



## Chief Executive Financial Instruction No. 2

### Purchasing, Contracts and Payments

#### Document Information

**Audience**

All Staff

**Version**

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**Document reviewed by**

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#### EXECUTIVE SUMMARY

All thresholds amounts noted in this document are GST inclusive.

Purchase orders are mandatory for all expenditure  $\geq$  \$10,000, with the exception being for reimbursement of costs between ACT Government agencies.

Contracts  $\geq$  \$25,000 are to be entered onto the ACT Government Contracts Register.

All purchase orders are to be entered into the Contract Management System (CMS).

Signed original copies of contracts are to be filed in accordance with the *Territory Records Act 2002* (Records Act).

All supplier payments are managed by Shared Services Finance (SSF), the centralised financial processing unit of the ACT Government.



## 1. Obligations under this Instruction

### 1.1 Overview

Pursuant to section 49(2) of the *City Renewal Authority and Suburban Land Agency Act 2017 (CRASLA Act)*, the CEO of the Suburban Land Agency (the Agency) may sub-delegate the functions delegated to them by the Suburban Land Agency Board (the Board).

The CEO can sub-delegate particular powers to the Agency's staff to enable the efficient and effective financial management of the Agency, which is required under Part 8 Section 56 of the *Financial Management Act 1996 (FMA)*.

This instruction outlines the policy for the proper authorisation; accounting, recording and reporting; of purchases of goods and services by the Agency.

### 1.2 Compliance

Failure to comply with these instructions may result in inefficient or inappropriate use of public monies including fraud and not complying with the Agency's legislative responsibilities under the FMA.

Managers and staff are accountable for decisions made as delegates to the CEO for the fulfilment of their responsibilities under these procedures. Non-compliance will be taken as a serious matter and may result in disciplinary action, be reflected in management performance reviews or, where the matter is serious, escalated to the relevant authorities.

## 2. Overview of Purchasing, Contracts and Payments

### 2.1 Types of Activities

As a Territory Authority under the FMA, the Agency is involved in commercial procurement activities including:

- purchasing of all types of goods and services, including consultancy and contract services;
- development of contracts, when required for the purchase of goods and services; and
- payment of all types of accounts and the utilisation of credit notes issued by suppliers.

### 2.2 Staff obligation

As an ACT Government (Government) entity, the Agency's staff have an obligation to ensure that all commercial activities involving purchases of goods or services, comply with Government procurement processes. The Government's procurement policies, guidelines and templates can be found on the Government's procurement website:

<https://www.procurement.act.gov.au/home>.

### 2.3 Goods and Services Tax (GST)

As most of the Agency's purchases will attract GST, staff must comply with the GST legislation and record the GST associated with any purchase accurately.

## 3. Instructions for Purchasing

### 3.1 Approvals

Prior to committing the Agency to any purchase, staff must:

- confirm there is sufficient budget with the budget owner and
- obtain necessary financial approvals. The delegation "Authority to Enter into Commitments and to Incur Expenditure and to Execute Contracts" can be found in the Financial Delegations Register and Delegations Matrix on the Agency's intranet.



### 3.2 Knowledge of procedures

Staff who purchase goods or services are required to know, or inform themselves of, the relevant ACT Government procurement procedures and their responsibilities and liabilities under the FMA.

### 3.3 Procurement Policy Statement

For all purchases, it is essential to provide an environment of open and effective competition and value for money. Whole of life costs of the purchase must be taken into account and risks managed appropriately. The Agency’s officers must have regard to probity and ethical behaviour, including conflicts of interest.

### 3.4 Purchases \$10,000 and over (including GST)

All contracts should be entered into the Agency’s CMS. A purchase order must then be raised in Oracle for all purchases of \$10,000 (including GST) or greater, with the exception being for reimbursement of costs between ACT Government agencies. The contract number should be noted on the purchase order. A purchase order request form will be generated from CMS.

### 3.5 Purchases \$25,000 and over (including GST)

All contracts valued at \$25,000 or more (including GST) must be notified on the Governments Contracts Register. The Government Procurement Board is required to endorse all procurement plans for procurements greater than \$1 million and the Agency’s delegate approves the expenditure.

### 3.6 Specific Purchasing Requirements

Procurement activities and requirements differ at the following thresholds:

#### Quotation Requirements: Goods, Services and Works\* (in accordance with Government Procurement Regulation 2007)

Under \$25,000	Must seek <b>at least one</b> oral quotation from a supplier and ensure evidence of quotation and approval.
\$25,000 to under \$200,000*	Must seek <b>at least three</b> written quotations from suppliers (unless exemption for single select approved by CEO).

‘Works’ are defined as:

- An engineering structure such as a building, road, bridge or the like; and
- Construction-related projects that involve the investigation, design, and/or maintenance of, infrastructure or other built assets owned by the Territory.

These thresholds are GST inclusive. Further information about contract management can be found on the Agency’s intranet.



## 4. Instructions for Delegate Approval

### 4.1 Goods and Services Tax

Staff are required to be aware of their obligations when entering transactions on behalf of the Agency with respect to GST. For information concerning responsibilities regarding GST and purchasing, refer to Chief Executive Financial Instruction (CEFI) No.11 Taxation, found on the Agency's intranet.

### 4.2 General Purchasing

For general purchasing, approval by a prescribed delegate is required for the:

- proposal for, and the method of procurement;
- selection of a supplier; and
- commitment of funds.

### 4.3 Consultancies and Contract Personnel

The positions listed in the Financial Delegations Matrix have authority to approve consultancies up to the delegated thresholds listed under the delegation "Authority to Act as Delegate in the Procurement Process, Enter into Commitments and to Incur Expenditure and to Execute Contracts" which is found on the Agency's intranet.

### 4.4 Dividing purchase orders

It is not acceptable to divide a single contract into a number of separate purchase orders to bring purchases into a lower cost threshold category.

## 5. Instructions for Contracts

### 5.1 Existing supplier arrangements

There is no requirement to use a contract when purchasing goods or services under an existing supplier contract (whole of government contracts with suppliers), however, a purchase order must still be raised when the purchase is \$10,000 or greater. Details of existing supplier contracts can be found on the Shared Services portal.

### 5.2 New contracts

The Agency's contracts should reflect, as far as practicable, the standard ACT Government contracts as provided by Infrastructure, Finance and Capital Works (IFCW). Where a standard contract is not appropriate or the matter is complex, the contract should be drawn up in consultation with a member of the ACT Government Solicitor's Office.

### 5.3 GST

Prices defined in contracts are to be in GST inclusive terms.

### 5.4 Contracts to be registered

All contracts  $\geq$  \$25,000 are to be entered, within 21 days of execution, onto the ACT Government Contracts Register. The form for registering contracts can be found on the IFCW website and can be generated from CMS when entering a purchase order  $\geq$  \$25,000.

### 5.5 The Agency's Contract Management System (CMS)

After registering the contract in accordance with Clause 5.4 above, a signed original of every contract, together with a copy of the extract providing confirmation of entry onto the ACT Government Contracts Register, should be filed in CMS and retained in accordance with the Records Act.

## 6. Instructions for Payments

### 6.1 Strict adherence to rules



The Government's procurement policies and procedures are to be strictly observed when approving the use of Agency funds to pay accounts on behalf of the Agency.

Under no circumstances is a member of staff to approve a payment for goods, services and/or works if:

- it is not for the business of the Agency, and
- the relevant contract has not been approved in accordance with relevant delegation thresholds, and
- the contract has not been registered under Clause 5.4 if required.

### 6.2 Approvals

A major control in the accounts payable process is the approval of expenditure and includes:

- delegated authorisation of either expenses or asset purchases within budget limits;
- delegated authorisation of either prepayment or instalment payment arrangements, if applicable; and
- ensuring availability of proper documentation for the acceptance of the goods, services and/or works.

### 6.3 Standard payment terms

Staff should ensure that payments are made under standard payment terms, as prescribed in the relevant contract. It should be noted that Security of Payment conditions, under the *Building and Construction Industry (Security of Payment) Act 2009* may apply.

If the contract is managed by IFCW on behalf of the Agency then all payments should be made by IFCW and not directly by the Agency.

### 6.4 Controls and Operations

In order to maintain proper control over the expenditure of the Agency's funds and to reduce the risk of fraud and costly errors, a system for the checking and approving the payment of accounts will be maintained.

To clear a tax invoice for payment, staff must ensure that the expense or asset purchase was approved, and that the Agency has received the goods, services and/or works invoiced (as per the purchase order/contract).

The Agency's Finance team will review all approved tax invoices to ensure that:

- documents are genuine;
- are per the purchase order (if required); and
- tax invoices comply with GST legislation.

The CFO should ensure that the Agency's accounting systems and records provide a complete and accurate audit trail of the activities of each supplier account and should also ensure that adequate controls are in place to prevent the processing of payments which are not based on authorised approvals. These controls should include segregation of duties as appropriate.

Shared Services Finance (SSF), the centralised financial processing unit of the ACT Government is responsible for ensuring that approved tax invoices include the following:

- amounts are correctly calculated;
- the tax invoice is not duplicated;
- the payment is not duplicated;
- the payment is for the correct amount; and



- the payment is made to the correct supplier.

### 6.5 Payment Options

All payments of the Agency's expenditure are managed by the SSF.

Normally payments will be made by:

- electronic funds transfer (i.e. direct credit); or
- cheque.

Other payment options (in very limited circumstances) include the use of:

- credits on a supplier's account;
- corporate credit card (refer to CEFI No. 3); and,
- direct debit from the nominated Agency bank account.