

Procurement, Contracting and Contract Management Policy

Corporate policy 8.4

Responsible Officer: Group Manager Accounting and Taxation

Policy Custodian: Chief Finance Officer

Division: Finance and Resources

Date of effect: 01/02/2006

Date of last review: 31/05/2012

Scope

This policy applies to all ActewAGL procurement, contracting and contract management activities with the exception of:

- the purchase of electricity;
- employment activities; and
- Engagement of Agency Labour Hirees, Consultants and Professional Services Contractors

Objectives

ActewAGL procurement, contracting and contract management shall be undertaken in a manner that achieves the optimal commercial outcome in order to meet operational requirements. This policy sets out the principles to achieve this outcome.

Policy

1.1 Key Principles

The following key principles and associated requirements must be applied to procurement, contracting and contract management.

- 1.1.1 Achieve value for money
- 1.1.2 Ensure spending is authorised
- 1.1.3 Use of Procurement Path
- 1.1.4 Ensure probity and ethical conduct
- 1.1.5 Enhance Safe and Socially Responsible Procurement
- 1.1.6 Risk Management
- 1.1.7 Assess the Engagement of Contractors
- 1.1.8 Consultation when developing a written contract
- 1.1.9 Use of standard contracts and tender documentation
- 1.1.10 Obtain appropriate stakeholder input
- 1.1.11 Contract Specifications
- 1.1.12 Record Keeping
- 1.1.13 Appoint Contract Managers

For details on related processes please refer to Corporate Procedure [8.4 P1 Procurement and Contracting](#) and Corporate Procedure [8.4 P2 Contract Management](#).

1.1.1 Achieve value for money

ActewAGL must ensure that all procurements achieve best value for money.

Factors to demonstrate if procurement represents the best value for money include: **cost, quality, service, support, level of risk and sustainability considerations, transaction costs of acquisition, use, maintenance and disposal of the goods or service, including environmental considerations.**

Value for money must be documented during the supplier selection process.

1.1.2 Ensure spending is authorised

All procurements must only be undertaken within an **authorised budget.**

No person may commit ActewAGL to expenditure without having a **financial delegation or the prior approval of an appropriate financial delegate.**

1.1.3 Use of Procurement Path

The total cost of the procurement (detailed in Corporate Procedure [8.4 P1 Procurement and Contracting](#)) determines the Procurement Path to be used, and must be complied with.

If the engagement is for an indeterminate amount or time the **best estimate of total costs** associated with the procurement must be used.

ActewAGL staff must not separate a procurement or procurement phase into individual parts, or use a particular method for calculating estimated total cost for the purpose of circumventing the relevant thresholds.

Depending on the total procurement cost, the following procurement paths are to be used:

Total Cost (ex GST)	Procurement Path	Summary of Requirements
Less than \$30,000*	Direct Procurement	Minimum of 1 written quote
Between \$30,000 and \$249,999*	Minor Procurement	Minimum of 2 written quotes
Between \$250,000 and \$749,999*	Major Procurement	Minimum of 3 written quotes
\$750,000 and above*	Strategic Procurement	Tender Process

*** Note, in all instances, if the risk is high or very high, advice needs to be sought from Contracts and Procurement on the procurement path to be used.**

Descriptions of associated processes are in Corporate Procedure [8.4 P1 Procurement and Contracting](#).

Strategic Procurement is referred to in [7.3 P1 Risk Management Processes](#).

Exemptions

In some circumstances it may not be feasible to comply with the above procurement approaches.

Approval for exemptions from the above requirements must be obtained from the relevant **General Manager** and **Manager Contracts & Supply** for Strategic Procurement and the **Divisional Commercial Manager** for all other exemptions.

Any exemptions must be documented through the supplier selection process.

1.1.4 Ensure probity and ethical conduct

ActewAGL will undertake procurement practices with integrity and honesty, complying with applicable laws and standards, whilst ensuring methods used are **transparent, fair and unbiased**.

All employees who interact with the supplier and contractor base, whether on a technical or commercial basis, conduct their procurement activities in a transparent manner which demonstrates probity and accountability with impartiality, fairness, independence, integrity and professionalism.

The **Probity Declaration** form must be completed for all **strategic procurements** and during the contract development process.

All employees will ensure that the requirements of the **ActewAGL Code of Conduct** are followed.

If procurement is determined to be high or very high risk a probity advisor should be considered for a strategic procurement (tender process).

1.1.5 Enhance Safe and Socially Responsible Procurement

ActewAGL procurement activities will ensure that suppliers' and contractors' performance and products achieve safety and social responsibility.

The **Always safe Contractor Management Guidelines for the Provision of Works and Services** must be followed during the contract management process.

1.1.6 Risk Management

Potential risks associated with procurement, contracting and contract management must be identified, assessed and managed to ensure unexpected or undesirable outcomes are minimised whilst achieving maximum benefit from the procurement.

A risk assessment must be undertaken where the nature of the procurement indicates that the level of risk associated with the procurement is high or very high e.g. it is sensitive or complex.

Procurement, contracting and contract management risks should be managed in accordance with Corporate Policy 7.3 *Risk Management* and related procedures.

Strategic Procurements

In accordance with Corporate Procedure [7.3 P1 Risk Management Processes](#), a **risk assessment** must be undertaken for all strategic procurements.

Tenders

A risk assessment must be undertaken for all procurements involving a tender process, in relation to the risks surrounding the tender process.

Provision of Works or Services

A health, safety and environment (HSE) risk assessment must be undertaken for all procurements of works or services (including consultants and contractors). Specific guidance, examples and forms are available in the Always safe *Contractor Safety Management Guideline for the Provision of Works and Services*, Appendix 1: Source Document: Contract Risk Classification.

1.1.7 Assess the Engagement of Contractors

In accordance with section 20 of the ActewAGL and Combined Unions Enterprise Agreement 2011, ActewAGL will consult with employees and the relevant union(s) regarding the use of contractors where specific expertise, not available in ActewAGL's workforce, is required and when peak workloads cannot be met by ActewAGL's workforce using reasonable overtime.

1.1.8 Consultation when developing a written contract

The following table describes the requirement for consultation to enable the development of the **appropriate** written contract.

Risk	Very High	Consult with Contracts & Procurement for appropriate template	Consult with Contracts & Procurement for appropriate template	Consult with Contracts & Procurement for appropriate template	Consult with Contracts & Procurement for appropriate template
	High	Consult with Contracts & Procurement for appropriate template	Consult with Contracts & Procurement for appropriate template	Consult with Contracts & Procurement for appropriate template	Consult with Contracts & Procurement for appropriate template
	Medium	Consultation not mandatory*	Consult with Commercial Manager OR Contracts & Procurement*	Consult with Contracts & Procurement for appropriate template*	Consult with Contracts & Procurement for appropriate template
	Low	Consultation not mandatory*	Consult with Commercial Manager OR Contracts & Procurement*	Consult with Contracts & Procurement for appropriate template*	Consult with Contracts & Procurement for appropriate template
		Up to \$30,000	\$30,000 to \$99,999	\$100,000 to \$250,000	Over \$250,000
		Value			

* Refer to flowcharts in section 1.5 of [8.4 P1 Procurement and Contracting Procedure](#) on the process to be undertaken for the various procurement paths referred to above in section 1.1.3.

Where the provision of a service and / or good is directly affected by interest rates, foreign exchange rates or commodity prices, Contracts and Procurement must be consulted for the appropriate contract template.

Guidance on assessing the need for a standard form contract is at [8.4 P1 Procurement and Contracting](#) Section 2.1

1.1.9 Use of standard contracts and tender documentation

Contracts developed are to be based on the ActewAGL standard contracts templates. Standard contract templates and tender documentation templates are available from the Contracts and Procurement Division.

1.1.10 Obtain appropriate stakeholder input

Appropriate stakeholders must be consulted during the contracting process.

Stakeholders could include General Managers, Commercial Managers, Legal & Secretariat, Group Manager Accounting & Taxation, Treasury and EHSQ. Please refer to [8.4 P1 Procurement and Contracting](#) Section 2.3 for guidance on when to consult with stakeholders.

Stakeholder consultation must be documented and reflected in the **Contract Development Checklist** where appropriate.

1.1.11 Contract Specifications

Specifying Officers are required to develop technical specifications for identified commodity groups and provide these to the Contracts and Procurement Division within agreed timeframes.

Procurement officers and Contract Managers are required to assist in the development of non-technical specifications or statements of requirement.

1.1.12 Record Keeping

Details of all contracts must be entered into the Contract Management Database by a member of the Contracts and Procurement Division. Additionally, all contracts with a direct material interest rate, foreign exchange or commodity exposure must be flagged in the database, so that Treasury can undertake a half-yearly review.

Copies of insurance certificates (i.e. professional indemnity, workers compensation) received from suppliers during the contract formation stage are to be entered into the Contract Management Database by the Contract and Procurement Division. The Contracts & Procurement Division is also responsible for maintaining a register of all Bank Guarantees held.

The Contracts and Procurement Division is responsible for providing reports on expired insurance certificates to Contract Managers or divisional representatives for follow-up.

Scanned copies of the executed contract must be scanned into the document management system.

The Contracts & Procurement Division must make sure all executed contract copies are filed, along with appropriate contract preparation documents, such as:

- Contract development checklists;
- Probity declarations;
- Insurances;
- Bank guarantees;
- Risk assessment; and
- Any professional (i.e. legal, tax) advice received.

1.1.13 Appoint Contract Managers

All contracts must have a defined contract manager appointed to manage the contract.

Contract Managers must ensure all the requirements and processes described noted in administrating and managing Contracts [per 8.4 P2 Contract Management](#) are adhered to.

Key contract management requirements include:

The Contract Manager is responsible for ensuring works, goods and/or services are appropriately inspected and reviewed upon delivery or provision of service, prior to payment.

Payments should be made following receipt of a tax invoice and details should be verified by the contract manager prior to approval for payment by a financial delegate.

The Contract Manager is required to be aware of the contract requirements and ensure compliance throughout the contract.

The Contract Manager is required to ensure day-to-day 'transactional' type contract documents are checked and/or maintained. Examples of these may include, but are not limited to:

- insurances;
- current drivers licences, tickets such as confined spaces; working at heights; and any others required in order for contractors to complete their day-to-day activities;
- risk assessment (where required) for individual jobs; and
- tracking documentation – such as those required for the transportation, storage and or disposal of hazardous waste.

Contract Managers must monitor and manage the budget to ensure that overspend does not occur.

The Contracts and Procurement Division is to review performance measures prior to the contract being executed to ensure that they are appropriate and measurable for the contract.

The Contract Manager is to review and manage the ongoing performance of the contractor. Any significant performance issues or disputed must be referred to the Contracts and Procurement Division.

Definitions and abbreviations

Term	Definition
Risk Assessment	Overall process of risk identification, risk analysis and risk evaluation, conducted in accordance with relevant corporate procedure 7.3 P1 <i>The risk management process</i> . Refer Australia/New Zealand Standard Risk Management AS/NZS 4360:2004
Tender Process	Tenders includes but not limited to: Request for Quote Expression of Interest Request for Tender
Standard Form Contracts	Contract templates available from Contracts and Procurement Division

Responsibilities

Position	Responsibility
Chief Finance Officer	Overarching responsibility for this procedure.
Group Manager Accounting and Taxation	Responsible for monitoring and ensuring compliance with this procedure and for regularly reviewing and updating the document.
Contracts and Procurement Division (Contract Specialists and Category Specialists)	<p><u>General Responsibilities</u></p> <ul style="list-style-type: none"> • Develop and maintain corporate policies & procedures and the ActewAGL intranet site that relate to contract management. • Ensuring requirements and processes described in the P1 Procurement and Contracting Procedure and P2 Contract Management Procedure are adhered to. • Maintain up-to-date standard contract templates. • Maintain the contract management database. • Develop and maintain bank guarantee register. • Obtain legal input where required for periodic review of standard contract templates. • Provide a first point of assistance to business units on contract management. <p><u>Specific Responsibilities- from policy and procedure</u></p> <p>Contract Development / or Tender Phase</p> <ul style="list-style-type: none"> • Develop and issue standard templates for tenders and contracts. • Co-ordinate and assist with the development of tender / contract documentation.

Position	Responsibility
	<ul style="list-style-type: none"> • Assist in determining appropriate form of the contract. • Ensure appropriate personnel / stakeholders are involved in the contract development / tender process as required (i.e. Commercial Managers, Contract Managers, General Managers, Treasury and Legal). • Manage and coordinate the tender / contract development process with appropriate personnel. • Co-ordinate formation of the tender review panel within appropriate timeframes. • Ensure KPIs and performance management are appropriate and measurable. <p><u>Contract Formalisation</u></p> <ul style="list-style-type: none"> • Ensure contracts are approved by an appropriate delegate. • Ensure probity documentation has been signed by relevant parties (i.e. conflict of interest documentation) • Raise oracle blanket purchase agreements for approved contracts. • Update the contract management system for new contracts. • Ensure contracts are saved electronically in the Document Management System. • Ensure a copy of the signed contracts and associated documentation are filed in the Contracts & Procurement area (Originals signed contract is kept in the fire safe at Greenway). <p><u>Contract Extensions / Variations</u></p> <ul style="list-style-type: none"> • Assist in negotiating contract variations and extensions. • Ensure contract extension requests are approved by an appropriate delegate. • Raise oracle blanket purchase orders for extended contracts. • Update the Contract Management Database for contract extensions / variations. • Ensure contract extensions / variations are saved electronically in the Document Management System. • Ensure a copy of the signed contracts and associated documentation are filed in the Contracts & Procurement area (Originals signed contract is kept in the fire safe at Greenway). <p><u>Reporting</u></p> <ul style="list-style-type: none"> • Advise Contract Managers and Commercial Managers when contracts are expiring 6-months prior to expiry. • Advise Treasury of any contract that has a direct and material exposure to interest rates, foreign exchange or commodity prices. • Ensure expired insurance reporting is being performed. • Ensure contract evaluation is performed.
Legal & Secretariat	<ul style="list-style-type: none"> • Review changes made to standard contract template terms and

Position	Responsibility
	<p>conditions.</p> <ul style="list-style-type: none"> • Provide legal advice on contractual issues.
Specification Officer	<ul style="list-style-type: none"> • Provide technical contract specifications within appropriate timeframes.
Contract Manager (Business Units)	<p><u>General Responsibilities</u></p> <p>Ensure requirements and processes within 8.4 P2 Contract Management Procedure are adhered to.</p> <p><u>Specific Responsibilities- from policy and procedure</u></p> <p>Contract Preparation and/or Tender Phase</p> <ul style="list-style-type: none"> • Assist in providing technical contract specifications and scope of works. • Provide technical input into the procurement process. • Work with Contracts & procurement on other tender documentation (i.e. risk assessments, probity declarations, performance management checklist). <p>Contract Management Phase</p> <ul style="list-style-type: none"> • Act as an agent of ActewAGL within the scope of the contract and the authority of the individual to ensure that works, goods or services are provided or performed in accordance with the terms of the contract, including contract variations. • Verify payments due under the terms of the contract, including progress payments and payments for completion of work, and payment for variations. • Manage risks identified in contract management phase. • Manage contractor, monitor contract performance and escalate issues to Contracts & Procurement team. • Ensure probity principles are adhered to at all times in the management of a contract. • Arrange contractor access and others as needed. • Ensure all parties concerned understand the contract. • Ensure all documentation associated with the management of the contract is maintained. • Ensure contract expenditure remains within budgets and does not exceed authorised limits. • Conduct a contractor evaluation at end of contract. • Finalise administration requirements (i.e. reports and clearance from contractor, terminate contractor access).
Commercial Managers	<ul style="list-style-type: none"> • Review and/or provide assistance in draft tender and contract documentation if deemed necessary by Commercial Manager. • Consult with Contracts and Procurement on any commercial issues associated with contract development, or other as required per

Position	Responsibility
	<p>corporate procedure.</p> <ul style="list-style-type: none"> Assess whether insurance amounts are adequate. Ensure requirement under the Agency Labour Hiree, Consultants and Professional Services Contracts are adhered too.
Treasury	<ul style="list-style-type: none"> Review draft contracts denominated in a foreign currency. Review draft contracts with a direct and material exposure to commodity prices and interest rates. Review draft contracts with variation clauses dependent on changes in interest rates, foreign currency rates and/or commodity prices. Approve entering into contracts denominated in a foreign currency.
Environment Health Safety & Quality (EHSQ)	<ul style="list-style-type: none"> Review of EHSQ Questionnaire information submitted in tenders. Assist in review of contract risk assessment documentation, where required. Review Health Safety Environment Plans submitted by contractors for Major Works. Report on completion of actions entered into Guardian for Contracts.

Legislation and compliance

- The Work Health and Safety Act 2011, (ACT) Part 2 and Part 13 Division 13.4 provide specific requirements in relation to duties of a Person in Control of a Business or Undertaking (PCBU) to ensure, so far as is reasonably practicable, that the health and safety of other persons is not put at risk from work carried out as part of the conduct of the business or undertaking. Contractors come under this definition as 'other persons'.

Related documents

- 3.1 ActewAGL Code of Conduct
- [Corporate Procedure 7.5 P12 Contractor Safety Management](#)
- Corporate [Policy 7.3 P1 Risk Management Processes](#)
- Corporate [Procedure 8.4 P1 Procurement and Contracting Procedure](#)
- Corporate [Procedure 8.4 P2 Contract Management Procedure](#)
- Administrative and Financial Delegations Manual

Document control

Version	Author/Editor	Description of changes	Approved by/date
1	Steven McDonnell	Update for contracts and procurement review	Executive 31/05/2012