

Procurement management manual



Responsible Branch Manager:

Commercial Manager

Version date: 8 June 2017

Version: 2.1 **Next review date:** 6 June 2019

Contact information

Name	John Athanasiou
Email	John.Athanasiou@iconwater.com.au
Contact number	(02) 6180 6929

Table of contents

1.	Purpose.....	6
2.	Icon Water procurement framework	6
2.1	Governance	7
2.2	Procurement phases	7
2.3	Enablers	7
2.3.1	The Icon Water procurement business processes.....	7
2.3.2	Technology - Procurement Portal	7
2.3.3	Technology – Tenderlink.....	7
2.3.4	Technology – Oracle	8
2.3.5	People - operating team structure.....	8
3.	Procurement principles and protocols	9
3.1	Ethics and probity	9
3.2	Probity in tender processes	9
3.3	What probity is not.....	9
3.4	Dealing with probity issues	9
3.5	Probity plan.....	10
3.6	Probity experts.....	10
3.7	Conflict of interest.....	10
3.8	Order/Contract splitting.....	11
3.9	Discussion with suppliers	11
3.10	Gifts and hospitality	11
3.11	Segregation of duties.....	11
3.12	Financial delegations.....	11
3.13	Calculating the total procurement cost.....	11
3.14	Goods and services tax (GST).....	12
4.	Phase 1 – Business requirements.....	13
4.1	Developing a Business Case	13
4.2	Executive summary	14
4.3	Requirements	14
4.4	Benefits.....	15
4.5	Costs.....	15
4.6	Cost/Benefit analysis	15
4.7	Risk assessment	15
4.8	Recommendations.....	16
5.	Statement of Requirement (SOR)	17
5.1	Types of specifications	17
5.2	Specifying the requirement.....	17
5.3	Approval of SOR.....	18
6.	Phase 2 – Sourcing and selection	19
6.1	Procurement thresholds	19

6.2	Less than \$5,000	19
6.3	Direct greater than \$5,000 and less than \$30,000	19
6.4	Minor \$30,000 to \$249,000	20
6.5	High value (\$250,000 to \$750,000) or (\$750,000 and above)	20
6.6	Exemption from the procurement minimum quote requirements	21
6.7	Market research.....	21
6.8	Market analysis.....	21
6.9	Expression of Interest (EOI)	22
6.10	Open tenders.....	22
6.11	Select tenders.....	22
6.12	Supplier selection and evaluation.....	23
6.13	Development of an Evaluation Plan	23
6.14	Receiving offers.....	23
6.15	Distributing offers.....	23
6.16	Collusion	24
6.17	Contact with suppliers	24
6.18	Evaluating and assessing offers.....	24
6.19	Clarification	25
6.20	Due diligence on short listed suppliers.....	25
6.21	References	25
6.21.1	Financial viability	25
6.21.2	Negotiation	25
6.22	Selecting the preferred supplier	26
6.23	Evaluation report	26
6.24	Contract information	27
6.25	Modification, retendering or cancellation of a procurement process.....	27
6.26	Contract execution.....	27
6.27	Notify unsuccessful suppliers	27
7.	Phase 3 – Contract management.....	28
7.1	Contract start up	28
7.2	Contract commencement meeting	28
7.3	Contract management plan (CMP).....	28
7.4	Contract record keeping	29
7.5	Monitor supplier performance.....	29
7.6	Monitor contract performance	30
7.7	Example of contract performance KPIs.....	31
7.8	Contract reporting.....	31
7.9	Status reports	32
7.10	Performance reports.....	32
7.11	Monitoring methods	32
7.11.1	Site visit (full and limited scope).....	32

7.11.2	Performance review	33
7.11.3	Cost review.....	33
7.12	Monitoring by third parties	33
7.13	Dispute resolution.....	33
7.14	Contract payments	34
7.15	Withholding payment.....	34
7.16	Change contract variation	34
7.17	Drafting contract variation	35
7.18	Administration changes	35
7.19	Substantive changes	35
7.20	Constructive changes.....	36
7.21	Increase in contract value	36
7.22	Price reviews	36
7.23	Contract completions.....	37
7.24	Contract obligations are met	37
7.25	If contract obligations are not met	38
7.26	Managing a transition plan (when applicable)	38
7.27	Evaluate lessons learnt	38
8.	Phase 4 – Purchasing.....	39
8.1	Requisitioning	39
8.2	Approving	39
8.3	Ordering.....	39
8.4	Receipting.....	39
8.5	Paying.....	39
8.6	Standard purchase orders	39
8.7	Blanket purchase agreements.....	39
8.8	Quick reference guide	39
8.8.1	Blanket releases.....	39
8.8.2	Cancellation of or variation to a purchase order	39
8.8.3	Receipt of goods and services	39

1. Purpose

The purpose of this Procurement Management Manual is to provide an overview of the Procurement phases that make up an element of the Icon Water Procurement Framework. It should be read in conjunction with the Procurement procedure and the other supplementary forms, and work instructions that are available on the Integrated Management System (IMS) which can also be accessed via the Procurement Portal.

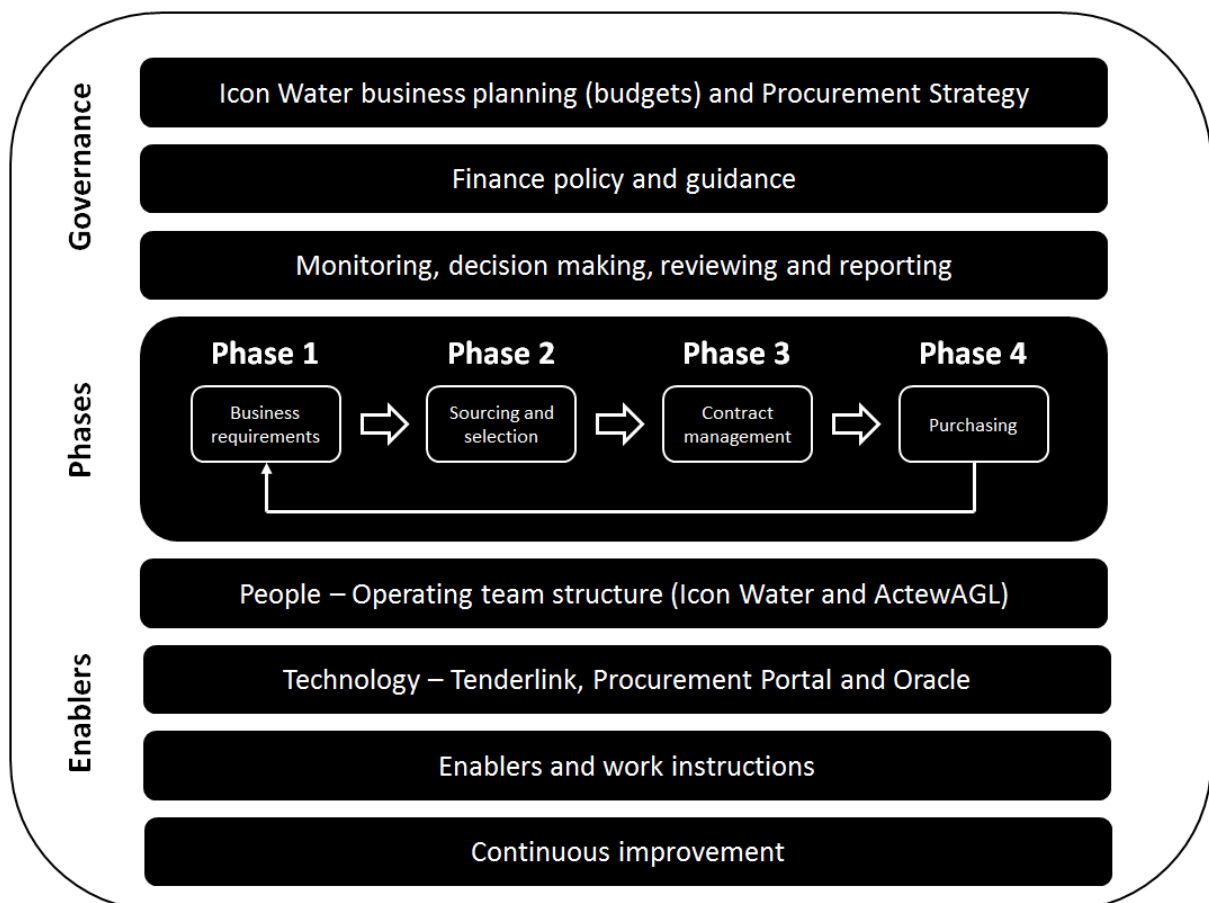
2. Icon Water procurement framework

Icon Water has adopted a Procurement Framework that has been tailored to suit the current business needs of the organisation. Icon Water is adopting a hybrid service delivery model to meet the procurement and contract management requirements, which are designed to provide value for money, manage risk, probity and promote ethical behaviour. A three (3) level operational framework has been developed and comprises:

- governance
- procurement phases and
- enablers.

Refer to [PR10.03 Procurement management](#) for further details.

The Icon Water Procurement Framework



2.1 Governance

Icon Water's governance in procurement activities includes but is not limited to the following guidelines:

- responsible financial management is to be applied to all procurement activities
- Icon Water personnel operating in an ethical manner and operating in the best interest of Icon Water
- all substantive communications with potential suppliers in respect of tender evaluations and quotations should be in writing or in formal minuted meetings where appropriate and
- records for all procurement activities must be kept and recorded in the records management system.

2.2 Procurement phases

Icon Water has adopted the following “**Procurement phases**” of any procurement activity.

- Phase 1 - Business requirements
- Phase 2 - Sourcing and selection
- Phase 3 - Contract management
- Phase 4 - Purchasing.

2.3 Enablers

2.3.1 The Icon Water procurement business processes

Icon Water has established three standard business processes and five sub processes for all procurement activities within the Organisation. These include the following.

- capital and operating procurement process
- resource engagement process
- purchasing exemption process.

The five sub-processes are:

- Legal and Secretariat team response to requested terms and condition variation(s)
- Finance Support - *Blanket purchase agreement* creation.
- stores procurement
- catalogue purchasing
- non catalogue purchasing.

2.3.2 Technology - Procurement Portal

The Procurement Portal is available on the intranet (iconnect) and is where employees can access [PO10 Financial Management](#), [PR10.03 Procurement Management](#), and this *Procurement management manual*, work instructions and forms. All documents are linked from the Integrated Management System (IMS). The Project Delivery intranet page is also an access point to the Procurement Portal and these documents.

2.3.3 Technology – Tenderlink

Icon Water has adopted Tenderlink to assist in the management of tenders. Tenderlink is a web based e-procurement system that provides suppliers with notifications when Icon Water publishes tender documentation. For further information refer to the following documents

- [WI10.03.07 Procurement - Tenderlink](#)
- [EN10.03.12 Tenderlink – Administrator Maintenance Manual](#)
- [EN10.03.13 Tenderlink – Posting a Public eRFx Notice](#)
- [EN10.03.14 Tenderlink – Posting a Private eRFx Notice.](#)

Tenderlink can be accessed via the following URL: tenderlink.com/iconwater/

2.3.4 Technology – Oracle

Oracle is Icon Water's eBusiness suite. It is used to establish blanket purchase agreements and standard purchase orders and also to approve purchases of goods and services.

2.3.5 People - operating team structure

The Procurement Framework has adopted a hybrid services model where the Senior Procurement Specialist assists the business units in Phase 1 of the process, including assisting in developing business requirements for business cases, and procurement plans. ActewAGL Contracts and Procurement (C&P) assists in Phase 2, the Sourcing and Selection phase. C&P's primary focus is on activities greater than two hundred and fifty thousand dollars (\$250,000). Finally, Icon Water's Contract Administrator assists the business units in delivering Phase 3 Contractor Management, and the Finance Support team assists the business units with Phase 4 Purchasing.

3. Procurement principles and protocols

3.1 Ethics and probity

Staff are, at all times, to conduct business in an ethical manner and demonstrate highest level of integrity. Staff are required to:

- treat potential and existing suppliers with equality and fairness
- maintain confidentiality of 'Commercial in Confidence' information
- deal with suppliers in an honest and impartial manner
- provide all suppliers with the same information and equal opportunity
- be able to account for all decisions and provide feedback on them
- not engage in the practice of "order splitting" with suppliers, consultants or contractors and
- not seek or receive personal gain.

3.2 Probity in tender processes

Probity is acting in an ethical manner where Icon Water staff are always acting in the best interests of Icon Water.

- Probity must be a feature in all tender processes. Comprehensive written details of the tender process, including all activities relating to the decision making and communications with prospective suppliers, must be recorded and placed in SharePoint.
- Probity advisers may be used for non-routine procurement activities, which are relatively high value, complex or high risk.
- All parties related to Icon Water who are involved in a tender process must complete a read [WI10.03.08 Conflict of Interest and Probity Declaration - Procurement](#) and sign [FO10.03f Tender Code of Conduct and Probity Declaration Form](#). This includes members of the Evaluation team.
- All information received from potential suppliers and tender documents remains confidential and the anonymity of potential suppliers is to be maintained throughout the process.
- All potential suppliers will be treated equitably. Each potential Supplier must receive the same information, and they must receive and respond to tenders within the same timeframe. Late tenders will not be accepted.

3.3 What probity is not

Probity is concerned with the quality of the 'processes' of conducting a procurement process. It is not concerned so much with the 'quality' of the decision achieving the practical outcome.

Adhering to sound probity processes isn't trying to:

- 'guarantee' the best outcomes or
- determine whether the evaluation criteria identified are the right criteria to assess whether or not the business requirement will be met.

3.4 Dealing with probity issues

It is possible that unanticipated probity issues will arise throughout competitive procurement processes. In these circumstances, the Senior Procurement Specialist and the ActewAGL Senior Procurement Specialist (where applicable) must draw the matter to the attention of the Business Unit Manager and Commercial Manager as soon as possible for advice and resolution.

Where there is potential for a breach and/or breaches to occur, notwithstanding the best endeavours to maintain a competitive procurement process, the procurement lead should obtain advice from the Legal and Secretariat team on the best way to address the breach. They will determine whether the probity matter can be managed internally or whether external independent probity advice is required.

3.5 Probity plan

A *Probity Plan* is to be prepared on a case by case basis for all high value proposals that are unusually complex or deemed high risk. The *Probity Plan* should identify the procedures to be followed in order to:

- deal with conflict of interest
- allow access to, but security of, confidential information
- ensure that all offers are assessed fairly, consistent with the criteria in the request documentation and
- apply quality control measures with respect to the evaluation criteria and the information provided to all suppliers including the debrief process for unsuccessful suppliers.

3.6 Probity experts

From time to time there will be a need to appoint an external Probity Expert for the procurement activity. These will generally occur in “Strategic Procurement Proposals” greater than \$750,000 in value. The types of probity experts are:

Probity Advisor

A Probity Advisor provides advice on probity issues as they arise during the procurement process, possibly in accordance with a *Probity Plan* that provides guidance on how probity is to be addressed during the procurement. If the Probity Expert will not be involved in auditing the process they can offer advice if any problems occur.

Probity Auditor

A Probity Auditor seeks to report an objective opinion on probity issues after the procurement process has been completed. A Probity Auditor should not be called in during a procurement process to try and remedy problems, but could provide sign-off after a problem has occurred to ensure the probity issues have been addressed and it is appropriate to continue with the procurement process.

3.7 Conflict of interest

Conflicts of interest arise when a staff member, an advisor or a Supplier has an interest that might reduce or be perceived to reduce their impartiality. An employee’s responsibilities with respect to potential conflicts of interest are to:

- comply with [WI10.03.08 Conflict of Interest and Probity Declaration - Procurement](#)
- be mindful of potential conflicts of interest that might arise and not use their position to gain or seek to gain a benefit for themselves or any other person
- avoid situations in which there may be actual, potential or perceived conflicts of interest including not allowing themselves to be improperly influenced by family, personal or business relationships and
- have a genuine business requirement in order to access procurement and contract management information
- ensure that non-Icon Water personnel who have a genuine business need to access such records and/or systems:
 - do not engage in any practice, including an improper inducement, which gives anyone an improper advantage over another
 - do not engage in any form of collusive practice
 - completes a [FO10.03f Tender Code of Conduct and Probity Declaration Form](#) for an RFQ or a Probity Plan for an RFT and
 - immediately disclose any actual or apparent conflict of interest, and take steps to avoid that conflict.
- ensure that all disclosures of conflicts are fully documented and retained on file.

It is important to note that having a conflict of interest does not automatically exclude someone from involvement in the process. Rather, they must disclose it and manage it appropriately.

3.8 Order/Contract splitting

Orders and or contracts shall not be divided or restricted, nor any other process engaged in, to defeat the threshold limits set in accordance with [EN10.00.01 Administrative and Financial Delegations Schedule](#) or these procurement procedures.

3.9 Discussion with suppliers

In communicating with suppliers during a procurement activity, it is imperative that all suppliers are treated fairly and equitably.

Icon Water should be represented by more than one appropriate staff member in meetings with suppliers, irrespective of where that meeting is held. Meetings and any telephone conversations should be minuted.

3.10 Gifts and hospitality

Icon Water staff involved in procurement activities are prohibited from accepting gifts or extensive hospitality or other benefits from current or prospective suppliers. Modest hospitality is acceptable, such as lunches, dinners or coffee, associated with meetings to discuss goods and services being acquired.

Travel to view prospective goods and services where the potential Supplier pays for such travel and associated accommodation is to be avoided.

Where there is confusion or difficulties surrounding gifts and/or other benefits, the Commercial Manager, Senior Procurement Specialist and or the respective General Manager should be consulted.

3.11 Segregation of duties

Procurement processes must include appropriate oversight and segregation of duties to avoid end to end control by any one individual.

3.12 Financial delegations

Financial delegations define the financial limitations within which specified staff may approve a purchase, quotation or contractual process. These delegations allow Icon Water to conduct business activities in an efficient and timely manner whilst maintaining transparency and integrity. All procurement activities must be undertaken within a staff member's financial delegation. Refer to [EN10.00.01 Administrative and Financial Delegations Schedule](#) for further details.

3.13 Calculating the total procurement cost

Goods and services should be acquired via a competitive process unless there are convincing reasons to the contrary. Competition avoids any suggestion of favouritism. It also helps promote efficiency and economy.

The form of competition should be appropriate to the nature of the specific supply market, Icon Water's business objectives, and the value and complexity of the goods and services to be acquired.

The total (whole of life) cost for the procurement is to include all likely costs such as:

- initial and subsequent purchase amount
- ongoing transaction costs
- ongoing maintenance costs
- sustainability costs and
- disposal/decommissioning costs.

If the procurement is for the engagement of labour hire or professional consulting services and is for an indeterminate amount of time, then the procurement threshold must represent the best estimate of total costs associated with the procurement.

3.14 Goods and services tax (GST)

Requests for offer will request the provision of prices exclusive of GST together with a separately identified GST component. Purchase orders will be raised detailing the price exclusive of GST.

All contracts entered into by Icon Water will include an appropriate GST clause, approved by Icon Water's Legal and Secretariat team.

4. Phase 1 – Business requirements

Identifying a Business Unit's requirements is the first step of the procurement process and is documented in a *Business Case* which justifies the undertaking of a program, project, activity, or the purchase of particular goods and services.

Following approval, a *Statement of Requirement* (SOR) needs to be developed and approved. This will be used in procurement documentation to accurately describe what the Business Unit requires. A checklist to assist in developing a SOR is on the Procurement Portal.

Phase 1 is applicable for goods and services valued at greater than \$30,000. The level of detail required should be based on the complexity and value of the procurement.

4.1 Developing a Business Case

The *Business Case* provides the basis on which the Financial Delegate will approve the business need and is the foundation for the detailed planning process. For capital works this can be a *Development Stage Proposal* (DSP) or *Execution Stage Proposal* (ESP). For operating activities [FO10.03s Low Value Procurement Proposal](#) and [FO10.03as High Value Procurement Proposal](#) templates can be used or [FO10.03aq Procurement and Purchasing Exemption](#). This could include a detailed PowerPoint presentation, a written document or for much smaller purchases an email approval to proceed with a purchase. Whatever the form that is used it is important it is tailored to the size and complexity of the procurement that will proceed and that it is the document that is used for auditing Financial Delegate approvals and is the foundation document for the detailed planning procurement process.

The *Business Case* should identify:

- funds availability, such as divisional capital or operating budgets
- what is to be achieved
- estimates of lead times, relevant information on product availability
- potential risks or constraints
- costs and benefits on a whole of life costing basis
- a breakdown of the resources needed and the costs of managing the procurement process and
- technical or other specialist support requirements, and indicate when these resources will need to be available and the project team appointed.

The *Business Case* needs to be tailored to each unique requirement taking into account associated business risks and costs. Where a *Business Case* exists for a project with multiple underlying procurements each procurement approach to market will need to be considered separately as part of the planning process in Phase 2. The main components of a *Business Case* for an activity greater than thirty thousand dollars should include:

- executive summary
- requirements
- market research
- benefits
- costs
- preliminary risk assessment
- cost/benefit analysis
- recommendation(s).

The Senior Procurement Specialist is available to provide general guidance and support on procurement in the preparation of a *Business Case*, including market research but will not author it or project manage its preparation.

4.2 Executive summary

This is a summary of the *Business Case* contents. It outlines key information that has been obtained and may include some of the following:

- brief statement of the issue/problem/requirement
- summary of background information
- concise analysis - including market research and cost estimate
- main conclusions and
- recommendations.

4.3 Requirements

Business requirements are fundamental in the planning of any initiative, project or program and in their implementation. Business requirements should be set out in clear, understandable and unambiguous terms. This includes the outcomes to be achieved in a project or program of work, the scope of that work and the requirements that must be met.

Unless the Business Unit has very specific requirements and/or constraints, and/or wants no change to the current way services/products are provided, it is preferable to avoid setting out the business requirements by describing exactly what happens currently or telling the Supplier exactly how to do the work.

This should detail a summary of your business requirement and why you need it. Consider some of the following when drafting this section:

- details of the issue/problem/requirement
- detailed background information
- details of specifications for quality and performance of requested goods and services including references to any standards, codes, or legislation
- specific technical requirements
- the intended contract duration - this needs to be evaluated on a case by case basis. Contact the Senior Procurement Specialist if you would like guidance in determining the required length of contract to offer
- extension/renewal options to be considered
- details of how the requirement is currently being met including details of any existing Suppliers and any existing contracts
- how the goods and services being requested will address the requirement
- details of any dependencies or interdependencies
- details of any impacts on other part of the business
- estimated initial delivery date for goods and services
- the preferred acquisition method – for example fee-for-service, outright purchase, rental, term lease, tax exempt lease, license
- any timeframe limitations e.g. how quickly does the procurement need to occur
- any flexibility with the overall budget
- any linkages with other business groups or ActewAGL
- whether you have a specific Supplier or product in mind - who and why
- environment, safety, quality and sustainability considerations.

It is important for the Business Unit to have an understanding of its requirements. The detailed specification will be jointly developed with subject matter experts and before any market approach is undertaken.

4.4 Benefits

This is the identification of potential benefits to Icon Water of undertaking an activity, project, program or purchase of particular goods and services. The table below is a summary of what financial and non-financial benefits could be identified as part of the business case.

Financial benefits	Non-financial benefits
cost reductions - lower expenditure for similar items and volumes	improved output, capacity, productivity
Increases in revenues	improved customer satisfaction
cost avoidance - lower purchase price than that contracted	Improvements to safety, or regulatory compliance
cost deferment - delay payments	improved organisational reputation

4.5 Costs

This should include a high level estimate of the projected costs involved in the program project or activity or purchase of goods and services. It includes the 'whole of life' cost to understand the financial impact in its totality. It will also assist Icon Water to improve its forecast of operating costs and assist in the annual budget process. Examples of costs that can be considered as part of the business case include:

- all forms of remuneration, including premiums, fees, commissions, interest, credit card surcharges, etc. potentially payable in respect of the procurement exercise
- the maximum value of the goods and services being procured (for the full term of the contract and including the value of any extension options on the contract)
- whole of life costs and service maintenance costs including:
 - consumables
 - incidental costs for consultancies e.g. travel, etc. if part of the consulting task
 - any taxes or charges (excluding goods and services tax)
 - materials and resources
 - installation and disposal
 - operating and maintenance and
 - financing and insurance.

4.6 Cost/Benefit analysis

This brings together all the information obtained in the previous sections of the *Business Case* and examines whether the project, activity or purchase of the goods and services is feasible and represents value for money.

The appraisal also takes into account known financial parameters or constraints such as approved budgets and minimum financial return hurdle rates such as a positive Net Present Value (NPV) for high level procurement activities. The Business Unit's Commercial Manager should be consulted for assistance in regard to any financial evaluation being undertaken.

4.7 Risk assessment

Icon Water employees must identify and manage risk using the Risk Management Framework. A preliminary risk assessment is required for all activities greater than thirty thousand dollars.

4.8 Recommendations

This is the conclusion made from the evaluation of all the information presented in the previous sections and seeks approval from an appropriately delegated person to proceed through to Phase 2 Sourcing and Selection.

5. Statement of Requirement (SOR)

The SOR should set out exactly what Icon Water wants the suppliers to provide. The success of the procurement relies on the SOR being accurate and unambiguous.

Once finalised, the SOR will be incorporated into the documentation of the appropriate sourcing option to communicate the requirements to prospective suppliers. It is prepared by the Business Unit with the assistance of subject matter experts as required.

5.1 Types of specifications

Depending on the nature of the request, the SOR will be described in either functional, performance or technical terms:

- **Functional specifications** are used to define a task or desired result, and only broadly describe the general form of good and service required. They focus on what is to be done, rather than on how to do it.
- **Performance specifications** describe outputs and outcomes to be achieved in performance characteristics and specify performance measures. They focus on the objectives to be achieved, not the methods used to achieve them.
- **Technical specifications** are used when the physical description of the item is important. For example, when a particular material may be required or a particular part needed to replace or enhance an existing piece of equipment.

Where possible, the specifications include goals and objectives which translate to outcomes and outputs rather than simply being focused on processes.

5.2 Specifying the requirement

The Business Unit needs to ensure that the SOR accurately reflects the business need. It is important to engage any technical or subject matter expertise when necessary. If the requirement is complex or developmental in nature, the SOR can be developed as part of a staged process.

For example, a Design Consultant might be engaged for the development of the design for an infrastructure project. It is important to respect the intellectual property rights of suppliers in such a process and to only use input that is properly obtained from the owner, usually for a license fee or through a royalty free and irrevocable license. If in doubt, seek legal advice from the Legal and Secretariat team, as improper use of such material could result in damage to Icon Water's reputation or in litigation. Another option is to circulate a draft document to the specific industry for comment.

If a staged process is envisaged this should be made clear in the *Business Case*. To ensure that prospective suppliers understand a requirement it may, in some cases, be appropriate to conduct a site visit or an industry briefing for all prospective suppliers to explain Icon Water's requirement more clearly. When preparing a SOR the following items should be considered/included:

- detailed purpose for which the goods and services are required
- the scope of the problem or task and any exclusions
- performance and testing parameters and/or technical specifications where required (including objectives, requirements, acceptance criteria)
- any dependencies such as a need to match existing equipment (e.g. interface with Icon Water's Standing Operating Environment (SOE), integration with any other systems or projects, environmental concerns, waiting for release of funds etc.
- reference compliance with any relevant standard codes, Icon Water standards and or legislation and incorporate the material into the SOR
- review all requirements and drawings to eliminate ambiguity, contradictions, omissions and or vagueness
- review the SOR for completeness, correctness and consistency and
- include all required work health and safety (WHS) requirements.

A checklist to assist in the preparation of a SOR is available on the Procurement Portal.

5.3 Approval of SOR

A completed SOR must be endorsed by the subject matter experts and Contract Manager.

6. Phase 2 – Sourcing and selection

Sourcing and selection is Phase 2 of the procurement process which commences with a review of the approved Icon Water Business Case and Statement of Requirements (SOR) and results in the execution of a contract with either a Supplier or group of Suppliers.

Icon Water's Procurement Framework governs the procurement thresholds and categories. Procurement thresholds are based on the whole of life cost of procurement.

6.1 Procurement thresholds

There are five distinct procurement thresholds that govern the Icon Water Procurement Framework. These are

- standard purchases less than \$5,000
- greater than \$5,000 and less than \$30,000
- minor which is greater the \$30,000 and less than \$249,999
- major which is greater than \$250,000 and less than \$749,000
- strategic which is greater the \$750,000.

The table below summarises the number of quotes required for each procurement threshold, the suggested approach to market and also the required approvals.

Procurement Value (Ex-GST)	Low value procurement			High value procurement	
	Emergency Purchase and / or <\$5,000	Direct >\$5,000 to <\$30,000	Minor >\$30,000 to <\$249,999	Major >\$250,000 to <\$749,999	Strategic >\$750,000
Number of quotes to be obtained	N/A	Minimum 1 written quote	Minimum 2 written quotes as identified in the standard procurement proposal	Minimum 3 written quotes as	Minimum 3 written quotes
Quotation exceptions	N/A	Minimum 1 written quote	Exception justification required	Exception justification required	Exception justification required
Standard approach	N/A	RFQ	RFQ	RFQ	RFT
Required approval	Financial Delegate	Financial Delegate	Financial Delegate	Financial Delegate	Financial Delegate

6.2 Less than \$5,000

Business units are to complete [FO10.00g Purchase Order](#) and seek approval from the Financial Delegate. In the event of the emergency there will be instances where the Finance Support team will assist in preparing the [FO10.00g Purchase Order](#) on behalf of the Business Unit.

6.3 Direct greater than \$5,000 and less than \$30,000

Business units are required to attain at least one written quote from a Supplier. To accept the quote, a *Purchase Order*, needs to be issued under Icon Water's standard terms and conditions. This ensures Icon Water is not operating under the Supplier's terms and conditions. Consultation with the Senior Procurement Specialist is advised if the Supplier will only supply under their own terms and conditions.

If acquiring services contact the Senior Procurement Specialist or ActewAGL Contracts and Procurement (where applicable) for further guidance, as a short form services contract may be required depending on the services. The below documents should be completed and kept as a record of the procurement process:

- written quote from Supplier or record of verbal quote (include product description, part no, cost and date quote obtained)

- purchase order number issued to Supplier and
- Financial Delegate to approve the purchase.

6.4 Minor \$30,000 to \$249,000

Business units are required to attain at least two written quote from a Supplier. Whilst engaging in the procurement activity the Business Unit should ensure that the following tasks are completed:

- contact Finance Support team and obtain a procurement number (PRN)
- check if there is an existing contractual arrangement in place by checking the contracts listed on the Procurement Portal;
- conduct a preliminary risk assessment (PRA)
- a *Purchase Order* should never be used for ICT equipment/hardware or software without advice from the Legal and Secretariat team and
- if a Supplier will only supply under their own terms and conditions, the Supplier's terms and conditions must be reviewed by the Legal and Secretariat team, prior to acceptance.

If the Business Unit is acquiring services please contact the Senior Procurement Specialist or ActewAGL Contracts and Procurement (where applicable) for further guidance, as a short form or long form services contract may be required, depending on the services. The documents below should be completed and kept as a record of the procurement process:

- approval to purchase/approved *Business Case* from Financial Delegate
- preliminary risk assessment, and if required a detailed risk assessment
- a minimum of two written quotes from suppliers or an approved exemption from the Senior Procurement Specialist or Financial Delegate
- if services are complex or high risk, a copy of the agreed contract and
- purchase order number issued to Supplier.

6.5 High value (\$250,000 to \$750,000) or (\$750,000 and above)

Major and strategic procurements are managed via a tailored *Procurement Plan*. The plan outlines the timeframes for tasks to be completed and by whom. The key components of major and strategic procurements are as follows:

- *Request for Quote* (RFQ) or *Request for Tender* (RFT) documentation
- market approach
- sourcing timeframes
- development of an *Evaluation Plan*
- evaluating and assessing offers
- contract execution
- notify unsuccessful suppliers
- handover process.

6.6 Exemption from the procurement minimum quote requirements

The need to obtain the required number of quotations or to run a tender may be exempted in certain circumstances:

- where it can be shown that there is only one provider of the goods and service
- where the advantages are clearly documented and substantiate the value proposition for going to only one Supplier for advanced procurements and one or two suppliers for high value procurements. These should be demonstrable and provide a compelling justification for the request.
- where there is a genuine urgent business requirement (time constraints due to poor planning is not generally a valid excuse for an exemption). For example emergency reactive repair of Icon Water infrastructure.
 - dependent on circumstances, staff are required to obtain verbal confirmation from their appropriate Supervisor, and Financial Delegate where possible, seeking an exemption from the procurement procedure.

Consultation with the Senior Procurement Specialist for high value procurement activities is to assist in the management of the approval process. This will help ensure all procurement considerations have been tailored and meet the business needs of Icon Water. All exemption requests must be approved by the Senior Procurement Specialist or the Financial Delegate.

The remaining sections of Phase 2 Sourcing and selection are applicable for goods and services valued at greater than \$30,000. The level of detail required should be based on the complexity and value of the procurement.

6.7 Market research

Market research can be undertaken before formally approaching the market place for pricing, and establishing a contract with a Supplier. Market research is the process or set of processes that links Business units to the market place through information. This information is used to identify and define market opportunities and problems; generate, refine, and evaluate market actions; monitor market performance; and improve understanding of the market place as a process. It allows Business owners to determine the feasibility of a project before committing substantial resources to the proposed course of action.

Understanding the market is particularly important for Business units when:

- identifying/confirming the market e.g. the number of suppliers
- preparing cost estimates
- evaluating bids
- preparing and executing a contract.

6.8 Market analysis

Market analysis is used to identify suitably qualified suppliers of the required goods and services. It includes:

- review of existing supplier(s) performance including identification of opportunities for cost/efficiency gains
- methodology used to undertake open market research
- listing of potential suppliers of the requested goods and services and
- high level analysis of the strengths and weaknesses of potential suppliers.

There are numerous sources of information on suppliers and the goods and services that they offer. These include:

- online search
- on-line Supplier catalogues
- commercial databases and specialised publications such as the Telstra Yellow Pages, trade journals and trade associations

- direct contact from marketing and sales representatives and promotional material
- any other source that may be relevant, including but not limited to, other Utilities in the industry sector and
- a high level cost estimate can be obtained from a potential Supplier to use as a baseline cost estimate for the Financial Delegate, however it should be non-committal with no confidential information provided and/or contractual intent.

6.9 Expression of Interest (EOI)

An Expression of Interest (EOI) is used to assess the reaction of the market to the proposed procurement activity and approach. It can be undertaken in parallel with market analysis and brings early collective perspectives from suppliers.

An EOI is undertaken through direct communication with potential suppliers. An EOI should lead to an understanding of the attitude, thoughts and likely response by the market as a whole to the proposed procurement activity. This is through discussions with multiple individual Suppliers. It provides potential benefits of making the procurement process more specific, accurate and efficient.

An EOI does not include elements of Supplier selection or offer evaluation, nor does it create commitments of any kind on the part of the organisation or Business Unit managing the project, or the suppliers involved.

An EOI process can be particularly useful when:

- uncertainty exists over the extent of market capacity, capability, competitiveness or maturity
- the project outcome sought or procurement specifications are complex or innovative
- there is uncertainty over the potential level of Supplier interest and
- there is a need to manage market expectations.

An EOI process will vary depending on the initiative or project. It requires the selection of approaches that provide a balanced assessment of the market to satisfying the project outcome sought. Whatever process is adopted, it must be transparent and auditable. Any pertinent information that is provided to individual suppliers should be made available to all prospective suppliers likely to be included in the procurement process in phase two.

6.10 Open tenders

The call for open tenders can be advertised on Tenderlink. Tenderlink is the system to advertise and facilitate a procurement activity to the market place. Public advertisements must include:

- a *Request for Quote* or *Request for Tender* number, collectively known as an (RFx) number
- an adequate description of the RFx to allow prospective suppliers to decide whether they wish to prepare a response, or a link to the location where this information is available
- the location where the RFx documents may be obtained, including the name, and email of the primary contact
- that tenders are to be lodged via the lodgement address identified in Tenderlink and the closing date and time and
- any other important dates and deadlines.

6.11 Select tenders

There are circumstances where an open tender may not be available, so the only viable option is to issue select or limited tenders. Where a limited tender is being issued, information via Tenderlink or direct emails should be sent to the selected suppliers inviting them to request the tender documentation. If they respond, and request the information, then the tender pack may be issued to the Supplier. Where ever possible use [EN10.03.14 Tenderlink – Posting a Private eRFx Notice](#) for selective tenders.

6.12 Supplier selection and evaluation

This is the process of selecting a Supplier that will deliver “value for money” for Icon Water. The lowest price is not necessarily ‘value for money’ and other attributes such as reliability, quality, supply timeliness, financial security including their currency of insurance and a partnership approach should also be considered. Refer to [WI10.03.09 Vendor Insurances – Procurement](#) for further details. Please note insurance cover requirements are assessed on a case by case basis by Icon Water

It is a requirement that the Evaluation Committee have some input into the development of the evaluation criteria and methodology. The Evaluation Committee will also need to deal with the risks involved in the evaluation process and should be involved in planning to manage them. Such risks include:

- breaches of security
- failure to adhere to the published evaluation criteria and methodology
- inappropriate Supplier selection
- inappropriate product selection and
- delays to the evaluation timeline.

All members of the Evaluation Committee must declare any actual or perceived conflict of interest. Refer to [EN10.03.11 Evaluation and Probity Information](#) for further detail.

All members of the Evaluation Committee must maintain confidentiality and ensure that offer documents are kept secure at all times. Before members of the Evaluation Committee start to consider the offers they should revisit the evaluation criteria and methodology, and assure themselves of the points that need to be addressed to satisfy each criterion.

For standard purchases, the evaluation approach needs to be simple. For more complex purchases, technical experts and price analysis tools will be needed. In some cases, it will be useful to ask suppliers to give a presentation on their proposals to the Evaluation Committee.

6.13 Development of an Evaluation Plan

An *Evaluation Plan* is to be developed for all strategic procurements with a high risk rating. It will identify members of the Evaluation Committee (if required) and evaluation teams, structure, their roles and responsibilities as well as the agreed timeline for the procurement, activities and the evaluation process.

The Evaluation Committee should have input into the development of the evaluation criteria and methodology that forms part of the evaluation process including the completion of [FO10.03c Tender Evaluation](#) by the Evaluation Committee members. Consideration should be given to any criteria to be included in the conditions of participation. Conditions of participation should only be specified if there is a clear ‘yes or no’ answer or ranking to the criteria.

For example, for specific goods and services, tenderers must comply with a certain standard or hold a certain licence, this would lead to either a ‘yes’ the tenderer does comply or does hold a licence or a ‘no’ the tenderer is not compliant or does not hold a licence. If tenderers do not meet the conditions of participation they will be excluded from further evaluation. Conditions of participation should only be set if absolutely necessary.

Criteria and weightings must be assigned based on the requirements and risks for each individual procurement activity. Refer to [EN10.03.11 Evaluation and Probity Information](#) for further detail

6.14 Receiving offers

For major and strategic procurement processes, TenderLink should be used. The Senior Procurement Specialist or ActewAGL C&P will download the report of all Supplier responses after the close date and time into the appropriate records management system.

After registering responses, the Senior Procurement Specialist or ActewAGL C&P will pass the received documents to the members of the Evaluation Committee. Email responses will not be accepted.

6.15 Distributing offers

For advanced or major procurement processes, the Senior Procurement Specialist or ActewAGL C&P will ensure that each member of the Evaluation Committee has a copy of each offer, and has the opportunity to examine them and make appropriate assessment notes prior to discussion and agreement for short listing.

6.16 Collusion

When examining the offers, the Evaluation Committee should be conscious of any similarities or patterns between responses that might indicate possible collusive behaviour.

Collusion of bidders is illegal under the *Competition and Consumer Act 2010* (CTH). Some indicators include:

- similar or identical costing
- similar presentation
- similar errors
- withdrawal of bids
- use of industry or association prices
- rotating winners/sharing winners and
- unrealistically high bids.

If collusion is suspected, then advice should be sought from the Legal and Secretariat team.

6.17 Contact with suppliers

During the procurement process some suppliers may attempt to contact the Evaluation Committee or the Financial Delegate to ascertain how matters are progressing and try to glean some information about the status of their offer. It is important that each enquiry is treated the same. Each enquirer should be advised to email the primary contact identified in the RFX documents, and no further comments should be made.

Ideally, there must be no meetings with suppliers other than at an industry briefing, management presentation or a site visit. If this is unavoidable, the views of the Evaluation Committee must not be discussed and, if possible, a third party should be present for the conversation or meeting.

6.18 Evaluating and assessing offers

Each member of the Evaluation Committee must sign a [FO10.03f Tender Code of Conduct and Probity Declaration Form](#). Tenders will be evaluated in accordance with the approved *Evaluation Plan*. The Evaluation Committee will assess all incomplete and non-compliant offers and determine if participation in the procurement activity will occur.

The Evaluation Committee should score each offer against the evaluation criteria in accordance with the published RFX evaluation methodology agreed by the Evaluation Committee and documented in [FO10.03d Evaluation and Recommendation Report](#).

All decisions should be carefully recorded and the reason for each decision documented.

- Compliance (assessing compliance with the *Statement of Requirement* and the terms and conditions set out in the request documentation and any conditions of participation).
- Detailed evaluation (with reference to the evaluation criteria), including:
 - Technical assessment – establishing whether the offer meets the requirements set out in the specification, and if not, the significance of any variation from that specification. Any modifications proposed in the offer are to be checked for acceptability. Where the Supplier's own facilities are to be used the capacity to meet the workload should be verified. Any innovations offered and value-adding components are to be assessed.
 - Contractual assessment – establishing the acceptability of any contractual qualifications or variations stated in the offer, particularly where these propose variations to delivery or quality. The cost and other effects of any acceptable variations will be taken into account and legal advice may need to be sought.

- Financial assessment– identifying all relevant costs and benefits and the calculation of annual costs and net present values where applicable. The initial one-off costs, the ongoing costs associated with maintaining the goods and service, and the costs on expiry of the contract, including penalties and discounts, should be identified and calculated. Consideration needs to be given to any exchange rates, installation, training, transportation and insurance costs.
- Long-term (business/strategic) assessment – analysis must be undertaken on the long-term implications to Icon Water, including contract failure, risk of a single Supplier, information and communication technology implications, costs, expiry of the contract and replacement of equipment, consideration of end-of-life including cost and method of reuse, recycling or disposal, contamination.

6.19 Clarification

The Evaluation Committee may need to seek clarification on aspects of an offer. Where there is doubt or ambiguity the written clarification from the potential Supplier should be sought. Such clarifications must not provide an opportunity for a Supplier to change an offer materially.

6.20 Due diligence on short listed suppliers

An ABN/ACN check will be conducted through <http://www.abr.business.gov.au/>. If the Supplier is registered as a trust or trustee seek advice from the Legal and Secretariat team before proceeding. If the Supplier is a sole trader seek advice from the Taxation team and the Legal and Secretariat team before proceeding.

6.21 References

After the Evaluation Committee has scored each offer, they should contact the nominated references to check previous performance. The Evaluation Committee should also follow up any other available sources of information on past performance. This could include information from within Icon Water or ActewAGL.

The usual practice is for the Evaluation Committee to agree on a standard set of questions and the person identified in the *Evaluation Plan* (for strategic procurements) will conduct and document these checks. The Tender Evaluation Committee may agree to conduct reference checks on the short-listed tenderers only.

6.21.1 Financial viability

In some cases, the Evaluation Committee will need to be satisfied as to the company structure and viability of a Supplier. This may involve an independent inquiry into the financial viability of the Supplier through services such as those provided by Corporate Scorecard/Veda. Five (5) business days should be allowed for receipt of an external financial viability check.

6.21.2 Negotiation

Negotiations must be conducted before contract formation with the preferred Supplier. The aim is to improve the value for money outcome and clarify uncertainties through a structured and ethical process, while maintaining a competitive situation throughout the negotiation process.

It may be appropriate to request a Best and Final Offer (BAFO) from shortlisted suppliers. This will provide them an opportunity to present their best offer for consideration.

Negotiators must manage the significant risks involved in the negotiation process and ensure they do not:

- put any suppliers or respondents at a disadvantage
- give a competitor who is not clearly in the lead a chance to improve an offer without giving the same opportunity to other short listed competitors
- give a Supplier or respondent the impression that they are certain to win a contract. This can give rise to a claim for damages if the Supplier or respondent ultimately does not win the contract or
- advise that an offer has been accepted before final approval is given.

There should be no material alteration to the scope of services for which the offer was obtained. If substantial change is required, it could effectively create a new offer and, in the interests of procedural fairness, it may be necessary to give all Suppliers the opportunity to revise their offers. If there is any doubt, advice should be sought from the Senior Procurement Specialist.

It must be clear that entering into negotiations does not constitute the awarding of a contract, and does not preclude Icon Water from entering into negotiations with another Supplier. If agreement cannot be reached with the preferred Supplier, negotiations should commence with the next ranked Supplier.

A confidential record must be kept of all negotiations for audit and accountability purposes. This should set out:

- the aim of the negotiation
- justification and approval to enter into negotiation
- the negotiation strategy and
- a record of all exchanges between the parties.

In instances where there is significant risk and high complexity, negotiations assistance from the Senior Procurement Specialist and Legal and Secretariat team should be sought. Financial and technical experts should be included as necessary. The team should be kept to approximately three to four people. Points of agreement should be separately documented and confirmed in writing with the Supplier.

6.22 Selecting the preferred supplier

When all the required information has been gathered, the Evaluation Committee should reconvene to agree formally on the preferred Supplier and the order of merit. Subject to the outcome of the checks on references, this will be the offer that has scored highest against the evaluation criteria, and meets financial, commercial and business requirements.

To select the preferred Supplier, the Evaluation Committee must:

- identify the offer that represents best available value for money in line with the procurement procedures and
- record its decision and reasons for that decision.

6.23 Evaluation report

When agreement on the preferred Supplier and order of merit is decided the evaluation Committee will prepare a report that:

- is to be endorsed by the Financial Delegate
- provides full details of the process and the offers received
- addresses how each offer met or did not meet the evaluation criteria
- ranks offers in an order of merit according to their evaluation scores
- recommends acceptance of the highest ranked offer
- once a draft [FO10.03d Evaluation and Recommendation Report](#) is prepared, it should be discussed with the members of the Evaluation Committee, fine-tuned and signed by each member and
- the [FO10.03d Evaluation and Recommendation Report](#) is then submitted by the Evaluation Committee to the authorised Financial Delegate for consideration and approval.

6.24 Contract information

The written contract must be an accurate reflection of the terms and conditions nominated in the request documentation and must take account of any matters of significance emanating from the post-evaluation negotiation process. Contracts must be fair and reasonable and protect Icon Water and its interests, both in the performance of the contractual arrangement and against any possible civil action.

It is important that any changes to the terms and conditions of the Icon Water standard contracts are approved by the Legal and Secretariat team.

6.25 Modification, retendering or cancellation of a procurement process

If at any stage during the procurement process the Evaluation Committee, Project team and/or Delegate determine that a substantial modification, re-tendering or cancellation of the original market approach is required.

6.26 Contract execution

The Financial Delegate executing the contract must be satisfied with the contract negotiation outcomes and the final contract. The financial delegations schedule outlines who are the financial delegates for contract values and types.

Once the terms, conditions and arrangements are agreed between Icon Water and the selected Supplier.

- The next steps (as required in this process) are:
 - preparation of two (2) final contracts for execution by the Financial Delegate
 - submission of the two contracts to the preferred Supplier for signing
 - on receipt of the returned original signed contracts (scanned copies are not acceptable), they must be countersigned by the Financial Delegate and
 - after signing of the two original copies of the Contract, one copy is provided to the Supplier, and the other is uploaded on the Icon Water record management system by the Finance Support team with a copy to the respective Business Unit.

6.27 Notify unsuccessful suppliers

Unsuccessful Suppliers must be notified separately in writing using the [FO10.03ae Letter of Unsuccessful Tender](#) and given the opportunity for a debriefing after firm agreement has been reached with the preferred Supplier and the contract has been signed. Debriefings should follow and indicate where and why the offer was deficient or not preferred.

Information about other Supplier offers must not be divulged or discussed under any circumstances.

All debriefings must be documented and filed, and conducted by at least two people. Debriefings may be provided over the phone, or (if requested by the Supplier) in person.

7. Phase 3 – Contract management

This section references procurements greater than \$30,000 and where an Icon Water contract is signed.

Contract management is Phase 3 of the procurement process where there is a contract that has been negotiated and signed. This phase commences with the execution of a contract or other type of commercial arrangement with a Supplier including the development of a [FO10.03e Contract Management Plan](#) by the Contract Manager, and ends when all goods and services are received and both parties have met their contractual obligations.

Contracts need to be managed effectively to ensure that financial and operational risks are minimised, Supplier performance is optimised, and value for money is maximised.

7.1 Contract start up

After a contract has been awarded, it is important that the Contract Manager and Contract Administrator understand the contract provisions and contractual relationships. In particular, a detailed review of the contract at start up may identify issues that require clarification or elaboration with the Supplier, and this should be done as early as possible.

The Senior Procurement Specialist and Contract Administrator can assist the Contract Manager in understanding the responsibilities and obligations of the parties and how best to manage the contract.

There may also be situations where the contract requires a transition to a new Supplier. In these situations, it is important to minimise the risk of reducing or losing services during the transition. Depending upon the complexity of the contract, a transition plan may need to be developed to plan and manage the transition.

7.2 Contract commencement meeting

The purpose of the commencement meeting which is facilitated by the Contract Administrator is to establish an open line of communication, introduce Icon Water and Supplier team members, and achieves a clear and mutual understanding of all contract and service delivery requirements and to review Environment, Health, Safety and Quality (EHSQ) policies and procedure.

An agenda should be developed and tailored to each specific contract and the meeting should be formally recorded. Topics to be included are:

- overview of the procurement
- supplier's approach and internal processes to the procurement including quality assurance measures
- initial induction of the Supplier's staff and their responsibilities
- provide instructions for written and verbal communications
- review the schedule and frequency of meetings as agreed
- review dispute reporting, escalation and resolution procedures
- review the invoicing process. Suppliers to be informed of the information, support and format required in order to process payments promptly
- review the process for requesting a change order or contract amendment and
- review any acceptance criteria and review process as required by the contract.

7.3 Contract management plan (CMP)

The [FO10.03e Contract Management Plan](#) is used by the Contract Manager and the Contract Administrator to manage the contract from execution through to contract completion. It is a formal document which is developed by the Contract Manager and approved by the Business Owner. All high value procurements above \$750,000 must have a CMP. A well-defined CMP will address the following:

- Supplier performance measures and performance monitoring
- contract performance monitoring

- inspection and or testing
- disputes and unsatisfactory performance
- communications with the suppliers, end users and stakeholders
- records management
- transition arrangements and or
- Icon Water contractual obligations.

7.4 Contract record keeping

Icon Water must maintain an original version of all contracts on file in the records management system. Comprehensive and accurate records must be kept to establish and maintain an audit trail in relation to responsibilities, claims, payments, negotiations, agreed changes, incorrect deliveries, poor service and other significant activities.

The following information must be filed for retrieval at a later stage, if required:

- a copy of the current contract and all modifications
- CMP when applicable
- a copy of all specifications, drawings or manuals incorporated into the contract by reference
- a reference list or a list of prior contracts with the specific Supplier (if they offer valuable historical data)
- maintain an issues log detailing any issues that arise throughout the contract and document how and when they were resolved
- a list of Supplier submittal requirements
- a list of Icon Water furnished property or services
- a list of all information furnished to the Supplier
- a copy of the pre-award meeting summary, if conducted
- a schedule of compliance review, internal correspondence, if applicable
- a copy of all general correspondence related to the contract
- the originals of all Supplier data or report submittals
- a copy of all routine reports required by the contract such as service level reports, pricing schedules, approval requests, and inspection reports
- a copy of all notices to proceed, to stop work, to correct deficiencies, or change orders
- a copy of all letters of approval pertaining to such matters as materials, the Supplier's quality control program, prospective employees, and work schedules
- the records/minutes of all meetings, both internal and external. Include sign-in sheets and or agendas
- a copy of all information relative to discount provisions for prompt payment, letters pertaining to contract deductions or fee adjustments and/or
- a copy of all backup documentation for Supplier payments or progress payments, and copies of any audits.

7.5 Monitor supplier performance

The Contract Manager and the Contract Administrator in consultation with the Supplier set Supplier performance targets and monitor actual outcomes during the course of the contract as a vital contributor to successful Supplier relationships.

Key performance indicators (KPI) or service level agreements (SLA) and attainment targets are detailed in the initial RFX documentation and incorporated into the subsequent contract.

The implications of under- or over-achievement against agreed targets need to be clearly spelled out within the contract in the form of appropriate sanctions or rewards.

It should be noted that Supplier performance measurement:

- provides an objective measure to ensure Icon Water gets what it is paying for on time and within budget
- assists with Supplier communication
- identifies any performance issues throughout the contract cycle
- creates and maintains a permanent knowledge record on Supplier performance for future use
- provides a benchmark from which to measure improvement and or
- Supplier performance measurement should be communicated at contract review meetings that are held with the Supplier to consider the results and agree action plans, where necessary, for improving performance.

Formal records of Supplier performance are essential supporting evidence should it be necessary to take action in a contract dispute, or in the extreme cases termination of the contract, however this step must be managed in direct consultation with the Legal and Secretariat team.

7.6 Monitor contract performance

Contract performance refers to a range of activities to measure and monitor the effectiveness of the contract, the Supplier and Icon Water. It encompasses Supplier performance but also looks at the effectiveness of the contract itself and if Icon Water is meeting its contractual obligations.

During the contract life-cycle, the Contract Manager and the Contract Administrator must continually assess whether the contract is driving the desired Supplier performance, outputs and satisfactorily mitigating Icon Water's risks.

The Contract Manager and the Contract Administrator should also monitor the contract utilisation and off contract expenditure. Where contract outcomes or outputs are not as intended it could be that the contract itself is deficient and could need to be:

- managed more closely
- require a formal contract variation
- require changes to internal processes and or
- a combination of all of the above.

The Contract Manager and Contract Administrator must also read the contract carefully and fully understand all of Icon Water's obligations and ensure that they are met. Failure to meet obligations could result in Icon Water being liable for a breach of contract action. Some key obligations Icon Water may include:

- invoice payment terms
- EHSQ site inductions
- forecast requirements to guarantee lead times
- stock liability (exclusive stock purchase requirement)
- access to site or systems requirements; transfer of intellectual property (designs, drawings, maps, data) and
- the contract should be managed in accordance with the CMP developed.

7.7 Example of contract performance KPIs

This list below is not an exhaustive and should be a guide. They should be established during Phase 2 and detailed in the Supplier contract.

Specific KPI	Purpose	Measure	Criteria
Procure to pay cycle	Part of the business cash cycle. Measuring terms will aid the business cash days.	Receipt to remittance vs. contract term in days.	+20-0 days
Spend review	To monitor spend over contract life in line with forecast/original contract value.	% of spend vs. approved expenditure.	Refer <i>Business Case</i>
Purchase order management	To monitor and correct potential errors in purchase orders issued.	No off % of orders placed vs. orders requiring correction/change.	95%
Supplier performance meeting	To ensure regular Supplier performance meetings are scheduled.	Conduct Supplier performance meetings, calendar of meetings per month/QTR/Year vs. meetings chaired.	98%
Relationship management	Maintain the relationship with the Supplier to benefit Icon Water Supplier response questionnaire.	Issued Supplier Satisfaction Survey (SSS) for all contracts month/QTR/Year vs. responses. (Could be timed with Supplier meeting.	85%
Benefit realisation	Analyse during the performance of the contract the business is obtaining the anticipated benefit.	Analysis through ERP systems; objective analysis via Business Owner engagement.	Q&A Survey Response
Reporting	To output performance data to the Business Owner. Collation of pre-determined data formatted for rapid display.	Monthly reports completed as required in accordance with business unit calendar.	100%
Delivery- In-Full- On- Time (DIFOT)	In full. On time.	Delivery- In-Full- On- Time. It is the measure of the goods and services correctly receipted in correct qty on time.	
Response time	Response to issue. Response to order.	Monitor Supplier speed of response to order acknowledgement and matters requiring attention.	90% 95%
Defect	Compliant to contract SOR. Fit for purpose.	To monitor quality performance of goods and services supplied.	100% 98%
Business system	Invoice accuracy.	Reduce waste time dealing with document corrections.	0 (or 100% accuracy)
EHSQ	Corporate responsibility.	Supplier alignment with Icon Water goals and principles.	90%
Business partnering	Supplier performance meeting Attendance.	To ensure regular Supplier performance meetings are scheduled.	95%
Reporting	Report and records.	To output performance data to the contract owner. Collation of predetermined data formatted for rapid display.	98%

7.8 Contract reporting

Reporting includes the Contract Manager and Contract Administrator reporting to general managers, cost centre managers or other governance groups. There are generally three (3) types of reports:

- status reports and
- performance reports.

All three (3) types of reporting serve useful functions and may be used during the contract term.

7.9 Status reports

This type of report is particularly useful for projects or contracts where there are identified milestones or deliverables. Contracts that are managed for capital works activities will be reviewed through existing governance arrangements that monitor overall project performance.

For operating activities it is important that Contract Manager with the assistance of the Contract Administrator provide status reports to the relevant Cost Centre Manager and or Project Sponsor.

These reports should describe what work is complete and what work is pending, and that status should be contrasted against the contract schedule. Only work that has been verified as completed or accepted should be categorised as complete.

If there are any unresolved issues that Icon Water is contractually obligated to resolve, those issues should be included in the status report and a resolution should be requested.

If the contract does not provide for periodic status reports, Icon Water should ensure that the Supplier is making sufficient progress. This may be accomplished by requesting a status updates from the Supplier or a site visit to view the progress.

7.10 Performance reports

Describes the Supplier's performance against criteria specified in the contract. This type of report is critical for understanding and determining if a Supplier is meeting their contractual obligations. The content of the performance report should align with performance criteria set out in the contract. The information for these reports must be verifiable through Icon Water systems. The results should be discussed at Supplier meetings and could form the basis for seeking performance remedies.

All contracts should have a minimum quarterly performance report run to ensure that any performance issues are identified and addressed early.

Icon Water may ask a Supplier to provide data (e.g. for dispatch of orders), but any full reports provided must be read objectively. Icon Water should not seek to rely on Supplier's reports and should always attempt to confirm Supplier reports against Icon Water available data.

7.11 Monitoring methods

There are different types of monitoring available, including but not limited to:

- site visits
- performance reviews and
- cost reviews.

7.11.1 Site visit (full and limited scope)

- full scope site visits are typically scheduled visits to the Supplier's place of business
- they are based on risk assessment and cover a broad range of contract compliance and performance issues
- limited scope site visits typically focus on a particular problem.

Examples of some typical reasons for considering a limited scope site visit are, but are not limited to:

- other suppliers have experienced problems in a specific area, and there is an indication that this Supplier might be experiencing the same problem
- inconsistencies in the process are identified and clarification from source documents is required
- Supplier has provided a corrective action plan for a problem, including WHS breaches, but Icon Water is not certain that the proposed solution will resolve the problem
- quality issues are identified and an inspection of the manufacturing process is required and or

- stock holding and shortage issues are occurring.

7.11.2 Performance review

Typically, these are Icon Water reviews of reports submitted by the Supplier. Icon Water should review the reports and compare:

- the actual performance against the contractual requirements. Is the Supplier performing in accordance with the contract requirements
- actual expenditures to the approved expenditure. Is the Supplier following their agreed milestone/payment schedule
- the current periods to prior periods. Are there any unexplained trends? Is the Supplier performing work significantly different from the last period
- what the current Supplier is doing in comparison with other Suppliers performing similar work
- the relationship between key components of the report, such as:
 - the cost per unit of service or the percentage of the fees charged to the project
 - the change in variable costs compared to the units of service provided.
- the report with what is known about the Supplier's operating environment. Did an incident recently increase/decrease the cost of goods and services or is the cause of a temporary reduction in services provided.

7.11.3 Cost review

These are reviews of Supplier invoices that are undertaken by the Business Units with the assistance of the Finance Support team or the Senior Procurement Specialist and or the Contract Administrator. It is important to review periodically if the rates and services are the same as allowed by the contract. If the Supplier consistently provides incorrect invoices and/or the supporting document is insufficient to support the request, then additional monitoring such as an on-site visit may be necessary.

7.12 Monitoring by third parties

In some instances, the obligation of monitoring the progress of a contract is assigned to third party. For example, in the case of a construction contract, the task of ensuring progress in accordance with the contract may be performed by the architectural firm that provided the construction plans. For highly technical work, consultant subject matter experts may perform monitoring services independently or in conjunction with Icon Water staff. Seek advice from the Senior Procurement Specialist, if required.

7.13 Dispute resolution

If, despite all your best efforts, the Supplier's performance is unsatisfactory and meetings and discussions with them are not improving performance, you may need to begin dispute resolution.

The goal of any dispute resolution process is to resolve all problems before they escalate to the next level. Icon Water staff should respond promptly to all Supplier enquiries. Initial steps to be taken are:

- identify the problem – many times what may appear to be a problem can be resolved by providing the Supplier with information or clarification
- Icon Water should then determine the appropriate course of action, ensuring that Legal and Secretariat team and the Senior Procurement Specialist have been appropriately consulted before action is taken
- proper dispute resolution is a core skill of successful contract management. Identification of problems early in the performance period, effectively communicating and formalising the process in writing
- research facts – Icon Water should obtain all the information regarding the potential problem from all relevant sources, including the Contract Manager, Contract Administrator and the Supplier

- evaluation – Icon Water should review all of the facts in conjunction with the requirements, and terms and conditions of the contract and or
- a contract termination is a failure by both parties to contract. Termination is the last resort that rarely needs to be done.

7.14 Contract payments

All payments must be raised via Oracle.

In cases where more than one purchase order will be raised for contract utilisation and payment, the Contract Manager should put in place a *Blanket Purchase Agreement* (BPA) or a *Standard Purchase Order*.

For construction activities where a project's where milestone/progress payments are required, the Contract Manager who is usually the Project Manager Must first sign-off that the milestone has been completed to their satisfaction before payment is made (this requires that the Supplier's progress be measurable).

Cost incurred or invoices submitted alone are not sufficient indicators of the Supplier's performance. If the Contract Manager believes the requested payment exceeds the Supplier's progress, an explanation should be requested from the Supplier.

Payments must be made within 30 days (or as otherwise stated in the contract or security of payments obligations) of the goods and services together with a correctly rendered tax invoice being received. The tax invoice should be reviewed to ensure:

- the Supplier is billing only for goods and services received by Icon Water
- the goods and services have been accepted
- the invoice is correct and complies with the terms and conditions of the contract
- the total payments do not exceed the contract limits
- a Delegate with the relevant level of delegated authority has approved expenditure
- the account has not previously been paid
- invoice is in the name of the Icon Water
- expenditure is recorded against the correct charge code(s) as described in the delegates approval and or
- meets Icon Water's invoice requirements.

7.15 Withholding payment

The Contract Manager has the responsibility to protect the interests of Icon Water and under appropriate circumstances, it may be necessary to withhold payments from Suppliers.

Circumstances where it may be necessary to withhold payment include, but are not limited to:

- there is a material breach of the contract by the Supplier
- errors in the invoice
- unsupported and/or undocumented costs
- to remedy previous overpayments on the same contract and or
- Supplier's performance is non-conforming or unacceptable.

7.16 Change contract variation

Throughout the term of the contract, it may become necessary to make changes to the contract. These changes can be minor administrative changes, such as a change of address; or they can be substantial changes that affect the price and delivery.

Failure to manage and control changes can result in an unintentional modification to the scope of work, extension of the schedule, increase in the contract cost, circumvention of management controls and diminished Supplier accountability. Considerations in managing changes include:

- formal, written approval of all changes prior to the change-taking place including a review by the Legal and Secretariat team. The Supplier is not to commence activities on a change before the change is documented and approved in writing.
- evaluation of the impact of each change to the contracting objective, the corresponding deliverable and/or products, the schedule, cost, and increase in Icon Water overhead resulting from the change, impact to work in progress/completed work, standards, and acceptance criteria
- if the contract contains a contingency allowance, develop a plan for how it draws against this allowance, and how it will be requested and approved
- document all changes, (no matter how small) and avoid any informal undocumented change process
- establish a single point of contact to recommend or authorise change. Document the change as approved or disapproved. If a change is approved, document the change and the impact to the scope of work through a contract variation or purchase order change notice, whichever is applicable.

7.17 Drafting contract variation

Contract managers and the Contract Administrator where appropriate in consultation with the Legal and Secretariat team must ensure that a contract variation:

- is clear, concise and spells out the Supplier's obligations
- is justifiable and based on valid reason(s)
- includes an assessment of the performance of the Supplier
- is reasonable as compared to the whole of life value of the contract, whether the variation is based on contract rates, accepted quantities or some other relative costing mechanism such as cost plus margin, etc.
- is submitted in a timely manner to allow sufficient time for the endorsements to be obtained
- is accepted or rejected in writing in accordance with the contract. If the advice is of a rejection of a variation, the reason(s) for the rejection is to be contained in the written advice
- is approved by the Financial Delegate and
- is uploaded on the records management system.

7.18 Administration changes

These changes are within the scope of the contract and do not affect or alter the rights of the parties. Examples of changes include:

- changes in billing instructions or address
- corrections of typographical errors not affecting the substance of the contract
- changes as permitted by the specific contract language
- changes in Icon Water personnel assigned to the contract and or
- any agreed changes identified in the contract.

A formal contract variation is not required for administrative changes; however agreement of both parties must be obtained in writing.

7.19 Substantive changes

Contractual changes affect the rights of both parties. Such changes require bilateral amendments (agreements by both parties) after they have been reviewed by the Legal and Secretariat team. Examples of substantive changes include:

- changes by increasing/decreasing the price of the contract
- changes in the delivery schedule

- changes to the scope of the contract (i.e. adding/removing services)
- change by increasing/decreasing the quantity
- change or nature of deliverables (i.e. the specifications)
- change of key personnel (i.e. defined roles and people)
- change of any terms and conditions
- changes by adding/removing KPI's or SLA's
- change in corporate identity or structure i.e. novation and or
- enacting an extension option, where the financial approval has already been received.

If a pricing increase is to occur, the appropriate Financial Delegate must approve the increase variation unless an approved contingency amount is available for use as part of a larger project budget

7.20 Constructive changes

If a Supplier perceives that Icon Water ordered work beyond the scope of the contract, the Supplier may claim that the contract was “constructively” changed, and the Supplier may be entitled to additional compensation for the changes. Generally, a constructive change will require a bilateral amendment (agreements by both parties).

Constructive changes may occur when Icon Water staff:

- provide suggestions to a Supplier
- accelerate the delivery schedule
- direct the work to be performed differently; change the sequencing of the work
- delay accepting or rejecting deliverables
- delay reviewing invoices and approving payment and or
- interfere with or hinder performance.

The contract variation assessment is to be carried out by the Contract Manager and reviewed by the Legal and Secretariat team. Once the variation has been appropriately assessed and prepared for implementation, it must be approved by an appropriate Financial Delegate.

7.21 Increase in contract value

In instances such as where Icon Water has the need to purchase more items from the contract than what was originally approved the following endorsement process must be followed:

- in all cases where there is a change in contract value, endorsement must be obtained from the Senior Procurement Specialist for approval by the Financial Delegate
- where a contract variation is based on clear criteria agreed to in the original contract (i.e. latent conditions or price variations in accordance with a specific formula) endorsement must be obtained from the Senior Procurement Specialist prior to seeking the appropriate Financial Delegate approval and
- *Purchase Order* or *BPA* should be updated to reflect approved change in value.

7.22 Price reviews

A contract should clearly define the price review mechanism. Updating pricing in accordance with a pre-determined specific formula is not a contract variation.

If the contract has an open price review mechanism that is to ‘be agreed between the parties’ or ‘subject to benchmarking or negotiation’, the result would be a contract variation with a new pricing schedule issued. If the forecast expenditure will exceed the original approval, the Contract Manager must seek additional financial approval from the Financial Delegate before proceeding.

The Contract Manager must, as a minimum:

- check that the price review is in accordance with the contract

- check current and forecast expenditure will not exceed approved limits
- review *Statement of Requirement* and *Technical Specification* to ensure it meets business needs (if changes are needed a Contract Variation will be required)
- review Supplier performance
- draft a memo to file outlining the due diligence undertaken and maintaining any supporting documentation and
- formalise the new price period through:
 - email but it needs be acknowledged or
 - if by negotiation and agreement, through a formal contract variation.

7.23 Contract completions

The purpose is to verify that both parties to the contract have fulfilled their contractual obligations and there are no responsibilities remaining. In addition, contract completion is the time to assess the success of the contract and determine if there are any lessons learnt for future contracting.

A contract can be discharged in two (2) ways:

- all obligations under the contract are fulfilled or
- not all obligations have being completed.

When all obligations are not completed, a contract can be terminated in a number of ways including mutual agreement or discharge; release; waiver; or novation or substitution.

The Contract Manager should seek advice from the Legal and Secretariat team for appropriate courses of action.

7.24 Contract obligations are met

A contract is completed when all goods and services have been received and accepted, all reports have been delivered and accepted, all administrative actions have been accomplished, all Icon Water furnished equipment and material have been returned, and final payment has been made to the Supplier.

To initiate the completion process, Icon Water should first determine that the Supplier has satisfactorily performed all required contractual obligations. A contract is ready for completion when:

- all deliverables, including reports have been delivered and accepted by Icon Water. Contract managers should compare actual performance against performance measures, goals and objectives to determine whether all required work has been completed
- final payments have been made
- all monitoring issues have been resolved
- all property inventory and ownership issues are resolved including disposition of any equipment or licenses purchased under the contract
- final acceptance from the Contract Manager has been received (if applicable)
- all necessary contract material, information and clearances have been obtained
- Supplier is aware of and in compliance with records retention requirements, and a plan has been developed for contract file maintenance
- adequate provision for warranties and defect liability periods have been made
- any deficiencies found as part of the completion process are documented and communicated to all appropriate parties
- return any Supplier equipment on Icon Water premises that facilitated the supply of goods and services and
- the Supplier's access to the premises and computer networks access have been terminated.

7.25 If contract obligations are not met

Where it is considered necessary to end a contract with all obligations not being completed, or for convenience, careful consideration of the risks associated with the obligations not being met must be taken before terminating the contract. If the risks are acceptable by the Business Unit then terminating the contract is acceptable.

7.26 Managing a transition plan (when applicable)

Prior to the original contract ending, a procurement process with an approved *Business Case* needs to be undertaken and completed, unless the Business Unit has deemed that the goods and services are no longer required. This would normally result in a procurement process being conducted for the engagement of a new Supplier in parallel with the continued provision of services by the existing Supplier.

To manage the transition arrangements, and to minimise the risk of not achieving a seamless transition, a transition plan needs to be established before or at the commencement of the procurement process. The plan should include:

- a description of how the procurement process will be conducted, including outlining how the existing Supplier will be prevented from accessing any material relating to the procurement process that is not for public viewing
- handover arrangements, including outlining how the processes for the new service provider will be provided in parallel with the existing Supplier
- identification of records, information, equipment and other assets and how these will be transferred from the existing Supplier to the new Supplier
- a communication plan identifying ways of keeping stakeholders informed of the new service arrangements and
- the development of the *Transition Plan* needs to be undertaken by the Contract Manager in consultation with the existing Supplier and the Contract Administrator. All parties must approve the plan.

7.27 Evaluate lessons learnt

It is good practice for the Contract Manager in conjunction with the Contract Administrator to undertake a contract evaluation once a contract has been completed, particularly for complex contracts.

The purpose of the evaluation is to identify weaknesses in the process, and strengths and lessons learnt that could be applied to other contract management activities.

The evaluations would include:

- reviewing all aspects of contract performance and management
- evaluating the outputs and outcomes of the contracted activity
- assessing effectiveness of the contract through feedback from stakeholders
- identifying reasons for problems arising and appropriateness of remedial action and
- reporting on lessons learnt to improve future performance.

8. Phase 4 – Purchasing

Purchasing is Phase 4 and is defined as those transactional processes concerned with the acquisition of goods and services, including the payment of invoices. The Oracle iProcurement module is used as the technology enabler to undertake the purchasing process. Purchasing can be either a catalogue or non catalogue ad-hoc/emergency purchase. Refer to [WI10.03.03 Non Catalogue Ad-Hoc/Emergency Purchases](#) for further details. The key tasks in the purchasing process are below.

8.1 Requisitioning

The identification and documentation of the type and volume of the goods and services required. All purchasing must start by raising a requisition in *iProcurement* and in accordance with procurement threshold requirements.

8.2 Approving

This is a formal acknowledgement as to:

- the need for the types and volumes of goods and services requested and
- financially commit the organisation for the necessary expenditure.

8.3 Ordering

Advise the supplier of the types and volumes of goods and services required and the terms and conditions of supply.

8.4 Receipting

This is the formal acceptance that the goods and services delivered is in accordance with order specifications or formal rejection of goods and services delivered are not being in accordance with the order specifications.

8.5 Paying

Payment for the goods and services that have been received in accordance with the order specifications.

8.5.1 Standard purchase orders

A *Standard Purchase Order* should be created for a **ONE TIME PURCHASE** of various items, where agreed terms and conditions do not exist. Standard purchase orders are created when all the details of the goods or services required, estimated costs, quantities, delivery schedules, and accounting distributions are known.

8.5.2 Blanket purchase agreements

A *Blanket Purchase Agreement* should be created and implemented when:

- there are agreed terms and conditions
- the effective dates are specified
- there is a fixed total spend amount and
- line items have fixed amounts per usage for the life of the agreement.

8.5.3 Blanket releases

Issue a *Blanket Release* against a *Blanket Purchase Agreement* to place the actual order (as long as the release is within the blanket agreement effectivity dates).

8.5.4 Cancellation of or variation to a Purchase Order

Previously placed *Purchase Order(s)* can only be cancelled or varied by the appropriate Business Unit that initially requested the *Purchase Order*. Requests for cancellation or variation must be made in writing and authorised by the original approving Delegate. The Business Unit will confirm the changes to the supplier.

8.5.5 Receipt of goods and/or services

Goods and/or services supplied under contract must be delivered and received in accordance with the contract arrangements. Deviation to the contract arrangements should be reported to the Contract Manager and the Contract Administrator as part of the contract review process. Icon Water may undertake a process of periodic assessment and confirmation of goods/services provided.

The Business Unit undertaking the procurement must ensure that goods and or services received meet Icon Water's expectations. These expectations will be outlined in any specifications, or in a contract/agreement as a result of a tender or quotation process.