

Procurement and Purchasing Policy (District)

This policy outlines Southern District Health Board's (Southern DHB's) position regarding staff obligations when purchasing items or supplies for the organisation.

Policy Applies to

All employees and Board members of Southern DHB, including temporary employees and contractors, must comply with this policy.

It also applies to any person who is involved in the operation of Southern DHB, including joint appointments, volunteers and those people with honorary or unpaid staff status.

Policy Summary

This policy covers procurement and purchasing processes for goods and services and health service contracting within Southern DHB.

It is essential that parties responding to invitations to provide goods and services, interested groups, and the public at large, are able to have confidence that the DHB's normal procurement, purchasing, tendering and selection processes have been impartial and fair, with no party being given advantage over another or discriminated against.

The purpose of this policy is to assist all Southern DHB employees, contractors and Board members involved in the procurement process for goods and services to:

- Perform their duties in a way which is ethical, fair, unbiased and not affected by any self-interest or personal gain.
- Ensure that all purchasing is controlled, evaluated and co-ordinated, and that those resources are used in an effective and efficient manner.
- Identify situations where tendering should occur and the processes to be followed.

Definitions

For the purposes of this document, Southern DHB will be referred to as the DHB.

Procurement is the acquisition of goods and/or services at the best possible total cost of ownership, in the right quantity and quality, at the right time, in the right place and, generally, via a contract between the buyer and seller.

Purchasing is the placing of the order and receiving of the goods.

Simple procurement may involve nothing more than repeat purchasing.

Complex procurement could involve finding long-term partners and undertaking tendering processes.

Contestable process means a market-based process where two or more suppliers are able to competitively bid for goods or services. In some cases, a single supplier may be involved if they have been established as a preferred supplier from a previous contestable process.

Internet procurement (IP) is a module of the Oracle Financials system (Oracle) to enable online ordering of goods and services.

Catalogue items are those items entered into Oracle electronically and made available by internet procurement. Catalogue items are pre-approved for use.

It is expected that all items on the catalogue that have an annual spend of more than \$100,000 will have been subject to a full tendering process and be under contract.

It is expected that all items on the catalogue with an annual spend of between \$10,000 and \$100,000 will have been subject to a contestable process.

Non-catalogue items are those items ordered through internet procurement and are generally items that are not frequently used.

These items are sometimes used as alternatives to catalogue items when they are not available. Additional approvals are needed to source non-catalogue items.

Electronic approval hierarchy is an automatic workflow that is initiated with the ordering of the item on the DHB's Intranet Procurement site and used for invoice approvals. Approval limits are set as per the Delegation of Authority Policy (District) (21584).

Capital asset items are those that have an expected life of greater than one year and a cost of more than \$500 for one item or for the group of items purchased at the same time.

Capital assets have a slightly different approval process - refer to the Capital Expenditure Policy (District) (14479), however the processes described in that document and the Tendering Policy (25011) apply to capital items.

A **conflict of interest** refers to a situation in which private interests or personal considerations may affect an employee's judgement and/or ability to act in the best interest of the DHB as is required - refer to the Conflict of Interest Policy (27894).

It includes using an employee's position, confidential information or employer's time, material or facilities for private gain or advancement either directly or indirectly or the expectation of private gain or advancement.

It is also where an employee's position with the organisation may be compromised due to their relationship/or position within an external agency or organisation, particularly if the needs of both organisations are conflicting.

A conflict may also occur when an interest benefits any member of the employee's family, friends or business associates either directly or indirectly.

Probity is defined as uprightness, honesty, proper and ethical conduct.

A **non-government organisation (NGO)** is an organisation that is independent or outside of the government (either central or local). In relation to this policy, the definition refers to organisations that deliver health services but are not government owned.

Expectations

Support Service-based Function

Procurement and Purchasing are service-based departments to support service delivery by providing guidance and assistance with procurement and purchasing functions.

The departments are also responsible for recommending and developing the procurement/purchasing strategy for the DHB.

Key Principles

The overriding consideration when procuring products and services will be to ensure value for money and quality of service. This will be assured by clear and fair processes and procedures based around the following key principles:

- Acting at all times in the best interest of the DHB subject to due consideration of national procurement initiatives in the best national interest.
- Compliance with this policy and key principles by all employees, contractors, NGOs and suppliers.
- Obtaining the best quality service, technology and price for goods and services procured based on total cost of ownership (TCO), which includes monetary cost components (e.g. price, inventory cost, distribution, operating cost, including support and maintenance) and non-monetary cost components (e.g. IT system integration).
- For health service contracting, ensuring equity of access, value for money, service coverage and national service framework requirements are met.

- Acting fairly and transparently.
- Communicating in an open and timely manner.
- Standardisation where appropriate to ensure safety and achieve cost benefit.
- Appropriately meeting the clinical and work needs of those who use the goods and services.
- Compliance with relevant statutory and other legal requirements during the procurement process.

Business Ethics and Conduct

Southern DHB is committed to the highest level of integrity and ethical standards in everything that we do. As employer and employees we must be fair, impartial, responsible and trustworthy at all times. We must always conduct ourselves in a manner consistent with current ethical, professional, community and organisational standards, and in compliance with all legislation.

Any purchaser on behalf of the DHB is accountable for the use of public monies. All purchasers, therefore, should reflect if their purchase will be value for money and will be used for the purposes it was provided.

Avoid Conflicts of Interest

Any staff involved in purchasing on behalf of the DHB must disclose in writing any actual or apparent conflicts of interest which may impact on their work performance or may influence their decisions around preferred suppliers - for more information refer to the Delegation of Authority Policy (District) (21584) and Conflict of Interest Policy (27894).

Staff must not use their role or position to gain advantage in their private life, for example by arranging jobs / transfers / benefits for family or friends.

Rules for Gifts, Benefits or Rewards

Staff are not permitted to ask others for any reward other than the remuneration paid by Southern DHB or other legal entitlements received as an employee.

Gifts of money are not to be accepted by individual employees under any circumstances. This is expressly prohibited under the Delegation of Authority Policy (District) . Entities may gift funds to the DHB by way of donations and this is described in Donated Funds (16100).

No gift, regardless of monetary value, should be accepted if it could potentially cause (or be perceived by others as causing) staff to feel any obligation toward the gift giver. This is particularly relevant for those employed in a current tendering / purchasing process or responsible for monitoring a contract involving the parties that are offering the gift. Whilst being involved in any tender process, accepting a gift of any value is prohibited.

Any gifts or benefits received with a value over \$200 must be reported to an employee's manager, who will inform the chief executive officer (CEO). Refer to schedule 1.08 of the Delegation of Authority Policy (District) (21584). Actions the CEO could take but is not limited to, include:

- Decline the gift if a conflict of interest exists.
- Allow the gift to be accepted by the individual employee.
- Donate the gift towards an organisational purpose or other worthwhile cause.

An electronic Gift Register is available via the Intranet (Otago) for the recording of all gifts, regardless of value.

Legal Considerations

DHBs can be subject to judicial review proceedings, Ombudsman investigations and other types of review or legal action. It is important that procurement practices comply with relevant statutory and legal requirements at all times. Failure to adhere to appropriate requirements can have serious financial and reputable consequences for the DHB.

DHBs can act only in accordance with their statutory powers under the New Zealand Public Health and Disability Act 2000 and other enabling legislation. To this end, DHB representatives can only exercise financial delegations and other functions in accordance with its statutory powers, and for the purpose of achieving the respective DHB's goals and policy.

Contractual Term

Each procurement process and resulting contract can vary in its terms depending on the nature of the item, the competitive environment and complexity of the procurement plan.

The DHB will generally look to contract for periods of two to three years. However, Procurement can advise on the appropriate strategy to ensure best value for money. Contracts may be for longer periods to encourage strong supplier relationships and where the cost of change is high or significant investment or innovation is expected from the supplier or NGO.

Any contractual term above three years requires specific Board approval regardless of the value of the contract. This will exclude all national contracts as per the Delegation of Authority Policy (District) (21584).

Purchasers should take care when dealing with NGOs and whether they have the legal capacity to contract. This should not exclude them from activities but may require further information in understanding DHB liability. The legal form of the NGO may be relevant, e.g. trusts.

Rollover of a contract is when a contract has expired and the practice in the DHB has continued as if it is still in force, or an expired contract is copied and re-signed without an appropriate process. Rollover of contracts is not allowed. If required, a new contract based on an expiring contract, can be renegotiated with new contract expiry dates.

This is different from a contract that has allowed for a further term based on variables, such as performance. For example, a contract that has a two-year plus extension of two years if the expected performance has been achieved. For the purpose of delegation, this is a four-year contract term. This is often described as 'a right of renewal clause'.

Fraud or Misconduct

Any suspected fraud or misconduct in relation to procurement processes should be fully investigated and dealt with in accordance with the Fraud Policy (District) (25546) and the Code of Conduct and Integrity (District) (18679).

Non-compliance with Requirements

Failure to follow relevant policies and requirements for procurement practice may constitute a breach of the DHB's Code of Conduct and Integrity Policy and/or Disciplinary Policy (District) (55569).

All employees, under the Delegation of Authority Policy (21584), have a responsibility to use that authority in alignment with this policy.

Departments must not prepare, design or otherwise structure or divide any stage of the process so as to avoid application of policy requirements.

Use of a third party as an agent or consultant to advise on, arrange, or manage a procurement process does not remove from individuals or departments the obligation to comply with these policy requirements, where applicable.

Complaints

Any serious or unresolved complaints about procurement practices should be referred to the chief operating officer (COO) or, for health services contracting, to the general manager (GM) of Planning & Funding.

Training and Competencies

Staff involved in procurement activities should have the necessary competencies and receive appropriate training.

Market Considerations

When undertaking procurement activities, regard must be given to the impact any decisions may have on the marketplace. Consideration should be given to potential issues of market competition (e.g. Commerce Act 1986 requirements) as well as the need to ensure supplier/NGO sustainability and longer-term choice of options within the market.

Supplier Relationships

For key suppliers, structured business reviews will be facilitated by the Procurement Department with the participation of DHB business owners at an appropriate frequency. Ongoing contract management is an important part of the contract life cycle and is essential in ensuring ongoing quality of services and productive working relationships.

For NGO health service contracts, the business relationship is maintained by the Planning & Funding Department.

Non-discrimination

All suppliers must be given equal opportunity and equitable treatment on the basis of their financial, technical, or commercial capability.

Environmental Responsibility

For all purchases the environmental impact must be considered. This includes cost and toxicity of disposal, increase to waste product and impact of products on the environment. The DHB will seek to minimise its 'carbon footprint' where practical and possible.

Whole of Life

Any purchase that is made will have ongoing impacts and cost to the organisation. A key principle of this policy is the total cost of ownership; supporting this is the principle of whole of life. This means ongoing operational costs associated with the contract and the requirement for ongoing monitoring and review of performance against contracts.

Regional and Syndicated Procurement

Southern DHB is committed to working collaboratively throughout the DHB and with other DHBs in order to improve purchasing outcomes.

Wherever practicable, the regional implications should be considered and factored into the procurement approach for each project. Examples of working collaboratively include:

- Aggregating volumes/requirements
- Aligning to common standards
- Aligning with common suppliers and supplies
- Negotiation of regional/national contracts

All regional and syndicated procurement activities must comply with the usual DHB-specific and regional/national approval processes.

Other Agencies

The DHB will work with the Ministry of Health, Health Benefits Ltd. and other government agencies, such as PHARMAC and Ministry of Economic Development (all-of-government contracts) to deliver value for money to the DHB.

Record Keeping

Full and accurate records should be kept of all aspects of the procurement process, in accordance with the relevant legislation and DHB policy.

Confidentiality of Information

Maintain confidentiality of information

Treat all information about a person who is receiving, or has received, a public health service with the strictest confidence as required by the Privacy Act 1993 (as amended) and Public Records Act 2005 (as amended). These confidentiality requirements continue to apply to former employees.

Only release information about contracts when it is written in the contract, or expressly consented in writing by the supplier to do so.

Procurement Processes

Departments may order items from the catalogue for values in line with delegation limits.

The processes for procurement described below refer to the activity Procurement undertakes in getting items onto the catalogue.

Non-catalogue (including capital asset items), services requests (excluding locums) and health services contracting will need to follow the processes for tendering described below.

When to Tender

A contestable process is required for all goods and services where total external annual costs exceed \$10,000 (excluding GST).

For NGO health services contracting, a contestable process is required for annual contractual values over \$300,000 or \$100,000 where new funding is allocated.

The limits below refer to annual expenditure excluding GST.

Where expenditure is greater than \$100,000 (\$300,000 for health services contracting or \$100,000 with new funding), a full sourcing process is required, including publication of the details on the Government Electronic Tenders Service web site (www.gets.govt.nz).

The process will be supported by the Procurement team; staff should refer the request to them.

Reference should be made to the Tendering Policy (25011) and if the items are capital assets, reference should be made to the Capital Expenditure Policy (14479) for the required approvals to initiate further procurement action.

Where goods-related expenditure is \$10,000 - \$100,000, a contestable process is required, generally involving three suppliers.

The process will be supported by the Procurement team; staff should refer the request to them using the form, Internal Request for Quotation/Information (District) (46481), where the proposed expenditure relates to capital assets; staff should use the online Capital Request System on the Intranet (Otago).

Reference should be made to the Tendering Policy (25011) and if the items are capital assets, reference should also be made to the Capital Expenditure Policy (14479) for the required approvals to initiate further Procurement action.

Where expenditure is less than \$10,000, individuals and departments may raise purchase orders in line with delegation limits.

This does not apply to capital asset orders; capital asset items must still follow the capital ordering process specified in the Capital Expenditure Policy (14479).

The Purchasing, Information Systems, and Building & Property teams are the only ones authorised to generate orders for capital items using the Procurement site on the Intranet (Otago).

Purchasing Administration

Purchasing

Purchasing Items

All goods purchased for the DHB must have an associated purchase order as per the Delegation of Authority Policy (District) (21584). There will be an increasing requirement for use of purchase orders for services. In some cases where services are arranged, there will be a requirement for a retrospective purchase order to be placed; an example of this is where legal advice is obtained via a phone call.

Goods or services for personal use must not be procured through the DHB.

All goods purchased must be ordered from the internally-approved catalogue, wherever possible using the Procurement site on the Intranet (Otago). If an item is required that is not on the catalogue, it will be assessed by the Purchasing team under the following criteria:

- Is there an alternative available on the catalogue?
- Is there approval from the manager with delegated authority?
- Has the product been approved by the Product Committee?

Purchasing of goods is achieved through the Procurement site on the Intranet (Otago).

Note: Access will be approved by the budget holder of the relevant area. Access will then be given by the Information Systems Department. The Purchasing team leader is responsible for training of staff on Intranet Procurement.

Purchasing Approval

Catalogue Items	This is through the Procurement site on the Intranet (Otago) with an electronic workflow as per the Delegation of Authority Policy (District) (21584).
Non-catalogue Items	<p>Initiated with a non-catalogue order entered in the Procurement site on the Intranet. The relevant delegation of authority is assigned.</p> <p>The order then progresses electronically to the Purchasing team for final check. All non-catalogue items will be assessed to ensure there is no relevant or acceptable alternative available on the catalogue.</p> <p>Final decision on a non-catalogue consumable order may be made by the service or general manager.</p>
Capital Asset Items	<p>Initiated with a non-catalogue order entered in the Procurement site by the Purchasing team. Information Systems, and Building and Property may raise their own requisition, but the appropriate documentation must be attached for final approval by the Purchasing team</p> <p>Departments are not to order capital asset items; these purchase orders are generated by the Purchasing teams.</p> <p>Capital asset items are approved using the workflow and approvals as per the Capital Expenditure Policy (14479).</p>

Receiving Goods

Transactions	<p>As per the Delegation of Authority Policy, at least two people must be involved in any transaction. The same person must not perform more than one of these functions:</p> <ul style="list-style-type: none">▪ Raise a purchase order.▪ Receive the goods.▪ Authorise the goods for payment. <p>The current ordering system is automated to the extent that the invoice is automatically paid where the goods receipt record matches the purchase order.</p>
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For purchasing, the intention in this clause is that the same person does not have the ability to order an item and confirm receipt without independent verification. The same person should not approve the purchase order and also confirm receipt of the item(s). There will be some practical exceptions to this, predominately where services are ordered.

Items from Propharma are receipted without checking all items. One random day is selected each week to check two delivery 'rolltainers' (a rolltainer is a container on wheels or rollers) against the delivery docket by the Purchasing team leader.

Deliveries from OfficeMax can be receipted without checking, but two deliveries per week must be audited by the Purchasing team leader.

New Suppliers

Procurement

All new suppliers are to be approved by the Procurement manager following an internal validation process. This excludes any suppliers that are performing employee duties (i.e. locum medical and allied health staff), which is approved through Human Resources or the Medical Officers Unit.

An Intranet form is available for application for the addition of a new supplier on Oracle.

Generally, it will be the Procurement team that selects suppliers based on tendering processes. Departments will very rarely need to initiate a request for a new supplier.

The use of the 'one-time' vendor account is discouraged and monitoring of vendor spending forms part of an annual review process by the Finance Department.

Catalogued Items

New Items: Internally-approved Catalogue

Goods that must be on the internally-approved catalogue (excludes capital asset items)

Goods that will be used on more than a 'one off' basis must be entered on the catalogue.

Entering new items on the catalogue will be the responsibility of the Procurement team

Approval for an item to be on the catalogue will be as follows:

- All clinical products must be approved by the Clinical Product co-ordinators before being entered in the catalogue.
- All non-clinical items must be approved by the Procurement manager before being entered in the catalogue.

Process for new item inclusion on the catalogue as outlined in the Contract Approval Policy (45386).

1. Department / Purchasing Team

Identifies items as needed and adds to the catalogue. Attached forms are filled out. See the Product Advice Form (District) (17990) and the Internal Request for Quotation/Information (District) (46481).

2. Product Co-ordinator Committee

Checks if the requested item needs to undergo a product evaluation process.

Signs the form after the evaluation process has been completed, if appropriate.

3. Procurement Officer

Ensures all appropriate authorisations have been completed.

4. Procurement Manager

Checks that the item has been analysed by the correct people and is appropriate for the catalogue.

Is responsible for negotiating and contracting the item with the supplier.

Emergency Procurement

Definition	<p>For clinical or safety reasons, emergency procurements is defined as occurring when life, property or equipment is immediately at risk or where standards of public health, welfare or safety have to be re-established without delay. In the case of a disaster, normal procurement practices may have to be varied.</p> <p>Poor planning or lack of timeliness in planning is not sufficient reason for varying standard procurement practices.</p>
Action Required	<p>Inside normal 'business' hours staff are to contact the Purchasing team leaders who can assist in expediting orders.</p> <p>Outside of normal business hours, staff should contact the duty manager to get goods/services authorised for purchase.</p> <p>Details of any such orders must be forwarded to Purchasing as soon as the emergency is under control.</p>

Associated Documents:

- Product Advice Form (District) (17990)
- Internal Request for Quotation/Information (District) (46481)
- Procurement Sourcing Flowchart (46545)
- Code of Conduct and Integrity (District) (18679)
- Delegation of Authority Policy (District) (21584)
- Conflict of Interest Policy (27894)
- Internal Audit + NGO Auditing Policy (44704)
- Protected Disclosures / Whistle-blowing Policy (District) (19708)
- Request for Quotation Form (46481)

- Tendering Policy (25011)
- Capital Expenditure Policy (District) (14479)
- Conflict of Interest Policy (District) (27894)
- Sensitive Expenditure Policy (District) (48567)
- Clinical Product and Device Management Policy (16111)
- Contract Approval Policy (45386)

References:

- Office of the Auditor General. 2008. Procurement Guidance for Public Entities; <http://www.oag.govt.nz/2008/procurement-guide>; Controller and Auditor-General. Wellington.
- Ministry for Economic Development. 2002. Mandatory Rules for Procurement by Departments; http://www.med.govt.nz/templates/MultipageDocument TOC____8903.asp
- Ministry for Economic Development. 2006. Managing Conflicts Of Interest: Guidance for Public Sector Entities; <http://www.med.govt.nz/upload/35084/rules.pdf>.
- Office of the Auditor General. 2007. Managing conflicts of interest: Guidance for public entities; <http://www.oag.govt.nz/2007/conflicts-public-entities/appendix1.htm>