on the references and document the outcomes.
<i>Selecting the preferred tenderer</i>	<ul style="list-style-type: none"> <li>❑ When all the required information has been gathered, the TEC should reconvene to agree formally on the preferred tender and the order of merit.</li> <li>❑ Subject to the outcome of the checks on references and viability etc, this will be the tender that has scored highest against the evaluation criteria.</li> </ul>
<i>Submission to the delegate</i>	<p>When agreement on the preferred tender and order of merit is reached, the Chair of the Committee will prepare a report that:</p> <ul style="list-style-type: none"> <li>➤ provides full details of the process and the tenders received; <ul style="list-style-type: none"> <li>➤ addresses how each tender met or did not meet the evaluation criteria. (This should be a clear and publicly defensible appraisal. Words such as "appear" and "might" should be avoided. These words create the impression that the TEC is not really sure of its conclusions, or cannot adequately justify them);</li> <li>➤ ranks tenders in an order of merit according to their evaluation scores;</li> <li>➤ seeks approval for the order of merit; and</li> <li>➤ recommends acceptance of the highest ranked tender subject to satisfactory negotiation of a contract.</li> </ul> </li> <li>❑ Once a draft report is prepared, it should be discussed with the members of the TEC, fine-tuned and signed by each member.</li> <li>❑ The report and recommendations are then submitted, as appropriate, to the responsible delegate, through the CSPU.</li> <li>❑ The CSPU will review the TEC report to ensure due process has been followed and assure the delegate that value for money and probity considerations have been met.</li> </ul>
<i>Negotiations</i>	<ul style="list-style-type: none"> <li>❑ If the TEC has recommended negotiation prior to entering into a contract, this should commence with the preferred tenderer only <b>after written approval has been given</b> to do so. It should be carried out by the Project Manager and representatives from the user group, with representatives from the CSPU, Legal Branch or financial and technical experts included as necessary.</li> <li>❑ The negotiation process carries a significant degree of risk.<sup>10</sup> Negotiators must maintain a competitive situation while</li> </ul>

<sup>10</sup> See Annex B1

Activity	Process
	<p>ensuring that the process remains fair and <b>ATSIC is not inadvertently committed to a contract before a satisfactory position is reached.</b></p> <ul style="list-style-type: none"> <li>❑ It must be clear at all times that the decision to enter into negotiations does not constitute the award of a contract, and does not preclude ATSIC from entering into negotiations with another tenderer.</li> <li>❑ If agreement cannot be reached with the preferred tenderer, negotiations should commence with the next ranked tenderer.</li> <li>❑ <b>A confidential record must be kept of all negotiations</b> for audit and accountability purposes. This should set out: <ul style="list-style-type: none"> <li>➤ the aim of the negotiation;</li> <li>➤ justification and approval to enter into negotiation;</li> <li>➤ the negotiation strategy;</li> <li>➤ a record of all exchanges between the parties;</li> </ul> </li> </ul> <p>Points of agreement should be separately documented and confirmed in writing with the other party.</p>
<b>Contract formation and award</b>	<ul style="list-style-type: none"> <li>❑ The Project Manager should prepare the schedules and make any changes necessary to the draft contract, as agreed at negotiation and approved by the delegate.</li> <li>❑ The revised contract should be cleared with the CSPU and Legal Branch.</li> <li>❑ When the contract documentation is ready, the Project Manager and representatives from the user group (and CSPU or Legal Branch as necessary) should meet with the successful tenderer to review the documentation.</li> <li>❑ Once final details are settled and any further clearances obtained, the contract should be sent to the successful tenderer for signature.</li> <li>❑ The successful tenderer should sign two original copies of the contract, and return them. The two originals are then signed by the responsible Manager or delegate as appropriate.</li> </ul>
<b>Retention of the contract document</b>	<ul style="list-style-type: none"> <li>❑ One original copy of the signed contract is returned to the contractor. ATSIC's original copy is retained and lodged with the CSPU.</li> <li>❑ A separate copy (clearly marked as such) should be made</li> </ul>

Activity	Process
	available to the contract manager for day to day administrative purposes.
<i>Debriefing unsuccessful tenderers</i>	<ul style="list-style-type: none"> <li data-bbox="667 383 1511 524">□ The Project Manager should write to unsuccessful tenderers <b>after</b> the contract has been signed and advise them of the outcome of the tender evaluation. All tenderers should be offered a debriefing.</li> </ul>