

# PROCUREMENT PROCEDURE

<b>Section</b>	Finance		
<b>Approval Date</b>	18.10.2012	<b>Approved by</b>	Council
<b>Next Review</b>	28.01.2020	<b>Responsibility</b>	Chief Executive
<b>This review</b>	28.01.2016	<b>Key Evaluation Question</b>	6

## INTRODUCTION

This procedure sets out the requirements for the procurement of goods and services for the Nelson Marlborough Institute of Technology (“the Institute”/NMIT) and should be read in conjunction with NMIT’s **Procurement Policy**. The procurement procedures described in this manual apply to all employees, agents and contractors of the Institute.

The objective of this manual is to ensure that the Institute complies with the *Guiding Principles* of the NMIT Procurement Policy, as recapped below:

- Public entities have a fundamental public law obligation to always act fairly and reasonably. The Institute therefore must be, and must be seen to be, impartial in its decision making.
- Obtaining the best value for money over whole of life. This does not necessarily mean selecting the cheapest option. NMIT must ensure it achieves the right quality, quantity and price combination at the right place and time. “Whole of life” encompasses all the costs (private and social) that accrue to the initiation, provision, operation, maintenance, servicing and decommissioning, over the useful life of the service or product procured.
- The procurement process provides open and effective competition between potential suppliers where no preferred supplier exists.
- Procurement is undertaken in a manner that, *subject to the Institute’s preferred supplier agreements*, ensures that all potential suppliers are treated fairly and reasonably and also given equal opportunity to submit quotes, proposals or tenders.
- The Institute will take into consideration improving business capability, including e-commerce capability when making procurement decisions.
- Procurement shall be conducted with honesty, integrity and transparency while protecting supplier’s commercially sensitive information.
- Procurement decisions shall be recorded and accounted for in a manner that demonstrates compliance with good practice and with guidelines issued by government monitoring agencies.
- NMIT will be a fair but demanding customer, who will purchase from competitive domestic suppliers where they offer best value for money. The Institute will take into consideration the procurement of environmentally friendly and energy-efficient goods and services. Environmental accreditation will be considered when evaluating supplier’s bids, and where possible the Institute will seek to adopt the recommendations approved by the Ministry for the Environment as part of the “Govt<sup>3</sup>” programme (for further information of Govt<sup>3</sup> refer to <http://www.mfe.govt.nz/more/cabinet-papers-and-related-material-search/cabinet-papers/climate-change/climate-change-and-10>).

## BUDGET HOLDER SPENDING AUTHORITIES AND METHODS OF PAYMENT

All procurements on behalf of the Institute must be consistent with the Institute's approved spending authority levels, the *Purchasing and Approval of Payments* policy and the *Responsibilities and Accountabilities of the Budget Manager* policy.

In determining the appropriate spending authority level required for procurement approval, the total lifetime value of the contract (for goods or services) must be considered, the lifetime value of the contract must be within the spending authority level of the purchaser. (Note: copies of all contracts for services [excluding those for contracting teaching staff] shall be sent to the office of the Chief Operating Officer and held in a central contracts repository and database.)

The only individuals authorised to sign contracts for the procurement of goods or services by the Institute are the Chief Executive, or the Chief Operating Officer under delegated authority.

It should be noted that ALL capital expenditure requires the prior written authority of the Chief Operating Officer.

### Authorised methods of payment

Payment method	When used
Accounts Payable	<p>The use of a Purchase Order is the <b>preferred method of procuring goods or services at NMIT</b>; a Purchase Order must be raised for all purchases, this includes purchases through preferred suppliers when the goods or services are supplied "on account". A supplier should not be paid unless there is a relevant Purchase Order raised and against which the goods or services are receipted.</p> <p>Purchase orders should be used in accordance with the <i>Purchasing and Approval of Payments</i> Policy.</p>
Credit card	<p>Procurements may be paid for using institute credit cards, such procurements must be in accordance with the <i>NMIT Credit Card Policy</i>.</p>

## QUICK GUIDE TO PROCUREMENT

### General Procurement

Purchase Amount (Exc. GST)	Procurement Path	Summary of Requirements
Less than \$2,000	Simple Procurement	<b>1 quote must be obtained</b> Approval of Manager is required
Between \$2,000 and \$5,000	Minor Procurement	<b>2 quotes must be obtained</b> Approval of the Group Director is required.
Between \$5,000 and \$20,000	Minor Procurement	<b>2 quotes must be obtained</b> Approval of the Chief Operating Officer is required.
Between \$20,000 and \$200,000	Major Procurement	<b>3 quotes must be obtained</b> Approval of the Chief Executive is required.
Between \$200,000 and \$1,000,000	Strategic Procurement	<b>Tender process</b> Approval of the Chief Executive & the Council Chair is required.
Over \$1,000,000		<b>Tender process</b> Council approval is required.

### Capital Works and Capital Equipment Procurement

Purchase Amount (Exc. GST)	Procurement Path	Summary of Requirements
Between \$2,000 and \$20,000 (Less than \$2,000 – 1 quote)	Simple Procurement	<b>2 quotes must be obtained</b> Approval of the Chief Operating Officer is required.
Between \$20,000 and \$500,000	Major Procurement	<b>3 quotes must be obtained</b> Approval of the Chief Executive (or delegated authority to Chief Operating Officer) is required.
More than \$500,000	Strategic Procurement	<b>Tender process</b> Approval of the Chief Executive and the Council Chair is required.
More than \$1 million		<b>Tender process</b> Council approval is required.

### Consultancy Procurement

Purchase Amount (Exc. GST)	Procurement Path	Summary of Requirements
Between \$100,000 and \$1,000,000	Strategic Procurement	<b>Tender process</b> Approval of the Chief Executive & the Council Chair is required.
More than \$1,000,000		<b>Tender process</b> Council approval is required.

The above 'Quick Guide' refers to **budgeted** procurement requirements; **unbudgeted** procurement requires appropriation authorisation as outlined in the NMIT Procurement Policy **and** must be consistent with the requirements outlined above.

## CONFLICTS OF INTEREST

### What is a conflict of interest?

A conflict of interest is where someone is compromised when their personal interests or obligations conflict with the responsibilities of their job or position. It means that their independence, objectivity or impartiality can be called into question.

A conflict of interest can be:

- actual: where the conflict already exists
- potential: where the conflict is about to happen, or could happen
- perceived: where other people might reasonably think that a person has been compromised.

A poorly managed 'perceived' conflict of interest can be just as damaging as a poorly managed 'actual' conflict of interest.

A conflict of interest can also be positive or negative. You could be seen to favour or benefit someone, or be against them and disadvantage them.

While conflicts of interest should be avoided wherever possible, they often happen innocently. It is how they are managed that counts. In the context of a procurement activity, a conflict of interest that is not properly managed could seriously undermine its integrity and lead to complaints, challenges and, in some cases, an agency's decision being overturned.

It is important that everyone in your agency not only behaves ethically, but is seen to behave ethically.

### When can a conflict of interest happen?

A conflict of interest can arise in a number of ways: through a relationship, an activity or strong personal views. For example, a person could be compromised if, in carrying out their work duties, they are required to deal with:

- a relative or close personal friend
- an organisation, club, society or association of which they're a member
- a person who is their community or church leader.
- a person or organisation:
  - to which they have a professional or legal obligation
  - with which they have a business interest or own property
  - to whom they owe money
  - for whom they've previously worked, or currently work (secondary employment).

An agency employee could also be compromised if they're given something from a person who stands to benefit from their decision. They could, for example accept:

- a gift
- an invitation to lunch, dinner or a sporting event
- free or subsidised travel or accommodation
- any other sort of benefit, including money.

In addition, a conflict can arise if a person holds strong personal views on an issue their agency is considering, for example political views or religious or cultural beliefs.

### Public duty to serve the public interest

The 'public interest' is the collective interest of the entire community. All agency staff have a public duty to put the public interest above their personal or private interests when carrying out their official duties.

This principle applies to anyone engaged to deliver government programmes and services, whether they are full-time, part-time or temporary employees, casual or contract staff, secondees, consultants, Board members or volunteers.

## When interests conflict

Conflicts of interest are not wrong in themselves, but they should be properly identified and effectively and transparently managed. When a conflict of interest has been ignored, improperly acted on or has influenced actions or decision-making, the conduct (not the conflict itself) can be seen as misconduct, abuse of office or even corruption.

## Managing conflicts of interest – a declaration

It is essential that all agency staff involved in a procurement activity complete and sign a Conflict of Interest Declaration and a Confidentiality Agreement. This includes:

- all members of the procurement team (staff, contractors and consultants)
- all members of the evaluation panel
- any consultant asked to advise the team
- anyone involved in making a recommendation
- anyone involved in approving a recommendation or making an important decision
- anyone making a financial approval for the procurement.

The Declaration requires the person to identify any actual, perceived or potential conflicts of interest. If they have none, they can take part in the project.

The Declaration also needs to be revisited regularly and checked once the supplier has been chosen. Everyone who has signed one needs to check whether they have a conflict of interest in relation to the supplier or any of the named personnel in the supplier's tender.

## Managing an identified conflict of interest

Conflicts that are identified must be reported to the manager in charge of the activity. They – and the process for managing them – must then be recorded in writing.

The options for managing a conflict of interest include:

- **restricting:** imposing restrictions on the person's further involvement in the matter
- **recruiting:** engaging an independent third party to oversee all or part of the process and verify its integrity
- **removing:** where the person chooses, or is asked, to be removed completely from the matter
- **relinquishing:** where the person relinquishes the private interest that created the conflict
- **resigning:** where the person resigns from their position with the agency. (This should only be considered if the conflict of interest can't be resolved in any other workable way.)

## CONFLICT OF INTEREST DECLARATION & CONFIDENTIALITY AGREEMENT

<b>Name:</b>	
<b>Position:</b>	

## Conflict of Interest Declaration

*Tick 'potentially' if others could perceive you have a conflict of interest*

Do you have any personal interest in the supply of goods or services for the contracts?	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> Potentially
Are you a relative or close friend of someone with a personal interest in the supply of goods or services for the contracts?	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> Potentially
Do you have any personal obligation, loyalty or bias that could influence your providing objective and impartial advice to the project?	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> Potentially
Have you during the last 24 months been offered any special discounts, gifts, trips, hospitality, rewards, favours or benefits by a potential supplier of the goods or services?	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> Potentially
Are you aware of anything that could give the appearance that you might be biased towards or against a potential supplier?	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> Potentially

### Details of a Declared Conflict of Interest

[illegible]

## Conflict of Interest Undertaking

I undertake to immediately notify my Manager of any actual, potential or perceived conflict of interest which may arise in relation to my procurement responsibilities at NMIT.

# Confidentiality Agreement

I am aware that details relating to the procurement of goods and services on behalf of NMIT is confidential to the Institute. I agree not to divulge this Confidential Information to any person not employed by the Institute without prior approval from my Manager. I will take all reasonable measures to securely store all confidential information that is in my possession.

I undertake not to provide comment on procurement activities to anyone outside the Institute, including the media. I will refer all questions on matters of procurement, including media enquiries, immediately to the Chief Operating Officer.

## Declaration & Agreement

<p><b>Declaration</b></p> <p>I hereby declare and confirm that the above details are correct to the best of my knowledge and I make this declaration in good faith. I agree to be bound by the above undertakings.</p>		
Signature:	Full Name:	Date:

## Probity Check

<b>Review by Manager</b>		
I confirm that I have received this declaration and have noted the contents.		
Name & Title:		
Signature:		Date:
Comments:		