

PURCHASING POLICY

Owner

Finance Department

Stakeholders

Corporate Wide

Revision History

<i>Version</i>	<i>Date</i>	<i>Description of Change</i>
1.01	August 2006	First draft (Adam Carter)
1.02	Nov 2006	2nd Draft – QRL changes and delegations
1.03	March 2006	QRL Changes and delegations approved 13 April 2007 Board Meeting (Adam Carter)



PURCHASING POLICY:

QUEENSLAND RACING LIMITED

Introduction

This policy has been prepared to provide guidelines and procedures to be followed by officers of Queensland Racing Limited when undertaking and managing purchasing activities to meet the organisation's operational requirements and also meet the objectives of the policy.

Queensland Racing Limited is the Control Body established by, and obtaining its objects and functions from, the Racing Act 2002 and its Constitution. Queensland Racing Limited is required to conduct its financial activities with probity and accountability, in accordance with the Corporations Act 2001, Australian Accounting Standards and Australian Equivalent to International Financial Reporting Standards A-IFRS and Australian Securities and Investment Commission- ASIC.

Key Principles

In conducting its purchasing activities it is the policy of Queensland Racing Limited to adhere, at all times, to the key principles of:

1. Value for money;
2. Quality of product, service, and support;
3. Open and fair competition;
4. Accountability of outcomes;
5. Use of Queensland product where price competitive, and where quality standards are met; and
6. Suppliers are compliant with all taxation requirements.

Policy

These principles have been applied in developing policy for the following key purchasing activities:

- Capital works projects;
- Consulting services;
- Sponsorship contracts;
- Information technology;
- Other capital expenditure; and

- Day to day purchasing of services and supplies.

There is also a focus on using preferred suppliers as explained in this report in further detail. The procurement system should result in the following benefits:

- Reduce operating costs;
- Reduce risk;
- Increase control; and
- Improve cash flow visibility

Capital Works Projects

Queensland Racing Limited plays a major role in the implementation of industry capital works projects each year. Queensland Racing Limited establishes an annual program of capital works, within a specified budget, following consideration of proposals from race clubs and advice from relevant officers within the organisation.

The policy of Queensland Racing Limited, in relation to the implementation of approved projects, is briefly addressed below:

- Once projects are given preliminary approval through the annual capital budgeting process, race clubs will be required to provide detailed design and costing information, and a project plan, prepared by a suitably qualified and experienced independent consultant. Queensland Racing Limited may, at its discretion, instigate an assessment of this documentation by its own consulting engineers. Any variation to the estimate used in applying for inclusion in the capital works program must be disclosed and explained. Variations of greater than 10% from the preliminary estimate are to be referred back to the Board of Queensland Racing Limited;
- Assuming the project cost following detailed design is contained within 10% of the preliminary estimate, and Queensland Racing Limited is satisfied with the standard of documentation provided, final approval will be given for the project to proceed (Chief Operations Manager or Finance Manager);
- After final approval has been given, race clubs will be instructed that they can establish formal contractual arrangements for the construction works, in accordance with the approved budget. In establishing these contracts the club must pay regard to the key purchasing principles contained within this policy. Following establishment of the works contracts, Queensland Racing Limited will make payment of a grant to the club, equivalent to the agreed industry contribution. This grant will represent payment for a taxable supply, and will have GST added; and
- Following completion of the project, the club will provide Queensland Racing Limited with a report, which addresses the outcomes of the project, including cost to budget, quality of product, and timeliness.

Consulting Services

Queensland Racing Limited uses consulting services in a number of aspects of its operations including legal, information technology, human resource management, financial management, business development, and marketing.

These consultancies vary from short-term "one-off" contracts, to longer-term arrangements, which may encompass a series of different activities (e.g. marketing and promotional work).

For short-term "one-off" contracts the following policy guidelines are to apply:

- The six key purchasing principles outlined above are to be applied at all times;
- For contracts under \$10,000 in value, preferred supplier arrangements* can be used. That is, where a purchasing officer is satisfied that a consultant that has provided a high quality service in the past, has the necessary expertise to undertake the work, and is available in an appropriate timeframe, that

consultant can be appointed without a formal competitive process being undertaken. If such a person is not available, three quotes from prospective consultants should be obtained and evaluated;

(* Please note that where preferred supplier arrangements are referred to later in this document for other categories of purchasing, similar procedures to those above will apply)

- For contracts between \$10,000 and \$100,000, tenders should be called from at least three "preferred" contractors. The selection of these three preferred suppliers, and subsequent evaluation of their proposals, should take into account the six key purchasing principles. The evaluation of the proposals should be undertaken by two accountable officers, and be approved by a delegated officer (Chief Operations Manager or Finance Manager);
- For contracts over \$100,000, a public tender process is required subject to board approval, including appropriate advertising of the consultancy. Tenders are to be evaluated, in accordance with the six key purchasing principles, by a panel of no less than two accountable officers, and be approved by a delegated officer.

For longer-term consultancy arrangements (e.g. the ongoing purchase of external legal services that cannot be delivered in-house), which may involve the use of a preferred supplier or suppliers for a range of individual tasks over an extended period of time, the following guidelines are to be followed:

- The purchasing officer may select a consultant for a range of tasks from a panel of preferred suppliers for the type of work involved;
- Prior to such a selection, a competitive process, adhering to the six key purchasing principles of Queensland Racing Limited, to appoint the panel of preferred suppliers must have been undertaken, be appropriately documented, and be signed-off by a delegated officer;
- In selecting the preferred supplier from the panel, the purchasing officer must clearly document the reasons for the selection, and be accountable for that selection. The selection must be approved by a delegated officer; and
- Individual consultancy contracts over \$100,000 in value are not to be entered into under these preferred supplier arrangements. For such consultancies, an open tender process subject to board approval, as described above, must be followed.

Sponsorship Contracts

Queensland Racing Limited may enter into sponsorship contracts of a cash and exchange-of-goods and/or services ("contra") nature.

In establishing these contracts, officers must adhere to Queensland Racing Limited's key purchasing principles, particularly those of "accountability of outcomes", and "compliance with all taxation requirements". With these principles in mind, a Sponsorship Agreement pro-forma (refer to Appendix A) is to be prepared for all sponsorship arrangements, regardless of whether they involve a cash payment, or are solely contra in nature.

The sponsorship agreement is to clearly specify the goods and/or services that are to be delivered by both Queensland Racing Limited and the sponsor, and identify the value of these supplies so that GST obligations, including Tax Invoicing, can be satisfied.

All sponsorship agreements are to be authorised by an officer of Queensland Racing Limited with appropriate delegation, and a copy is to be provided to the Finance Section so that Tax Invoices can be prepared, and GST liabilities and credits accounted for.

Information Technology

The acquisition of information technology hardware and software represents a substantial investment of capital by Queensland Racing Limited each year.

Given the advancing nature of IT and the need to upgrade hardware and systems applications on an ongoing basis, it is the policy of Queensland Racing Limited to acquire such items through leasing arrangements. In this regard the following is to apply:

- A tender process, through a preferred supplier arrangement, is to be undertaken for the establishment of a medium to long-term lease contract for the supply of computer equipment, and other general office equipment where appropriate;
- This contract is to be reviewed on an annual basis to ensure the key principles of "value for money" and "quality of service and support" are being satisfied;
- Where a requirement to add items to the schedule covered by the lease has been identified, the purchasing officer must ensure the purchasing principles are adhered to. For items under \$10,000, preferred supplier arrangements can be used. For items \$10,000 or over, three quotes must be obtained. Appropriate documentation to support the purchasing decisions must be maintained at all times; and

The IT Section is also required to develop and maintain an *IT asset replacement strategy*, incorporating a list of all hardware and software under lease (or purchased), and information on the condition and expected useful life of individual items.

Other Capital Expenditure

Motor Vehicles

Queensland Racing Limited maintains a fleet of vehicles provided for both work and private use. These vehicles are to be leased through Q-Fleet or appropriate lease provider under the following arrangements:

- the leasing of a new vehicle must be approved by the Chief Operations Manager or Finance Manager; and
- The type and model of the vehicle, and any optional extras, must be commensurate with the status and nature of the role performed by the officer for which the car is being acquired, and be in accordance with the entitlements the officer has under his/her contract of employment;
- All vehicles are to be replaced after two years, or having travelled 40,000 kms, whichever comes first, unless the Chief Operations Manager or Finance Manager agrees to an extension of the leasing term.

On disposal of company-owned vehicles, three trade-in quotes must be obtained, where possible, with the highest trade-in valuation the key consideration in selecting the successful dealer. Queensland Racing Limited staff may be given the option to purchase the vehicle that is being traded, at no less than \$1 more than the best trade-in valuation. The Chief Operations Manager or the Finance Manager will determine the successful staff bidder in the event of two or more staff bidding for the same vehicle being traded.

Other capital purchases

All other capital purchases (e.g. office machines) made by Queensland Racing Limited are to adhere to the following guidelines:

- The six key purchasing principles outlines above are to be applied at all times;
- For items under \$10,000 in value, preferred supplier arrangements can be used;
- For capital items between \$10,000 and \$100,000, quotes should be called from at least three "preferred" suppliers. The selection of these three preferred suppliers, and subsequent evaluation of their proposals, should take into account the six key purchasing principles;
- For capital items over \$100,000, a public tender process is required subject to board approval. Tenders are to be evaluated, in accordance with the six key purchasing principles, by a panel of no less than two accountable officers; and
- For all capital purchases of \$10,000 or more, a lease versus buy analysis is to be undertaken.

Day to day Purchasing of Services and Supplies.

Policy in relation to the day to day purchasing of services and supplies is as follows:

- For items supplied on a continuous basis (e.g. stationery, consumables, printing) preferred supplier arrangements may be used. Purchasing officers must ensure that the key purchasing principles are adhered to, especially "value for money" and "quality of service";
- In this regard, officers are required to conduct a competitive process for the selection of a panel of preferred suppliers, for continuous supplies, on an annual basis. Documentation must be prepared and maintained in respect of preferred supplier selection, and the subsequent selection of a supplier from the panel for particular purchases;
- However, for any individual supply or service, which would normally form part of a continuous supply by an individual, that is to cost the organisation \$100,000 or more, an open competitive process must be undertaken. That is, any individual supply which is to cost \$100,000 or more, cannot form part of a continuous purchasing contract made under preferred supplier arrangements;
- For non-continuous supplies and services (e.g. "one-off" printing jobs) preferred supplier arrangements can be used for purchases under \$10,000, on the basis that Queensland Racing Limited's key principles are satisfied. At least three competitive quotes must be obtained for any purchase of \$10,000 or more.

Preferred Suppliers

As much as possible, Queensland Racing should consolidate its suppliers and utilise preferred suppliers for either off-the-shelf goods/services where there are several sources of supply and the purchase is low risk or where there is an established relationship with a proven record of success. The advantages of using preferred suppliers are that it streamlines and simplifies purchasing, reduces administrative costs and promotes cost savings through volume discounts and exclusivity arrangements. Other benefits are that it minimises costs and risk for suppliers through not being required to regularly prepare and submit quotations.

1.1. Indicative Supplier Listing

An indicative listing of preferred suppliers has been identified and is available from Finance - accounts payable through discussions with management. The list should be considered as a first cut as further work will be required to refine this list to ensure that regular purchases are defined by a supplier.

1.2. Selection of Preferred Suppliers

The selection of preferred suppliers should be based on selection criteria that could include:

- Technical capability and experience
- Financial capacity and viability
- System and management responsibility incorporating product and service compliance with agreed industry standards
- People
- Business/organisation factors
- Favourable referee reports (a successful track record to deliver)
- Queensland Racing's 6 key principles:
 1. Value for money;
 2. Quality of product, service, and support;
 3. Open and fair competition;
 4. Accountability of outcomes;
 5. Use of Queensland product where price competitive, and where quality standards are met; and
 6. Suppliers are compliant with all taxation requirements.

ITEM	POSITION					
	Regional Senior Stewards	Managers, Deputy Chief Steward Supervisors	Director of Integrity Operations, Racing Services Manager, Chief Steward, Accountant	Finance Manager	Chief Operations Manager	Board of Directors
Overall Delegation	<\$500	<\$2,000	<\$10,000	<\$10,000	<\$100,000	>\$100,000
Standard Purchase Orders	<\$500 Own Profit Centre Only – budgeted	<\$2,000 Own Profit Centre Only – budgeted	<\$10,000 Own Profit Centre Only - budgeted	To Budget – all profit centres	To Budget	If outside of aggregate annual budget
Emergency Purchase Orders	<\$500	<\$2,000	<\$10,000	To Budget	To Budget	Same as above
Requisition - Miscellaneous Purchases (Credit Cards) (<i>Refer to Expense reimbursement policy for conditions</i>)	x	x	<\$10,000	To Budget	To Budget	Same as above
Petty Cash	<\$100	<\$100	<\$100	<\$300	<\$300	<\$300
Capital Expenditure Purchase Orders and Request Forms	x	x	x	Forecast projects if <\$10,000 or if satisfied COM has previously approved the project	Any single project <\$100,000 where included in approved annual budget	Any single project above \$100,000
Domestic (Interstate) travel	x	x	To budget and advise COM	To budget and advise COM	To budget	If outside of aggregate annual budget
International Travel	x	x	x	x	To Budget	If outside of aggregate annual budget
Official Hospitality	<\$100	<\$100 <\$300 Senior Management Team	<\$300	<\$300 or other functions as approved by COM	To Budget	Yes
Employment of new staff	x	x	Negotiation only if resignation and within same salary range and approval from COM	Employment letters and contracts assuming COM approval	Yes	Yes
Contractual Agreements (All contracts to be reviewed by Legal Compliance)	x	x	<\$10,000 total value (not lease or licence) assuming	Yes with COM assuming COM previously approved and	Yes where value <\$100,000	Yes – subject to Board Agreement

Officer/Company Secretary for updating of Contracts register and asses if any legal advice required)			that authorised to sign in ordinary operations	legally authorised to sign where <\$100,000		
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The same delegations above apply to the payment of invoices with one exception:

- An invoice can be approved by a person with a lesser delegation provided the original purchase order was approved appropriately and the invoice does not exceed an amount that exceeds 10% of the original purchase order.

It should be noted that as a business rule, staff are not allowed to circumvent their delegation by raising multiple orders to purchase a good or service for an amount that exceeds their delegation limit.

Delegations

All expenditures for goods and services are to be authorised by a duly delegated officer. These delegations are as follows:

Over \$100,000

- Board of Directors

Up to \$100,000

- Chief Operations Manager

Up to \$10,000

- Director - Integrity Operations
- Finance Manager
- Racing Services Manager
- Chief Steward
- Accountant

Up to \$2,000

- Business Analyst
- Board Secretary
- IT and Communication Manager
- Training and Licensing Manager
- Deputy Chief Steward - Queensland
- Legal Compliance Counsel/Company Secretary
- Executive Assistant
- Production Camera Operator/Editor

Up to \$500

- Regional Senior Stewards (Northern Region – Townsville, Senior Steward Capricornia Rockhampton and Steward in Charge Downs - Toowoomba)

Capitalisation of expenditure

Expenditure on discreetly identifiable plant and equipment items of \$2,000 and above will be capitalised where the future benefit of that expenditure exceeds one year at the time of purchase. All land purchases must be capitalised.

The Chief Operations Manager or Finance Manager may approve the capitalisation of services expenditures of \$2,000 and above where those services have a future benefit exceeding one year. All assets which are <\$2,000 must be expensed in the year of purchase and recorded in the portable and attractive items register. All other service expenditures shall be written off in the financial year the expenditure was incurred.

Compliance with Commonwealth Government GST & Australian Business Number legislation

The Commonwealth Government implementation of GST and Australian Business Number legislation, has given rise to some additional obligations in respect of purchasing. These are as follows:

- Organisations are required to withhold 48.5% of any payment to a supplier of goods or services that does not provide an ABN. In response to this, it is the policy of Queensland Racing Limited that no supplies be purchased from entities that are unable to quote an ABN;
- All suppliers to Queensland Racing Limited are to be advised that they must be able to provide a "Tax Invoice" in the form specified by the GST legislation, to enable Queensland Racing Limited to claim input credits. Under law, the supplier must supply Queensland Racing Limited with a Tax Invoice within 28 days of request. Queensland Racing staff should not enter into contractual arrangements with suppliers unless satisfied that the supplier will be able to provide a suitable Tax Invoice; and
- When obtaining quotes or prices from potential suppliers, purchasing officers must satisfy themselves that the prices quoted are GST inclusive.

Documentation and the Role of the Finance Department

The Finance Department plays the lead role in ensuring Queensland Racing Limited meets its obligations under the Corporations Act 2001, Australian Accounting Standards and Australian Equivalent to International Financial Reporting Standards A-IFRS and Australian Securities and Investment Commission- ASIC through the development and implementation of appropriate accounting policies and controls.

While the Department will work to ensure operational areas within the organisation are meeting their obligations under the purchasing guidelines, senior managers also have a role to play in monitoring the purchasing activities of their staff.

With regard to documentation, all acquisitions need to be supported by evidence that appropriate purchasing principles and guidelines have been followed. In this regard:

- All purchases for non-continuous supplies must be accompanied by purchase orders that have been signed-off by a duly delegated officer. Additionally, copies of sponsorship agreement pro-formas must be provided to the Finance Manager on a timely basis; and
- The delegated officer must be satisfied that Queensland Racing Limited's purchasing policy has been adhered to, and that appropriate documentation that supports the six key principles (value for money, open and fair competition etc) has been gathered, and is available for audit scrutiny if required. The managers of organisational areas have responsibility for ensuring supporting documentation is maintained and is accessible.

Enquiries regarding these purchasing principles should be directed to the Chief Operations Manager or Finance Manager.

Payment Methods

Direct Debit

1.3. Business Condition

Purchases that occur at set times throughout the year for set dollar amounts.

1.4. Business Rule

Invoices for goods or services that fall under this category include:

1. Rentals
2. Leases
3. Superannuation

Payments will be made via direct debit at the time dictated by the invoice.

1.5. Dependencies

Payments must be fixed frequency and price.



Cheque

1.6. Business Condition

One-off purchases that can not be paid through any other alternative option.

1.7. Electronic Funds Transfer (EFT)

All other purchases will be paid by Electronic Funds Transfer (EFT) unless previously authorised by Finance Manager

Payment Summary

A summary of the different methods for paying invoices is provided below:

Payment Types	Business Condition
EFT	Used for standard purchasing from preferred suppliers Used for emergency purchases from preferred supplier in response to an emergency situation
Direct Debit	Used for purchases that occur at set times throughout the year for set dollar amounts
Cheque	Used for miscellaneous purchases on a "case-by-case" basis only
Credit Cards	Used for purchases made with non-preferred suppliers for dollar amounts up to delegated authority.
Petty Cash	Used for miscellaneous purchasing of items with a value of less than \$100 unless authorised by Finance Manager

Summary of Key Controls

As a high level summary, the key controls associated with the procurement system are:

- Only deal with suppliers who have a valid ABN
- Three quotes required for amounts >\$10,000 where a preferred supplier is not used
- Tax invoices to be obtained at all times
- Required signatures for goods received
- Vendor creation, deletion or addition must be performed by the Accounts Payable Officer and the bank account details are required in accordance to the Sun Security matrix to be entered by an accounts receivable officer who does not have the ability to raise purchase orders or make payments in SUN. The change of details form is located, [\Accounts Payable\FORMS\Change of Details form.xls](#)
- Invoices are only paid after the prior approval of a purchase order (excluding credit card statement payments and direct debits) and after goods have been received
- Established delegation limits with a 10% tolerance level up to a limit of \$100
- Credit card holders can make transactions greater than their delegation limit provided a purchase requisition with appropriate approval has been obtained first.

In addition to the above, Queensland Racing should perform an annual supplier analysis to review expenditure to determine that value for money is being achieved.



SPONSORSHIP AGREEMENT

BETWEEN:

(The Sponsor)

AND QUEENSLAND RACING LIMITED, a control body established under the Racing Act 2002 and Corporations Act 2001

(The Sponsored)

WHEREAS The Sponsor has agreed to provide sponsorship in accordance with this agreement.

AND The Sponsored has agreed to provide services in return for the sponsorship.

This Agreement provides:

1. The Sponsor will provide the following sponsorship to the Sponsored:
 Details of Sponsorship [If insufficient space annex details]
 - Money (here detail the sum of any monies to be paid to the Sponsored)
 - Support (here detail all support services including the value thereof to be supplied to the Sponsored)
2. The Sponsored will provide the following services to the Sponsor: [If insufficient space annex details]
 - Services (here detail all services including their value to be supplied by the Sponsored in return for the sponsorship)
3. It is hereby acknowledged that:
 - (a) The Sponsored will issue a recipient created tax invoice to the Sponsor to meet Goods and Services Tax obligations in relation to the supply of money and for support;
 - (b) The Sponsor will issue a recipient created tax invoice to the Sponsored to meet Good and Services Tax obligations in relation to the supply of services.

DATED this _____ day of _____ 20__

SIGNED AS AN AGREEMENT

SPONSOR

Full name of authorised officer

Signature of authorised officer

Signed in the presence of



SPONSORED

QUEENSLAND RACING LIMITED

Full name of authorised officer

Signature of authorised officer

Signed in the presence of

