
Procurement Policy

Finance Policy

1 Purpose

Victoria University of Wellington (the “University”) and its subsidiaries are large-scale procurers of goods and services. To ensure continued accountability and robust governance, it is critical that the procurement function is carried out within a clearly defined and transparent framework. The purpose of this policy is to set out a framework within which the University can:

- (a) Maximise efficiency of procurement and distribution;
- (b) Standardise procurement processes by providing certainty to employees of their obligations;
- (c) Negotiate with suppliers in an open and transparent manner; and
- (d) Ensure maximum value in the procurement of goods and services.

2 Organisational Scope

This is a University-wide policy and shall apply to all employees of the University and its subsidiaries. Exceptions are portions preceded by “CS Only” and “ITS Only” – these relate solely to Campus Services and Information Technology Services respectively.

The power to recruit and make employment related decisions is specifically excluded from this policy.

For detailed policy on specific categories of expenditure, refer to the [Travel and Expenses Policy](#) and the [Gift and Koha Policy](#) and [Sensitive Expenditure Policy](#).

3 Definitions

For purposes of this policy, unless otherwise stated, the following definitions shall apply:

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|--------------------------------|--|
| Capital Expenditure: | Also known as CAPEX. Procurement of an item of property, plant or equipment, or the subsequent development or improvement of an existing asset at a cost exceeding the minimum capitalisation threshold. |
| Contracted Supplier: | A supplier which has been awarded a contract with the University after a competitive tender process. |
| Financial Delegated Authority: | Also known as FDA. The granting of power by an employee with authority, to another employee to execute financial transactions for an agreed purpose within a set financial limit. |

Leakage:	Procurement of goods or services for which a Contracted Supplier exists, which occurs outside of the contract.
Operating Expenditure:	Also known as OPEX. Expenditure incurred in the course of day-to-day University operations.
Total Cost of Ownership:	Also known as TCO. A calculation of the financial costs associated with buying and using a good or service. TCO takes into account the purchase price, but also considers related costs such as; ordering, delivery, and subsequent maintenance.

4 Policy Content and Guidelines

4.1 Compliance

4.1.1 Monitoring of Compliance

- (a) It is the responsibility of the Chief Financial Officer to ensure that there are adequate controls over the University's procurement processes including adequate financial controls over those procurement processes to safeguard the financial resources of the University.
- (b) Compliance will be monitored and all serious deviations will be reported by the Chief Financial Officer to the Vice-Chancellor in the first instance, as soon as practicable.
- (c) Where the particular procurement needs of an individual employee or a group within the University require deviation from this policy, a written request for the deviation will be made to the Chief Financial Officer for prior approval.

4.1.2 Consequences of Non-Compliance

- (a) Full compliance with this policy is required. A breach of this policy may constitute misconduct or, depending on the circumstances, serious misconduct under the [Conduct Policy](#).
- (b) Where an employee breaches the policy the University may apply one or all of the following:
 - (i) Seek reimbursement of costs directly from the employee;
 - (ii) Decline to use University funds to meet the financial commitment arising from the procurement transaction;
 - (iii) Transfer any tax liability arising from the procurement transaction directly to the employee in their private capacity.

4.2 Code of Ethics – Procurement

- (a) Employees involved in procurement must observe high ethical standards. The principle underlying all University procurement is that it must be, and must be seen to be, beyond reproach. Employees must execute procurement transactions in a manner which ensures the University maintains its reputation of fair, unbiased dealing with suppliers. Honesty, integrity and transparency must be demonstrated via appropriate record-keeping.
- (b) Employees involved in procurement must upon identification, declare any actual or potential conflict of interest to the Manager, Financial Operations, as soon as practicable.

- (c) Employees involved in procurement must respect the confidentiality of information they are exposed to in the course of their work, and must not disclose this information to third-parties. Furthermore, this information must not be used for personal gain.
- (d) Employees should not accept gifts from suppliers involved in a tender process, other than items of a minor value such as business diaries or pens.
- (e) Employees involved in procurement must be mindful of the fact that the University is subject to and should comply with, all applicable legislation. Refer to Appendix A.
- (f) The University's [Conduct Policy](#) identifies the required behavioural standards for employees in all areas of their work.

4.3 Supporting Documentation – General

4.3.1 Documentation of Procurement Decision

- (a) Comprehensive documentation of a procurement decision and the process followed must be completed by the employee(s) executing the transaction, and stored for a minimum of 7 years.
- (b) The Chief Financial Officer has the authority to request this documentation outlined in Clause 4.3.1(a) at any time within the 7 year period.

4.3.2 Supporting Documentation for Payment and Taxation

- (a) In accordance with New Zealand taxation legislation and the University's payment processes, all expenditure must be supported by an original itemised invoice or receipt. A GST invoice is also required for all expenditure within New Zealand if the supplier is GST registered.
- (b) Where an itemised invoice or receipt is not available from the supplier, the employee executing the procurement transaction must record the details in a log which may then be used as the supporting documentation, and submitted to Finance via the process relevant to the procurement tool used.
- (c) Finance is responsible for centrally managing the storage of the documentation supporting expenditure, for a minimum of 7 years.

4.4 Terms of Trade

- (a) The University's standard terms of trade with suppliers is that payment of invoices is by the 20th of the month following the date of invoice. Acknowledging the particular requirements imposed by the [Construction Contracts Act 2002](#), differing terms will only be agreed to if there is a cost benefit to the University in doing so.
- (b) Terms of trade must not be signed by anyone other than the Group Accountant or Chief Financial Officer.

4.5 Procurement Tools

- (a) Procurement transactions may only be entered into using the University's approved procurement tools, which are in order of preference:
 - (i) Oracle iProcurement and the University Purchasing Card;
 - (ii) Approved Contracted Suppliers who invoice the University directly;
 - (iii) Staff reimbursement claim; and

- (iv) Cash advance, which will only be approved in exceptional circumstances by the Manager, Financial Operations.
- (b) The financial delegated authority framework established in the [Financial Delegated Authority Statute](#) and [Financial Delegated Authority Policy](#), apply to the procurement tools outlined in Clause 4.5(a) and apply in this policy.

4.6 Procurement Justification Templates

4.6.1 Justification Templates

- (a) Justification templates as per Clauses 4.6.2 to 4.6.4 inclusive, are centrally managed by Finance. The justification templates are the University's mechanism for formalising the documentation of the procurement decision(s). The justification templates also provide the opportunity for documenting the TCO resulting from a procurement decision.
- (b) For procurement transaction(s) with a total value of less than \$50,000 (CS Only: less than \$100,000), there is no formal justification template. For the documentation requirement for these transactions refer Clause 4.3.
- (c) The CAPEX Sub-Committee reviews justification templates, as per Clauses 4.6.2 to 4.6.4 inclusive. The CAPEX Sub-Committee is chaired by the Deputy Vice-Chancellor, and has representation from across the University, including appropriate academic input, Finance, Facilities Management, and Information Technology Services.

4.6.2 Short Form Business Case (SFBC)

- (a) The SFBC is a document detailing the justification for a project, or to renew a contract with a Contracted Supplier, which will trigger OPEX and/or CAPEX procurement transaction(s). The SFBC template is available at:
https://intranet.victoria.ac.nz/finance/documents/Business_Case_Template_ShortForm_Minor_Projects.xls
- (b) A SFBC is required prior to activating a project which will incur procurement transaction(s) with a total value of between \$50,000 and \$100,000. CS Only: Not required to complete a SFBC. Refer to Clause 4.6.3.
- (c) During the CAPEX bidding process managed by Finance (July- August annually), the completed SFBC is required to be submitted to the Finance Advisor & CAPEX Manager. The SFBC will be considered by the CAPEX Sub-Committee and may be included in that Committee's recommendation to the Senior Leadership Team (SLT) to be considered for approval.
- (d) Outside the CAPEX bidding process, the completed SFBC is required to be submitted to the project sponsor, who will present the request through Finance, or directly to the SLT (depending on urgency) to be considered for approval.
- (e) For information technology related projects an additional step is taken prior to the SFBC being considered by: the CAPEX Sub-Committee (during the CAPEX bidding process) or; the SLT (outside the CAPEX bidding process). The SFBC is submitted to the Information Technology Strategic Oversight Committee (ITSOC) for their comment and recommendation, which is then forwarded to the CAPEX Sub-Committee.

4.6.3 Project Initiation Template (PIT)

- (a) The PIT is for use exclusively by CS.

- (b) The PIT is a document detailing the justification for an CS project which will trigger OPEX and/or CAPEX procurement transactions. The PIT is available from Facilities Management.
- (c) A PIT is required prior to activating a project which will incur procurement transactions with a total value of between \$100,000 and \$500,000.
- (d) During the CAPEX bidding process managed by Finance, the PIT will follow the same approval process as the SFBC. Refer Clause 4.6.2(c).
- (e) Outside the CAPEX bidding process, the PIT will follow the same approval process as the SFBC, refer Clause 4.6.2(d), unless the project is part of an existing approved budget item.

4.6.4 Full Business Case (FBC)

- (a) The FBC is a document detailing the justification for a project which will trigger OPEX and/or CAPEX procurement transactions. The 'Business Case Guidelines (Major Projects)' provide the information on what is required when forming a FBC, and are available at:

https://intranet.victoria.ac.nz/finance/documents/Business_Case_Guidelines_Final.doc

- (b) A FBC is required prior to activating a project which will incur procurement transactions with a total value of greater than \$100,000. CS Only: A FBC is required prior to activating a project which will incur procurement transactions with a total value of greater than \$500,000.
- (c) During the CAPEX bidding process managed by Finance, the FBC will follow the same approval process as the SFBC. Refer Clause 4.6.2(c).
- (d) Outside the CAPEX bidding process, the FBC will follow the same approval process as the SFBC. Refer Clause 4.6.2(d).
- (e) For information technology related projects, the FBC will follow the same process as the SFBC. Refer Clause 4.6.2(e).

4.6.5 Minor CAPEX (Non-Project)

- (a) A non-project minor CAPEX transaction is defined as a one-off procurement transaction of between \$2,000 and \$100,000 and may arise outside of the CAPEX bidding process. CS Only: not applicable.
- (b) Requests for non-project minor CAPEX outside of the bidding process must be made in writing to the Finance Advisor & CAPEX Manager, by the relevant SLT member (or alternatively, the relevant SLT member is copied in on the request). There is no specific justification template required.

4.7 Procurement via Tender

4.7.1 Tender Types

- (a) A tender is a competitive process via which a supplier can be selected for the University to procure goods or services from. The goods or services may be OPEX or CAPEX, or a mix of both.
- (b) Three main forms of tendering to be utilised by the University are:
 - (i) Written or Verbal Quotation: If the University does not have a Contracted Supplier for the procurement of goods or services with a total value of between

\$2,000 and \$50,000, written or verbal quotations must be sought from suppliers, in an effort to identify a supplier to provide the quality specification required at a competitive price. CS and ITS Only: applicable where a Contracted Supplier does not exist for purchases between \$10,000 and \$100,000. The quotation process must be adequately documented (Refer Clause 4.3.1).

- (ii) Closed tender: If the University does not have a Contracted Supplier for the procurement of goods or services with a total annual value of between \$50,000 and \$100,000 a closed tender process must be executed. The exception to this requirement is if an open tender (refer Clause 4.5.1(b)(iii)) is executed. The closed tender is distributed to selected suppliers asking them to respond to a request for information, credentials, quote, or proposal. The documents developed for the closed tender must be supported by the relevant justification template (refer Clause 4.6).
- (iii) Open tender: If the University does not have a Contracted Supplier for the procurement of goods or services with a total annual value of greater than \$100,000 an open tender process must be executed. If the employee responsible for the procurement considers a closed tender process (or an alternative method) is more appropriate, they must apply in writing to the Manager, Financial Operations for approval, in consultation with the Tender Panel (refer Clause 4.7.3). The open tender is distributed to potential suppliers via widely used media and/or other industry procurement methods such as the Government Electronic Tenders Service (GETS) asking them to respond to a request for information, credentials, quote or proposal. The documents developed for the open tender must be supported by the relevant justification template (refer Clause 4.6). CS Only: For construction and related professional service contracts it may not be appropriate to execute an open tender process. The Director Facilities Management will document the procurement processes for the construction and related professional service contracts in the relevant justification template (refer Clause 4.6), and consult the Manager, Financial Operations or Chief Financial Officer to agree an overarching process for CAPEX construction projects.

4.7.2 Supporting Documentation for Tender

- (a) Documentation developed for a tender, must be tailored specifically to suit the specifics of that tender.
- (b) Requests for assistance with documentation for a tender can be made to the Procurement Manager.
- (c) If the procurement of the goods or services has a total value of greater than \$100,000, the employee responsible for the process must seek Tender Panel approval. The Tender Panel must be contacted prior to the tender process beginning, to allow the Tender Panel the opportunity to endorse the approach. All applications to the Tender Panel must be made in writing to the Manager, Financial Operations. Refer Clause 4.7.3 for more information, including communication required prior and after communication with potential suppliers in the tender process.

4.7.3 Tender Panel

- (a) The Tender Panel is chaired by the Manager, Financial Operations on behalf of the Chief Financial Officer.
- (b) The Tender Panel is a committee comprised of managers and senior-managers from across the University, who review tender processes and outcomes for organisational fit,

and consistency with this policy. Members are invited to join the Tender Panel by the Chief Financial Officer or the Manger of Financial Operations.

- (c) The Tender Panel is largely a 'virtual' committee with the majority of the work being carried out via email. Tender Panel members are aware of the importance of transparency to the University's procurement processes and as such, all Tender Panel members are copied-in to Tender Panel communications. When required, the Tender Panel will meet in person.
- (d) The Tender Panel decisions will be made on a unanimous basis.
- (e) The Tender Panel will review all tenders with a total annual value of greater than \$100,000 with a view to providing endorsement of the procurement process, including:
 - (i) Prior to the Request to Supplier(s)
 - (a) The business purposes for the procurement and subsequent tender;
 - (b) The tender type and approach;
 - (c) The tender evaluation criteria; and
 - (d) Environmental considerations;
 - (ii) After the Request to Supplier(s)
 - (a) Review of the supplier responses to the tender and subsequent analysis and ranking of those responses;
 - (b) The link between the responses to the tender and the proposal to contract a supplier; and
 - (c) The terms of the draft contract between the University and the supplier.
- (f) The Tender Panel will review all requests to renew a contract with a Contracted Supplier, with a total annual value of greater than \$100,000, with a view to endorsing the recommendation.

4.8 Emergency Procurement

- (a) In an emergency it may be necessary to dispense with parts of the procurement process, so that the University can react quickly to unforeseen events.
- (b) Emergency procurement should be used only in genuinely unforeseen circumstances. Poor planning or organisation of a procurement does not justify using emergency process.
- (c) In the context of this policy an emergency is defined as an event which puts:
 - (i) Life, property or equipment at immediate risk; or
 - (ii) Standards of public health, welfare or safety having to be re-established without delay, such as in the case of disaster relief; or
 - (iii) The Universities service delivery would be significantly impaired if it failed to respond promptly.
- (d) Emergency procurement should be limited to what is required to cope with the particular emergency.
- (e) Emergency procurement should be carried out in accordance with Section 4.9.

4.9 Environmental Requirements

- (a) Life cycle environmental impacts must be considered for all procurement transactions. In accordance with the University's commitment to the 'Govt3' programme, the University will:
 - (i) Favour environmentally sustainable projects with greater energy efficiency, where cost and function are equivalent over the useful life of the good;
 - (ii) Where possible favour goods which can meet the product specification of the government's eco label 'Environmental Choice New Zealand', or which can be demonstrated that they meet equal or better standards.
- (b) The Environmental Committee is chaired by the Environmental Manager and has representation from each campus, Facilities Management, Finance, Maori and the student body.
- (c) The Environmental Committee will be available to provide advice on environmental considerations to individual employees executing procurement transactions and the Tender Panel.
- (d) The Environmental Committee have authority under this policy to monitor procurement decisions to ensure environmental requirements have been considered.
- (e) For more information about environmental requirements, please refer to the [Environmentally Sustainable Procurement Guidelines](#).

4.10 Selective Procurement from Pre-Qualified Suppliers

- (a) There are circumstances where a tender is not practical and it is sensible to make a selective purchase from a pre-qualified supplier. Selective procurement is justified when the good or service to be procured meets any of the following criteria:
 - (i) Has a total value of less than \$2,000. CS Only: has a total value of less than \$10,000;
 - (ii) Is a spare part or accessory required for existing plant and equipment;
 - (iii) Is a repeat purchase in a timeframe of less than 3 months;
 - (iv) Is specialised equipment available from only one or few suppliers;
 - (v) There is only one supplier available within the timeframe.
- (b) Where selective procurement is exercised, the rationale must be properly documented.
- (c) Selective procurement requires the same level of approval as all other procurement.
- (d) If there is any doubt about whether the proposed transaction meets the criteria for selective procurement, a written request for prior approval should be made to the Manager, Financial Operations.

4.11 Specialised Consolidated Procurement

- (a) Certain categories of procurement are specialised in their nature and require centralised management via consolidated procurement by a particular Central Service Unit, on behalf of the University. Refer to Appendix B for a current list of goods and services which are centrally managed.
- (b) The Central Service Unit tasked with the management of the consolidated procurement of a good or service is responsible for ensuring the relevant University staff are aware of what is required of them.

- (c) The Central Service Unit which owns the specialised procurement contract will monitor leakage and may question any procurement which appears to contravene the centralised management framework for that good or service.

4.12 Third-Party Management

- (a) A Contracted Supplier will be managed closely by the contract owner(s) on behalf of the University. It is recommended that contract terms and service level agreements are monitored closely and that any deviations which impact negatively on the University are resolved with the Contracted Supplier in a timely fashion. A formal written log detailing each performance issue and the resolution, must be kept and may be considered in future contract negotiations with that supplier.
- (b) The contract owner will monitor leakage and may question any procurement which appears to contravene the contract.
- (c) No member of a third party, including a Contracted Supplier, will be awarded any financial delegated authority by the University, without the prior written approval of the Vice Chancellor.
- (d) Third parties can authorise work to be undertaken on the University's behalf, as specified in the contract, however all payments are to be authorised by the University.

5 Legislative Compliance

The University is required to manage its policy documentation within a legislative framework. The legislation guiding this policy is the:

[Construction Contracts Act 2002](#)

[Official Information Act 1982](#)

6 References

[Conduct Policy](#)

[Gift and Koha Policy](#)

[Financial Delegated Authority Statute](#)

[Financial Delegated Authority Policy](#)

[Sensitive Expenditure Policy](#)

[Travel and Expenses Policy](#)

[Environmentally Sustainable Procurement Guidelines](#)

Office of the Controller and Auditor-General: Controlling sensitive expenditure: Guidelines for Public Entities. February 2007. <http://www.oag.govt.nz/2007/sensitive-expenditure/>

Office of the Controller and Auditor-General: Procurement Guidance for Public Entities. June 2008. <http://www.oag.govt.nz/2008/procurement-guide>

Previous version: [Procurement Policy](#)

7 Appendices

Appendix A: [Legislation Applicable to the Procurement Process](#)

Appendix B: [Centrally Managed Procurement](#)

8 Approval Agency

Vice Chancellor

9 Policy Sponsor

Chief Financial Officer

10 Contact Person

The following person may be approached on a routine basis in relation to this policy:

Manager, Financial Operations

Ext. 5910