

Procurement Policy (MPF1087)

POLICY

1. Objectives

The objectives of this policy are to:

- (a) develop a higher commercial orientation;
- (b) make quality part of the procurement process;
- (c) instil appropriate risk management into procurement processes;
- (d) ensure procurement processes fulfil the University's broad social and environmental obligations set out under the Sustainability Charter and Plan;
- (e) ensure procurement processes are easy to understand, use and audit; and
- (f) develop awareness of the University's procurement obligations and compliance with them.

2. Scope

This policy applies to all staff across the University.

3. Authority

This policy is made under the *University of Melbourne Act 2009* (Vic) and the Vice Chancellor Regulation, and supports compliance with the relevant elements of the Victorian Government's procurement framework.

4. Policy

- 4.1. The University seeks value for money in procurement through balanced judgement of a range of financial and non-financial factors. Procurement takes into account: the mix of quality, cost and resources; fitness for purpose; total cost of ownership; and risk.
- 4.2. Subject to the University's financial delegations, University staff have the flexibility to conduct procurement activities using appropriate expertise and resources to achieve value-for-money outcomes.
- 4.3. When the value of the engagement exceeds \$400,000 (AUD) in commitment, approval of the procurement strategy and recommendation must be sought from the Procurement Review Boards
- 4.4. Fiscal responsibilities are distributed throughout the large and highly decentralised University. The University as a body politic and corporate, is subject to federal and state laws, and to the audit controls and financial management requirements of funding agencies.
- 4.5. Procurement must be conducted in an ethical, sustainable and transparent manner, without conflicts of interest or breaches of probity standards to ensure equity, confidentiality and confidence in the integrity of decision makers.

4.6. Procurement expertise and processes match the complexity and level of organisational risk of each procurement activity.

4.7. Procurement advice is mandated from Commercial Services for all activities that exceeds \$400,000 (AUD) estimated commitment.

4.8. Procurement decisions must consider economic, social and environmental impacts, and how they affect the University's financial position, reputation and progress towards sustainable development.

4.9. Procurement activities should meet the highest standards of ethical and sustainable conduct throughout the supply chain.

4.10 Use of the University's e-Sourcing Tool for all market related activities.

5. Procedural Principles

Procedure to pay

5.1. Use of the University's 'procure to pay' system and associated processes aims to ensure:

- (a) all purchases are aligned to the University's business needs and strategies;
- (b) spending approval, in accordance with the University's financial delegation policy, precedes commitment with suppliers;
- (c) the University obtains the best value for money by purchasing from preferred suppliers where possible to leverage the University's buying power;
- (d) appropriate contractual arrangements are in place before any goods or services are supplied;
- (e) supplier payments are accurate and timely;
- (f) administration effort is minimal in receiving invoices and processing payments;
- (g) reporting on supplier-related expense is of a high quality, to drive better decision making;
- (h) approval processes are electronic;
- (i) the process of acquiring goods or services is transparent and documented, and supports audit and regulatory requirements; and
- (j) exemptions are made with appropriate justification and authority, and are transparent.

5.2. The University's preferred method of purchasing goods or services is through either:

- (a) the University's endorsed purchase order system; or
- (b) University issued credit cards.

Procurement management

5.3. All aspects of the procurement process must be documented and retained in accordance with the University's [Contracts Policy](#), [Records Management Policy](#) and related processes.

5.4. Contract planning and management must ensure delivery of desired commercial outcomes with third party suppliers of goods and services by considering a broad range of factors such as:

- (a) financial, reputation and supply risk;
- (b) optimised commercial/ financial outcomes for the University;
- (c) supplier performance and delivery;
- (d) privacy considerations; and
- (e) record keeping and reporting.

5.5. University Procurement Services and the Procurement Review Board together form the University's independent expertise, advisers and reviewers of the University's Goods and Services and Major Buildings procurement activities. Along with the University's Legal and Risk division, they ensure that the University's procurement activities meet obligations prescribed by:

- (a) relevant legislation;
- (b) expectations of internal and external audit bodies;
- (c) the University executive;
- (d) this policy, associated policies and supporting processes; and
- (e) the aim of seeking best value outcomes for the University.

5.6. The Procurement Review Boards must be engaged in accordance with relevant Procurement Review Board Terms of Reference and supporting processes.

5.7. A financial commitment made on behalf of the University is subject to the [Contracts Policy](#). Before making a commitment on the University's behalf, staff must consider factors affecting the University's financial exposure, control and associated risk.

Governance, probity and risk

5.8. Overall systems and procedural arrangements ensure the procurement process applies appropriate levels of control, and proper and ethical conduct. The University's Governance, Probity and Risk Framework:

- (a) identifies and proactively manages risk;
- (b) defines roles and responsibilities for appropriate segregation of activities and oversight;
- (c) applies appropriate controls and reviews to monitor procurement spending across the University; and
- (d) requires audit assessment of procurement effectiveness and compliance with policies and processes.

5.9. University staff making commercial commitments on the University’s behalf, should, where possible:

- (a) meet the University’s needs by achieving whole-of-life value for money for the University, society and the economy, while minimising whole-of-life adverse environmental, social and economic impacts of purchased products and services;
- (b) reduce adverse social and environmental impacts from the supply chain by purchasing products that meet recognised environmental standards;
- (c) take reasonable steps to ensure that people in the supply chain are treated with respect, have adequate employment rights, and work in a safe and healthy environment;
- (d) adopt strategies to avoid unnecessary consumption and manage demand; and
- (e) assess opportunities for specifically including in tenders businesses that prioritise social and/or environmental impact, such as those that are indigenous-owned or have a high indigenous employee participation rate.

6. Roles and Responsibilities

| <i>Role/Decision/Action</i> | <i>Responsibility</i> | <i>Conditions and limits</i> |
|--|---|---|
| Promote implementation of this policy across the University | Director, University Commercial Services | ... |
| Monitor compliance with this policy | Procurement Review Board and Director, University Commercial Services | |
| Analyse and review procurement practices | Procurement Review Board and Director, University Commercial Services | ... |
| Maintain and update templates for standard procurement forms (eg order, invoice) | Director, University Commercial Services | |
| Maintain and review methodology for contract and document retention | Associate Director, Records and Compliance | In accordance with the Contracts Policy |

7. Definitions

Probity means complete and confirmed integrity, uprightness and honesty in a particular process.

Procurement means the act of obtaining or buying goods and services; includes preparing and processing an order, issuing a receipt and approving payment.

Quality assurance means steps taken to ensure that a supplier’s products and services are of sufficiently high quality.

Supplier means a business which supplies goods or services.

Supply chain means the network of retailers, distributors, transporters, storage facilities and manufacturers that participate in the sale, delivery and production of a particular product.

POLICY APPROVER

Vice Principal Administration and Finance and Chief Finance Officer

POLICY STEWARD

Director, Commercial Services

REVIEW

This policy is to be reviewed by 31 January 2021.

VERSION HISTORY

| Version | Approved By | Approval Date | Effective Date | Sections Modified |
|---------|--|------------------|------------------|---|
| 1 | Senior Vice-Principal | 24 Aug 2012 | 24 Aug 2012 | New version arising from the Policy Simplification Project |
| 2 | Vice-Principal Administration and Finance on behalf of Senior Vice-Principal | 4 Apr 2014 | 7 Apr 2014 | Amendments throughout document to reflect new procurement Definitions and Related Documents sections updated. Responsible Officer section removed. |
| 3 | Vice-Principal Administration and Finance and CFO | 31 January 2017 | 3 Jul 2017 | New version arising from the Policy Consolidation Project. |
| 4 | Vice-Principal Administration & Finance and CFO | 14 November 2018 | 22 November 2018 | New Version that reflects changes that were agreed as part of the Commercial Services for activities >400k and mandating the procurement market related engagements (RFP processes) |