

<b>Procurement and Disposal</b>		
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Major changes/additions since the last version was approved are indicated by a vertical line in the left hand margin

## 1 Introduction

### 1.1 Purpose

Procurement of goods and services is a key function. The purpose of this policy is to establish standard and professional processes, which ensure that Ara Institute of Canterbury Ltd secures the required materials, supplies, equipment and services at the appropriate quality, in the most economically favourable terms and in a timely and sustainable manner. As far as reasonably practicable the purchases must be without risk to the health and safety of any persons.

The Information and Communication Technology Section co-ordinates the centralised acquisition, leasing, preferential vendor supply agreements and scheduled replacement of computers, software and related technology in a way that ensures the most efficient use of Ara resources and funds.

As a Public Entity, Ara Institute of Canterbury Ltd's procurement decisions could be subject to judicial, Ombudsman, or Auditor General review. Following this policy and taking guidance from the associated "Procurement of Goods and Services Procedures" should mitigate this risk.

### 1.2 Scope and Application

This policy applies to the procurement of all Ara goods and services, as well as disposal of assets and includes all ICT assets: i.e. PC, printing, peripheral technology and audio/visual equipment that is utilised in all teaching and administrative environments.

### 1.3 Delegations

- a All purchases should be approved in terms of the financial delegations determined within Divisions (at the time of ordering good and services). This includes purchases made using credit or purchasing cards. Delegations are authorised by the Director and are recorded by the Corporate Services Division - Finance. Authorisation after the purchase is not acceptable, as Ara is already committed to the expenditure.
- b Specified staff with delegated authority can spend on any item in their approved budget, up to the level of the budget and with certain exceptions as determined by the Budget Allocation and Monitoring policy (eg Capital Expenditure).
- c Permission necessary for the disposal/sale of any asset is outlined in Section 3.4.

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## 1.4 Definitions

- a **Procurement:** acquisition of goods and services from suppliers to Ara.
- b **Preferred Supplier:** supplier of goods and services with whom Ara has negotiated preferential terms and conditions.
- c **Authorised Supplier:** supplier of goods or services whom has been approved by Ara.
- d **Total Cost of Ownership:** purchase price plus the additional costs of operation (direct & indirect); encompasses acquisition, procurement, operations, maintenance, support and end of life management.
- e **Operating expenditure:** costs or expenditure incurred for procurement of goods or services that are utilised in the day to day operations of the organisation. They are generally consumed immediately or within a short period of time.
- f **Capital expenditure:** costs or expenditure incurred that will be used over a period of time, normally more than twelve months, and for a value greater than \$2000. The costs are usually for the acquisition or creation of a physical item (asset).

<p><b>Related Ara Procedures</b></p> <ul style="list-style-type: none"> <li>• Ara Procurement of Goods &amp; Services Procedure (available from Corporate Services Division – Finance and attached to this policy as Document 307a)</li> <li>• Environmental Sustainability</li> <li>• Guidelines for the purchase of electrical equipment (Refer Facilities Management)</li> </ul>	<p><b>Related Ara Policies</b></p> <ul style="list-style-type: none"> <li>• CPP102 Disclosure and Management of Conflicts of Interest</li> <li>• CPP105 Acceptable Use and Conduct for ICT Users</li> <li>• CPP106 Intellectual Property</li> <li>• CPP117 Raising Problems or Complaints</li> <li>• CPP210 Staff/Contractors Involvement in Outside Activities</li> <li>• CPP211 Code of Professional Practice</li> <li>• CPP301 Corporate Travel</li> <li>• CPP302 Financial Management</li> <li>• CPP303 Budget Allocation and Monitoring</li> <li>• CPP304 Discretionary Expenditure</li> <li>• CPP305 Fraud</li> <li>• CPP309 Principles and Practices Governing All Contractual Arrangements</li> <li>• CPP402 Use of Vehicles for Ara Business</li> <li>• CPP501 Health and Safety</li> </ul>
<p><b>Related Legislation or Other Documents</b></p> <ul style="list-style-type: none"> <li>• Public Finance Act 1989 and amendments</li> <li>• Financial Reporting Act 1993 and amendments</li> <li>• Sales of Goods Act 1908</li> <li>• Fair Trading Act 1986</li> <li>• Commerce Act 1986</li> <li>• Consumer Guarantee Act 1993</li> <li>• Privacy Act 1993</li> <li>• Official Information Act 1982</li> <li>• Building Act 2004</li> <li>• Resource Management Act 1991</li> <li>• Health and Safety at Work Act 2015</li> <li>• Procurement Guidance for Public Entities, June 08, (Office of the Controller &amp; Auditor-General)</li> </ul>	
<p>Notes: This policy was initially titled “Purchasing &amp; Disposal”. In 2009 it was renamed “Procurement &amp; Disposal” and a comprehensive document with associated procedures produced to supplement it. (See 308a). In 2012 it was combined with policy 308 Technology Purchase.</p>	

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## 2 Principles

2.1 All procurement activities at Ara must be guided by the following principles as outlined in “Procurement Guidance for Public Entities”, June 2008.

- a Accountability – Public entities should be accountable for their performance and be able to give complete and accurate accounts of the use they have put public funds to, including funds passed on to others for particular purposes.
- b They should also have suitable governance and management arrangements in place to oversee funding arrangements.
- c Openness – Public entities should be transparent in their administration of funds, both to support accountability and to promote clarity and shared understanding of respective roles and obligations between entities and any external parties entering into funding arrangements.
- d Value for money – Public entities should use resources effectively, economically, and without waste, with due regard for the total costs and benefits of an arrangement, and its contribution to the outcomes the entity is trying to achieve. In addition, the principle of value for money for procuring goods or services does not necessarily mean selecting the lowest price but rather the best possible outcome for the total cost of ownership (or whole-of-life cost).
- e Lawfulness – Public entities must act within the law, and meet their legal obligations.
- f Health & Safety – As far as is reasonably practicable, Ara must ensure that the purchases are without risk to the health and safety of any persons.
- g All purchasers must satisfy themselves that any item procured is fit for purpose from a health and safety point of view. If not, they should consult the Health and Safety Manager.
- h Fairness – Public entities have a general public law obligation to act fairly and reasonably. Public entities must be, and must be seen to be, impartial in their decision-making. Public entities may also at times need to consider the imbalance of power in some funding arrangements, and whether it is significant enough to require a different approach to the way they conduct the relationship.
- i Integrity – Anyone who is managing public resources must do so with the utmost integrity. The standards applying to public servants and other public employees are clear, and public entities need to make clear when funding other organisations that they expect similar standards from them. [Ref: Part 2, Overriding Considerations, Section 2.3]

2.2 All procurement activities must enable Ara to:

- a Buy the right goods at the right quality, in the proper quantity, at the right time, from the proper source.
- b Conserve funds through reduction in cost and improvement in the quality of materials purchased.
- c Minimise the total cost of ownership.
- d Reduce the overhead cost of buying.
- e Reduce the volume and streamline the flow of paperwork.
- f Provide procurement systems that are simple and standardised as much as possible throughout the institute, so that better goods and services can be secured for all users.
- g Bring the sources of supply as geographically close to the point of use as possible, consistent with economical purchasing through contracts or other means.

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- h Acquire sustainably produced goods or services whenever possible, having regard to economic, environmental and social impacts over the product or service lifecycle.
- i Ensure compliance with legal requirements including health and safety obligations and good practice

### 3 Associated Procedures for Ara Corporate Policy on: Procurement and Disposal

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#### 3.1 Procurement Processes

All procurement activities are to be undertaken in accordance with the procedures contained in Ara Institute of Canterbury Ltd's Procurement of Goods and Services Procedure (Available on the Infoweb and attached to this policy as document 307a).

##### a All Expenditure

All capital and operational purchases can only be made when there is an approved budget and within the terms of the financial delegations.

##### b Determining the Need for Procurement

Staff should always assess whether the purchase of goods and services is necessary. This assessment should take into account:

- i the need to ensure that Ara uses its resources effectively and efficiently
- ii how the proposed expenditure will contribute to the Institute's provision of services
- iii overall procurement philosophy (refer 2.1 Guiding Principles and 2.2 Objectives)
- iv ongoing management and substitution by safer alternatives if available.

##### c Segregation of Duties

The duties of staff involved in purchasing should be separate wherever possible. This is to ensure that no one person controls two or more phases of a transaction or operation.

##### d Purchase Orders

It is compulsory that all purchases of goods and services have an Ara order number at the point of ordering.

##### e Selecting Suppliers

Ara will maintain a Preferred Supplier list and an Authorised Supplier list. Wherever possible, goods and services are to be purchased from preferred suppliers. Staff should take care not to be too reliant on one supplier for particular goods or services unless they are a preferred supplier or Ara has a contractual relationship with that supplier. Generally the Preferred Suppliers list will not include members of staff or their immediate family members. However, this may be possible through full disclosure via the Conflicts of Interest Register (see 2.4).

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When selecting a supplier, if it is cost effective to do so, consideration should be given to growing the market to encourage greater competition and therefore value for money for future procurement.

**f Selecting a Procurement Method**

When selecting the procurement method, staff should take into account:

- i The Procurement of Goods and Services Procedure
- ii The need to promote open and effective competition throughout the process wherever possible
- iii The complexity of and risk associated with the procurement.

To meet legal obligations and in the interests of commercial ethics, all tenders must follow the process outlined in the Procurement of Goods and Services Procedure.

**g Process Consideration**

It is important that the procurement process outlined in tender documentation is adhered to. Notification of the processes to be followed is probably sufficient to create a binding contract between Ara and participants accepting and submitting to the procurement process. A subsequent failure to follow the prescribed process may put Ara at risk of legal

**h Purchase and Replacement of Technology**

- i The Information and Communication Technology Division is responsible for:
  - Co-ordinating the centralised purchasing of PC, file server, printer, network, peripheral equipment and software. Note that all technology leases must be defined as “operating leases” by Audit New Zealand.
  - Co-ordinating the annual PC/MAC technology replacement schedules and negotiating relative priorities with Divisions for inclusion in the annual budget.
  - Renegotiating preferential supply agreements with technology suppliers when necessary for Ara to obtain the best price and after-sales support.
- ii Equipment purchased under a lease must be returned in accordance with the terms and conditions of lease contracts.

**i Overseas Purchases**

Purchases are only to be made from overseas when the price and quality is competitive, the goods or services are unavailable in New Zealand and if an electrical product it must have a CE IEC reference number or NZ Tick.

**j Emergency Procurement**

In an emergency, it may not be possible to satisfy the principle of giving suppliers equal opportunity to make a bid. Emergency procurement should be used only in genuinely unforeseen circumstances; poor planning and organisation do not justify using an emergency process. Business justification papers are to be prepared for all emergency procurements (refer Procurement of Goods & Services Procedure).

## **3.2 Conflicts of Interest**

- a Staff involved in procurement activities on behalf of Ara must disclose any real or potential conflicts of interest immediately they arise (refer “Disclosure and Management of Conflicts of Interest” and “Staff/Contractors Involvement in Outside Activities” policies).

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- b Purchasing goods or services from or authorising payment of cash or goods to staff, relations of staff members, companies or any other entity in which they have a material interest shall only take place with the prior written approval of the Chief Financial Officer.
- c The Secretary to Council will maintain a Register of conflicts of interest.
- d Any gifts or hospitality offered in relation to purchasing goods or services may only be accepted in accordance with the Discretionary Expenditure policy.

### **3.3 Intellectual Property**

a Ownership rights to intellectual property, existing at time of procurement or developed as part of the procurement process, should be clearly understood and documented by the parties.

b Ara should:

- i Satisfy itself, as best that it can, that claims to intellectual property rights made by suppliers are valid.
- ii Identify all intellectual property existing or likely to be developed or created during procurement.
- iii Ensure that it has secured the continuing right to use the intellectual property as required.
- iv Determine who should own any intellectual property. Such a determination will need to consider the impact on price for the goods or services and Ara Institute of Canterbury Ltd's need to use or access the intellectual property in the future.

### **3.4 Disposal**

- a Disposal (including sale) of any assets must have the permission of the Director of the relevant area in consultation with the Chief Financial Officer. Where an asset exceeds a market value of \$1000, approval must be obtained from the Chief Financial Officer (or delegate).
- b Surplus materials, equipment and plant are to be disposed of through the Purchasing Co-ordinator in Facilities Management, with the exception of computers, AV and associated equipment which is handled by the Corporate Services Division - ICT. Net proceeds relative to book value of all disposals made by the Purchasing Co-ordinator will be posted to Division accounts.
- c Where an asset is sold, details are to be provided to the Corporate Services Division - Finance prior to the sale.

### **3.5 Purchase of Salvage equipment**

- a Divisions/Departments/Schools may purchase salvage equipment where it is reused solely as standalone test equipment, typically in a laboratory.
- b Any salvage equipment that is repurchased as test equipment is specifically excluded from global replacement arrangements. Appropriate levies to cover site software licensing will, however, apply.
- c Neither hardware nor software support is provided for any equipment bought-out by the Divisions, regardless of whether it is being used as standalone test equipment or not.

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