

Treasurer's Instruction No	1101
Title	Procurement Principles: goods and services
Effective date	15 October 2010
Objective and Background	Details the principles upon which government goods and services procurement is based, and provides instruction on how they are to be applied.
Version Number	8
Last Reviewed Date	August 2010

Black letter (or bold) items within these Instructions are mandatory and other plain font items are instructional or for the purpose of providing guidance only.

- (1) This instruction applies only to the procurement of goods and services and is to be read in conjunction with other Instructions relating to goods and services which are contained in the 1100 series of the Treasurer's Instructions.**

Further information on goods and services procurement, including a definition of "goods and services", can be located at www.purchasing.tas.gov.au Buying for Government.

For information on building and construction and roads and bridges procurement, refer to the 1200 series of the Treasurer's Instructions.

- (2) Government procurement must be undertaken in a manner that is consistent with the following four principles:**

VALUE FOR MONEY

- (a) Agencies must pursue value for money purchasing outcomes.**

Value for money means achieving the desired outcome at the best possible price. In practice this means weighing up the benefits of the purchase against the cost of the purchase. Value for money factors need to be specifically included in evaluation criteria and may include:

- the contribution to the achievement of government policy objectives;
- fitness for purpose;
- maintenance and running costs over the lifetime of the product;
- the advantages of buying locally, eg
 - shorter delivery times;
 - local backup and servicing;
 - the availability of spare parts;

- the contribution to the achievement of government policy objectives which support local business, such as industry development and employment creation;
- the potential for creating strategic partnerships and cooperative product development;
- quality assurance;
- risks;
- the capacity of the supplier (eg managerial and technical abilities);
- climate change and environmental considerations;
- energy conservation; and
- disposal value.

OPEN AND EFFECTIVE COMPETITION

(b) Agencies must ensure that the purchasing process is impartial, open and encourages competitive offers.

Open and effective competition means using transparent, open purchasing processes, adequately testing the market (whether by open tender or by seeking quotations, whichever process is applicable), avoiding biased specifications and treating all suppliers consistently and equitably, so that potential contractors and the public can have confidence in the outcomes.

COMPLIANCE WITH ETHICAL STANDARDS, AND OBSERVING THE PROCUREMENT CODE OF CONDUCT

(c) Government buyers must observe the Procurement Ethical Standards detailed below and abide by the Procurement Code of Conduct also detailed below.

Procurement Ethical Standards

- (i) All business must be conducted in the best interests of the State, avoiding any situation which may impinge, or might be deemed to impinge, on impartiality;**
- (ii) Public money must be spent efficiently and effectively and in accordance with Government policies;**
 "public money" means money, negotiable instruments or securities of any kind for the payment of money collected, received or held by a person for or on behalf of the Crown in right of the State and includes all money forming part of, or payable to, the Public Account. (*Financial Management and Audit Act 1990*)
- (iii) Agencies must purchase without favour or prejudice and maximise value in all transactions;**
- (iv) Agencies must maintain confidentiality in all dealings; and**

- (v) Government buyers involved in procurement must decline gifts, gratuities, or any other benefits which may influence, or might be deemed to influence, equity, or impartiality.

Procurement Code of Conduct

Buyers must:

- (vi) ensure that all potential suppliers are provided with identical information upon which to base tenders and quotations and are given equal opportunity to meet the requirements;
- (vii) establish and maintain procedures to ensure that fair and equal consideration is given to all tenders and quotations received;
- (viii) offer a prompt and courteous response to all reasonable requests for advice and information from potential or existing suppliers;
- (ix) promote fair and open competition and seek value for money for the Government;
- (x) be equitable in the treatment of all suppliers of goods and services;
- (xi) seek to minimise the cost to suppliers of participation in the procurement process;
- (xii) protect confidential information;
- (xiii) deal honestly with suppliers;
- (xiv) keep accurate records to justify the process and any decisions made;
- (xv) complete a conflict of interest declaration and take steps to avoid involvement in any procurement activity where any conflict of interest (actual or perceived) may arise; and
- (xvi) abstain from soliciting or accepting remuneration or other benefits from a supplier for the discharge of official duties.

For all purchases, agencies must ensure that the procurement process meets public sector probity requirements, that value for money is obtained and that the separation of roles and responsibilities between the contractor and agency staff is maintained for the duration of the contract.

Probity issues are dealt with in the Department of Treasury and Finance publication *Probity Guidelines for Procurement*, which can be located at www.purchasing.tas.gov.au>Buying for Government>Resources>Publications.

- (d) Agencies must develop and maintain a process for the recording of conflict of interest declarations. Records kept must:**
- **include details of the action taken to manage the conflict of interest; and**
 - **be auditable.**

Information to assist agencies in establishing a suitable process is contained in the Department of Treasury and Finance publication *Recording Conflict of Interest Declarations - Guidelines for Agencies* which can be located at www.purchasing.tas.gov.au>Buying for Government>Resources>Publications.

- (e) Agencies must require suppliers to act ethically and in accordance with relevant industrial relations and occupational health and safety legislation.**

ENHANCING OPPORTUNITIES FOR LOCAL BUSINESS

- (f) Agencies must ensure that local businesses that wish to do business with Government are given the opportunity to do so.**

Enhancing opportunities for local business requires Government buyers to actively seek bids from local businesses, particularly from those that have previously requested the opportunity to compete for agency business. Specific requirements apply in relation to approaching local businesses when procuring goods and services (see Instructions 1106 and 1107).

Enhancing opportunities for local business to bid does not mean giving preference to local businesses.

Further information on the value for money benefits of buying locally can be located at www.purchasing.tas.gov.au>Buying for Government>Purchasing Framework>Purchasing Principles.