

Supplementary Statement of Ronald Mathofer

I, **Ronald Mathofer**, Senior Business Analyst of Racing Queensland, of Racecourse Road, Deagon in the State of Queensland do solemnly and sincerely declare that:-

1. This statement is provided to supplement the one I previously provided to the Racing Commission of Inquiry dated 9 August 2013.

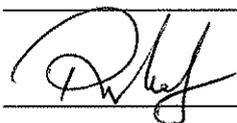
Contract Management and Financial Accountability

2. Although as mentioned in my previous statement I had no role in the drafting of the RQL Purchasing Policy prior to 2011, when preparing for drafting of the Addendum to the RQL Purchasing Policy in mid to late 2011 I had reference to the existing Purchasing Policy as well as the provisions of the Queensland Government Procurement Policy. I attach:

(a) as "**RM-60**"[RQL.136.001.0526], version 1.08 of the Purchasing Policy as amended on 25 October 2011 and approved by the RQL board in that form on 4 November 2011; and

(b) as "**RM-61**", the contents of a working folder that I created at the time to assist me in drafting the Addendum to the Purchasing Policy. I have maintained that working folder in the same form until this day ("**Working Folder**"). The Working Folder includes:

- i. Industry Infrastructure Plan Control Group Meeting Agenda a draft minutes for the meeting which occurred on 23 November 2011 [RQL.137.006.0001];
- ii. Racing Queensland Limited - Infrastructure Plan Internal Financial Process [RQL.137.006.0027];
- iii. Purchasing Policy, version 1.08 [RQL.137.006.0038];
- iv. Purchasing Policy, version 1.04 [RQL.137.006.0059];
- v. Process for Application for Sole Supplier [RQL.137.005.0001];



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- vi. an email from Carol Perrett to Malcolm Tuttle and Michael Kelly dated 10 November 2011 [RQL.137.005.0005];
- vii. Queensland Government Request for Offer of Purchase form [RQL.137.005.0008];
- viii. Self-Assessment Checklist: For Compliance with the State Procurement Policy [RQL.137.005.0014];
- ix. State Procurement Policy, September 2010 [RQL.137.005.0018];
- x. Ethics, Probity and Accountability in Procurement [RQL.137.005.0056];
- xi. Better Purchasing Guide - Prequalifying Suppliers [RQL.137.005.0085];
- xii. Better Purchasing Guide - Engaging and Managing Consultants [RQL.137.005.0108];
- xiii. How to appoint and manage design consultancy for a sport or recreation facility [RQL.137.005.0128];
- xiv. Better Purchasing Policy - Inviting Offers [RQL.137.005.0151];
and
- xv. Procurement Strategy and Contract Selection [RQL.137.005.0167].

3. In relation to the Purchasing Policy, my understanding when drafting the Addendum was that:

- (a) the matters under the heading "Capital Works Projects" covered situations where capital works were being done by a club and RQL was essentially just advancing them the money subject to the procedures set out, I am referring to situations where a club would approach RQL with a project in mind and have either external funding arranged or more likely seek funding from RQL. These projects are different to the



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large infrastructure projects that were being considered by RQL in late 2011. I do not believe it applied to projects of the kind in which Contour was involved, in relation to development of synthetic tracks or the subsequent IIP projects;

- (b) contracts that Contour entered into with RQL with respect to the engineering and consultancy services would however have been covered under the heading "Consulting Services", either under the part relating to short term "one-off" contracts or that relating to "longer-term" consultancy arrangements;
- (c) the concept of "preferred suppliers", referred to under the heading "Consulting Services" referred to in sub-paragraph (b) above, essentially contemplated suppliers or consultants who had been satisfactorily utilised by RQL in the past, but not necessarily selected by any competitive process to become recognised as a preferred supplier; and
- (d) the heading "Other Capital Purchases" also would not have applied to the work being done by Contour, but was aimed at internal capital purchases such as photocopiers and computers and the like.

4. As to the concept of preferred suppliers, I can see that the wording of the Purchasing Policy contemplates a supplier becoming preferred as a result of a competitive process, but I cannot recall if I understood that at the time of commencing consideration of purchasing for the purpose of drafting the Addendum. I had no role at any stage in determining whether any supplier should be treated as preferred. I understand now that there was never a "current preferred supplier list" of the kind contemplated under point 1.2 on page 8 of the Purchasing Policy.

5. The purpose of the Addendum, as I understood it, was to incorporate the concepts in the existing Purchasing Policy into one document (being the Addendum) which included further concepts and could then be used for purchasing activities related to the Industry Infrastructure Plan (IIP). For procurement in relation to IIP projects, the intention was that, in the usual



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course, it would be necessary only to have regard to the Addendum. My understanding and intent in drafting the Addendum was that it would apply not only to any procurement by RQL for IIP purposes but also, if RQL deferred or delegated the process of selecting subcontractors to a consultant such as Contour, also to that consultant. That is, my expectation would be that the consultant should have been told that they were also required to comply with the Addendum. I understood that the Purchasing Policy itself was intended to work in the same way.

6. I observe, in comparing the Purchasing Policy and the Addendum, that:
- (a) the "Key Principles" are the same, except that I also included the concept of "probity" in the Key Principles in the Addendum;
 - (b) the text of the Addendum section headed "Suppliers" essentially replicates the "preferred suppliers" part of the Purchasing Policy;
 - (c) there are new concepts in the Addendum of "Prequalification of Suppliers", "Outsourcing of Supplier Panel Selection" and "Application for Sole Supplier", which do not appear in the Purchasing Policy (and are addressed below);
 - (d) the section "Consulting Services" is the same in the two documents, except for reordering of the bullet points in relation to longer term consultancy arrangements; and
 - (e) there are new sections in the Addendum on conflicts of interest and recommended practice in that regard which, despite the reference to "probity auditor or advisor", were intended to apply to contractors, suppliers or consultants.
7. As to preferred suppliers, I can see that the wording in part 1.2 of the Addendum does not apparently contemplate any competitive process being undertaken in order for a supplier to become recognised as preferred. However, by working with a supplier on a regular basis you become familiar with the quality of their work. If the quality of the work is good, they are effectively pre-screened and will likely be used again. If their work is poor



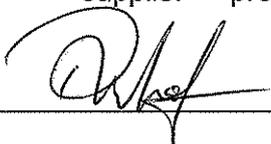
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then that supplier would not be used again. With respect to the section describing longer term consultancy arrangements under the "Consulting Services" heading, it does stipulate a competitive process. I do not perceive a conflict with these provisions. If RQL had used a consultant previously and had formed a favourable opinion of that consultant then it is possible that consultant would be seen by those responsible for applying the policy at that time as a preferred supplier. If a consultant in a new discipline had to be retained by RQL then those applying the policy at the time would have the ability to apply the competitive tendering process.

8. I can see that in comparing the documents listed in attachment RM-61 and the Addendum, the new sections concerning prequalification and applications for sole supplier appear in the copies of the documents attached at RM-61 that I utilised to draft the Addendum, in particular, in relation to sole suppliers, at page RQL.137.006.0001 of the document titled Process for Application for Sole Supplier and in relation to prequalification, at page RQL.137.005.0085. Attachment **RM-62** [RQL.143.005.0001] is a copy of an email dated 1 December 2011 (together with its attachments) sent by me to all members of the Industry Infrastructure Planning Committee (**IIPC**). This email attached, amongst other documents, the draft addendum I had prepared. This draft of the Addendum does not have included in it the sole supplier provisions. I did not hold any discussions with Mr Kelly of the Office of Racing in relation to the Addendum. I am uncertain whether Mr Snowdon held any such discussions. All of my discussions with persons from the Office of Racing about the Addendum were with Ms Carol Perrett.
9. On 8 December 2011 I attended an IIPC meeting. I note that at item 6 of the minutes it is said that Adam Carter received amendments to the draft Addendum prior to the Addendum being forwarded to the Board. I have no recollection of what documents or amendments were given to Adam Carter at that meeting or who gave them to him. The policy was subsequently approved by the Board.
10. I do know that on 13 December 2011 I forwarded the draft Addendum to Ms Carol Perrett of the Office of Racing. That draft Addendum included the sole supplier provisions (at paragraph 1.5). Attachment **RM-63**



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[RQL.141.005.0445], [RQL.141.005.0446], [RQL.141.005.0456], [RQL.141.005.0467] is a copy of the email and its attachments that I sent to Ms Perrett dated 13 December 2011. I have checked the records I kept at the time of drafting the Addendum and have located a State Purchasing document entitled "Process for Application for Sole Supplier". I have now compared the wording in that document to the wording of the sole supplier provisions of the Addendum and note that I extracted the wording of this section of the Addendum from the Process for Application for Sole Supplier. I have no recollection of who provided this document to me or why the document was provided to me. However, from my perusal of the document it was clearly a State Government document and therefore I considered it appropriate to be included in the Addendum. Attachment **RM-64** [RQL.137.005.0001] is a copy of the Process for Application for Sole Supplier held by me and which appears as part of my Working Folder.

11. As to prequalification, I understood that this could occur by an internal pre-screening process whereby RQL had utilised the services of a particular entity and had experienced no negative issues in doing so. I can see in looking at the wording of this section of the Addendum, however, that it could contemplate something more formal involving the assessment against predetermined criteria and usually then inclusion of successfully prequalified suppliers on a data base. At this time I recall that we were starting to look at the "Local Buy" product that I referred to in my first Statement. This concept was only in development at the time of my drafting the Addendum, as something that would be useful for RQL to start doing. The draft I forwarded to the IIPC members on 1 December included reference to pre-qualification (as referred to below). I am not aware of any pre-qualification database other than the list of suppliers within the finance systems readily available; by this I mean a list of all suppliers previously used by RQL.
12. As to outsourcing of supplier panel selection, this section of the Addendum recognises that the types of major projects contemplated by the IIP are outside the usual work of a control body such as RQL. It was therefore likely to be helpful in some cases to utilise what were essentially prequalification lists which had been developed by third parties. Local Buy is an example of



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such an organisation, as described in the Addendum. I remember when I was working on the Addendum that I checked to see whether Contour and some of their associated entities including Duke Environmental were already on the Local Buy list. They were, with a pricing schedule.

13. As to the sole supplier section of the Addendum, I can see that each of the reasons for exemption listed as (a) to (d) applied, or arguably applied, to Contour at the time I was drafting the Addendum, in that:

- (a) Contour was a preferred supplier, in the sense I noted above of being a supplier previously successfully utilised to RQL's satisfaction;
- (b) Contour was already part of the multi-stage procurement process involved in the IIP and intended projects under the IIP;
- (c) Contour was considered to have a high degree of technical expertise relevant to developing race tracks, when there are not many suppliers or consultants who have that expertise, and had essentially been operating as a sole supplier in providing project management/consultancy services and engineering services on the IIP projects; and
- (d) at least in respect of the Mackay project, I understood that there was a genuine urgency because of the state of disrepair of the Mackay track and associated facilities.

14. The sole supplier section of the Addendum did apply to Contour to an extent, because it was obviously a known quantity at the time in that it had provided good services to RQL previously including in the Corbould Park racetrack. I can see that Contour could have been treated as the sole supplier pursuant to this part of the Addendum, but I do not know whether this in fact occurred because I was not privy to decisions about the application of the Addendum once prepared. I did not draft this or any part of the Addendum with the specific intent of application to Contour.

15. In terms of timing of production of the Addendum, it appears from the annexed draft Addendum and records of RQL noted below that:



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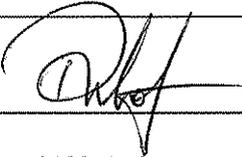
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- (a) the need for a comparison of the State Procurement Policy with the RQL Purchasing Policy was identified in an exchange of emails between Malcolm Tuttle and Michael Kelly and Carol Perrett of the Office of Racing on 9 and 10 November 2011, which exchange is attached as "**RM-65**" [RQL.110.001.0002];
- (b) the above emails were discussed at the IIPCG meeting of 10 November 2011, where the minutes record:

"Mr Ron Mathofer undertook to work through the RQL purchasing policy and the state purchasing policy, paying particular attention to the points raised by Ms Perrett in her email of November 10. Mr Mathofer and Mr Snowdon undertook to identify any discrepancies in the purchasing policies and discuss them with Mr Mike Kelly of the Office of Racing to rectify any issues. The outcome required is that the procurement document is further developed, meeting both RQL and government standards on value, transparency and probity";

Attached as **RM-66** [RQL.110.004.0141] is a copy of the minutes dated 10 November 2011.

16. I do not recall the precise process between my production of a first draft of the Addendum and its finalisation, but I know, from my email of 1 December 2011 that I circulated it to other members of the organisation including Mark Snowdon, Paul Brennan, Blair Odgens, Deanna Dart, Kearra Christensen, Malcolm Tuttle, Shara Reid and Adam Carter before it was considered more formally. As I have explained, the first draft of the Addendum I forwarded on 1 December 2011 did not include the sole supplier provisions. At the meeting on 8 December 2011 of the IIPC amendments to the Addendum were handed to Adam Carter. On 13 December I forwarded a further version of the Addendum to Carol Perrett with the sole supplier provisions included. I now have no recollection of how those provisions were brought to my attention and who instructed me to include those provisions.
17. In relation to the Internal Financial Process document mentioned previously:



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- (a) I attach as "**RM-67**" [RQL.136.004.0045], a version dated 19 September 2011, indicated in the title to have been "Endorsed by the Audit Committee" on 10 October 2011 and making reference to Contour including on page 1 "*Project Director is to liaise with Contour... to ensure the budget is on track and to ensure an up to date cash flow and reconciliation is in place*";
- (b) Attachment **RM-68** [RQL.141.005.0337] shows Mr Tuttle responding to my circulation of the document (and the draft Addendum) for review and feedback by saying on 6 December:

"Tks Ron

I am not sure if you have had much feedback on these documents but I note a fundamental problem with the [Internal Financial Process] document where in the opening para it requires the project Director to liaise with Contour.

This clearly suggests that Contour has a predetermined roll [sic] with the Plan.

Could I suggest you include documents on the next agenda of the IIPCG and that you step us through the docs. We have a meeting on Thursday";

- (c) the IIPCG minutes of 8 December 2011 referred to above indicate that amendments, apparently in relation to the draft Addendum and the Internal Financial Process document, were provided to Mr Carter prior to going to the RQL Board;
- (d) I attach as "**RM-69**" [RQL.118.013.0200] a subsequent version of the Internal Financial Process document dated 12 December 2011, without any reference to endorsement by the Audit Committee and with references to Contour removed.

18. I was not involved in drafting the Internal Financial Process document, although I was of course aware of it at the time. I have no recollection of any discussion with anyone about the question of the removal of Contour from the documents and I do not know how that reference was removed.

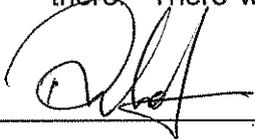


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19. At paragraphs 14 and 81 of my previous statement, I mention my involvement in assessing the financial viability of IIP projects and preparing business case analyses and supporting information. In paragraph 82, I note that the clubs' financial positions meant that very few if any would be in a position to fund or repay the level of funding required in many of the intended projects, so that it seemed to me the ability for a club to repay funding was not a relevant consideration when deciding whether to recommend a project. To put this in simple terms, if there was to be \$7m or \$8m worth of expenditure on a development at a regional club then it would be essentially impossible for it to ever generate sufficient return from its activities to justify the expenditure from a purely financial perspective.
20. I would however say that the benefits flowing from such expenditure were benefits for the industry at large, including:
- (a) meeting the need, for the product fee to be generated via TAB racing, to provide sufficient racing product for punters to bet on;
 - (b) increasing the capacity or capability of the venue to function as a successful racing facility, with all of the subsidiary benefits for providers of services (including food and beverage) and also for horse breeders and trainers associated with the club;
 - (c) to indirectly encourage activity at non-TAB venues, where breeders and trainers can have a more substantial TAB venue in the region to aspire to; and
 - (d) in summary, it would be good for wagering outcomes and good for the industry at large by increasing participation rates.
21. In connection with the above, I note that I had some involvement in relation to equity arrangements between RQL and clubs where capital investments were made or to be made. The general idea for RQL to seek such arrangements was so that the industry would have a stake in what was being developed, rather than it simply being an asset of the club. An equity arrangement was entered with Sunshine Coast prior to the construction of the synthetic track there. There was also one entered at Rockhampton. A dispute arose with



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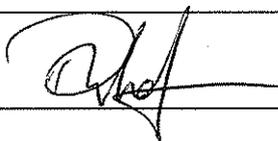
Toowoomba about whether it had agreed to provide equity in return for funding and, although I was not closely involved in that dispute, my understanding is that equity arrangements were not pursued after that.

Management

22. As stated in paragraph 26 of my Statement dated 9 August 2013, when I first commenced employment with RQL in July 2010, my impression was that everyone already there was across their brief. The business was quite well organised. As I developed relationships with the various people in management with whom I had interaction, I did not observe any particular issues that I considered warranted any concern. They all seemed professional and focused on their jobs.
23. There was an initial sense that the integration of the three codes under one umbrella and their physical location into RQL's head office led to each code having their own corner and being effectively "siloes". However, there was an interactive process to emphasise that we were catering to all three codes and this broke down the divisions between them within RQL as time went on. Adam Carter was significantly responsible for moving things in this direction. There were more meetings initiated between management and there was more discussion about inclusiveness and ensuring that everyone was working in the same direction. Although there has always been a lot of speculation, internally and externally, about whether one code was looked after more than others in terms of funding and prize money, my observations do not support there having been any intention of doing so within RQL.

Queensland Race Product Code and Tatts Group

24. I refer to paragraph 71 of my previous Statement and attachment "RM-43" concerning my modeling in respect of racing information fees. Part of the point of that exercise was that RQL gets 39% of wagering revenue generated through TattsBet, but Tatts is entitled to deduct 100% of expenses incurred including race information and other third party fees. My modeling considered what would be the effect of the deductions being limited to 39%, to match the



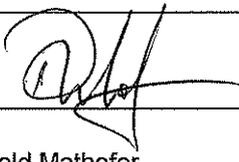
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revenue position, and what would be the effect if the third party fees were not deductible at all so that RQL received its share of revenue without deduction.

25. I am not sure how I came to be responsible for drafting the paper containing this modeling. However, I do not recall anyone specifically asking me to review these issues. Rather, I think I looked at the issues at my own initiative as a business analyst and discussed it with Adam Carter before drafting the paper. The Product Co board was obviously concerned about the issues. In part, this sort of analysis was necessary in preparation for negotiations towards a new Product & Program Agreement after the existing one expires in 2014.



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I make this Statement conscientiously believing the same to be true, and by virtue of the provisions of the *Oaths Act 1867* (Qld).

Dated: 5 September 2013

Signed and declared by Ronald Mathofer
at Brisbane in the State of Queensland this
5 day of September 2013

Before me:



Signature of person before whom the
declaration is made



Signature of declarant

Matthew Glen Edwards - Solicitor

Full name and qualification of person before
whom the declaration is made



PURCHASING POLICY

Owner

Chief Financial Officer

Stakeholders

Corporate Wide

Revision History

<i>Version</i>	<i>Date</i>	<i>Description of Change</i>
1.01	May 2010	First draft (Murray Dyke)/Reviewed Adam Carter
1.02	12 May 2010	Provided to Tracey Harris and Abhendra Kumar for Feedback
1.03	22 June 2010	Reviewed AC
1.04	1 July 2010	RQL Board Changes (FINAL)
1.05	9 June 2011	Reviewed Adam Carter and Sharon Drew
1.06	1 July 2011	Approved by RQL Board – Capital Expenditure and Repairs and Maintenance
1.07	25 October 2011	Added: 1. Delegation authority of \$50K for the Project Director. 2. Industry Infrastructure Plan Section. Made minor changes to the Capital Expenditure and Repairs and Maintenance forms.
1.08	4 November 2011	Approved by RQL Board – changes made as per version 1.07



PURCHASING POLICY:

RACING QUEENSLAND LIMITED

Introduction

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

Racing Queensland Limited is the Control Body established by, and obtaining its objects and functions from, the *Racing Act 2002* and its Constitution. Racing Queensland 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 Racing Queensland 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;

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- Consulting services;
 - Sponsorship contracts;
 - Information technology;
 - Other capital expenditure;
 - Major repairs and maintenance;
 - Day to day purchasing of services and supplies;
 - Industry Infrastructure Plan; and
 - Credit Facilities

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

Racing Queensland Limited plays a major role in the implementation of industry capital works projects each year. Racing Queensland 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 Racing Queensland 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. Racing Queensland 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 Racing Queensland Limited;
- Assuming the project cost following detailed design is contained within 10% of the preliminary estimate, and Racing Queensland Limited is satisfied with the standard of documentation provided, final approval will be given for the project to proceed (Chief Executive Officer or Chief Financial Officer);
- 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, Racing Queensland 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 Racing Queensland Limited with a report, which addresses the outcomes of the project, including cost to budget, quality of product, and timeliness.

Consulting Services

Racing Queensland 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 Executive Officer or Chief Financial Officer);
- For contracts over \$100,000, will be subject to Board discretion as to the waiver of an open tender, 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 Racing Queensland 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, will be subject to Board discretion as to the waiver of an open tender, as described above, must be followed.

Sponsorship Contracts

Racing Queensland 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 Racing Queensland 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 Racing Queensland 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 Racing Queensland 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 Racing Queensland 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 Racing Queensland 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

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

- the leasing of a new vehicle must be approved by the Chief Executive Officer or Chief Financial Officer; 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 three years, or having travelled 90,000 klms, whichever comes first, unless the Chief Executive Officer or Chief Financial Officer agrees to an extension of the leasing term.

Vehicles are to be leased in line with the Racing Queensland Limited’s Motor Vehicle Policy, for further details email ap@racingqueensland.com.au

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. Racing Queensland 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 Executive Officer or Chief Financial Officer 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 Racing Queensland Limited are to adhere to the following guidelines:

A request for capital expenditure form is to be completed for all capital purchases and is to be authorised by both the Chief Executive Officer and Chief Financial Officer <insert link to form when on intranet >.

- 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, will be subject to Board discretion as to the waiver of an open tender. 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.

Major Repairs and Maintenance

Major Repairs and Maintenance purchases of \$20,000 or more made by Racing Queensland Limited are to adhere to the following guidelines:

A request for major repairs and maintenance expenditure form is to be completed for purchases of \$20,000 or more and is to be authorised by both the Director of Product Development and Chief Financial Officer to the value of \$50,000). Purchases of \$50,000 or more will require an additional approval by the Chief Executive Officer.

. <insert link to form when on intranet >

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 Racing Queensland Limited's key principles are satisfied. At least three competitive quotes must be obtained for any purchase of \$10,000 or more.

Industry Infrastructure Plan;

Policy in relation to the approval of supplier payments specifically related to the Industry Infrastructure Plan is as follows;

- All invoices must be checked and signed by the Project Director even if outside of delegation limit. The Project Director is to obtain the approval of the CEO or Board if over his delegation limit.
- All delegations are to be in line with the RQL purchasing policy.

- All items outside of the approved budget with a tolerance level of greater than either 1% or \$200K of the project value will require Board approval.

Preferred Suppliers

As much as possible, Racing Queensland Limited 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. 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)
- Racing Queensland Limited'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.

1.2 Preferred Suppliers Listing.

The current preferred suppliers list can be obtained from accounts payable ap@racingqueensland.com.au or can be located at the following link:

<Insert Link to Preferred Supplier Listing which is currently under construction>

RACING QUEENSLAND LIMITED

Item	Regional Senior Stewards	Admin Authorities, Racecourse Supervisor, racing Manager – Procurement Track Supervisor	Managers, Chief Steward, Racing and Facilities Supervisor, Track Supervisor	Information Technology and Communications Manager, Licensing and Training Manager, Racing Managers – Dividing Races, Management Accountant, Revenue & Services Accountant	Director of Integrity Operations, Facility & Development Manager, Senior Corporate Counsel/Company Secretary	Chief Financial Officer, Director of Product Development, Project Director	Chief Executive Officer	Board of Directors
Overall Delegation	<\$500	<\$1,000	<\$2,000	<\$5,000	<\$20,000	<\$50,000	<\$150,000 In line with Budget	Unlimited

Standard Purchase Orders	IPOS	IPOS	IPOS	IPOS	IPOS	IPOS	IPOS	IPOS
Emergency Purchase Orders	IPOS	IPOS	IPOS	IPOS	IPOS	IPOS	IPOS	IPOS
Requisition – Miscellaneous Purchases (Credit Cards) (Refer to Expense Reimbursement policy for conditions)	X	X	X	X	<\$20,000 and to Budget	To Budget	To Budget	Same as above
Petty Cash	<\$100	<\$100	<\$100	<\$100	<\$100	<\$300	<\$300	<\$300
Capital Expenditure Purchase Orders and Request Forms	X	X	X	X	X	Forecast projects if <\$50,000 or if satisfied CEO has previously approved the project	Any single project <\$150,000 where included in approved annual budget	Any single project above \$150,000
Domestic (Interstate) travel	X	X	X	To Budget	To Budget	To Budget	To Budget	If outside aggregate annual budget
International Travel	X	X	X	X	X	X	To Budget	If outside aggregate annual budget
Official Hospitality	<\$100	<\$100	<\$100 <\$300 Senior Management Team	<\$100 <\$300 Senior Management Team	<\$300	<\$300 or other functions as approved by CEO	To Budget	Yes
Sponsorship	X	X	X	Authorities restricted to IT&Comms Manager or Marketing Manager and Senior Corporate Counsel/Company Secretary	To Budget	To Budget	To Budget	Yes, subject to Board agreement

Item	Regional Senior Stewards	Admin Authorities, Racecourse Supervisor, racing Manager – Procurement Track Supervisor	Managers, Chief Steward, Racing and Facilities Supervisor, Track Supervisor	Information Technology and Communications Manager, Licensing and Training Manager, Racing Managers – Dividing Races, Management Accountant, Revenue & Services Accountant	Director of Integrity Operations, Facility & Development Manager, Senior Corporate Counsel/Company Secretary	Chief Financial Officer, Director of Product Development, Project Director	Chief Executive Officer	Board of Directors
Overall Delegation	<\$500	<\$1,000	<\$2,000	<\$5,000	<\$20,000	<\$50,000	<\$150,000 In line with Budget	Unlimited

Contractual Agreements (all contracts to be reviewed by Senior Corporate Counsel/Company Secretary for updating of Contracts register and assess if any legal advice is required)	x	x	x	x	<\$20,000 total value (not lease or license) assuming that authorised to sign in ordinary operations	Yes with CEO assuming CEO previously approved and legally authorised to sign where <\$100,000	Yes where value <\$150,000	Yes, subject to Board agreement
Execution of Contractual agreements (All contracts to be reviewed by Senior Corporate Counsel/Company Secretary for updating of contracts register and assess if any legal advice is required)	To be executed by 2 Directors of the Company or a Director and a Company Secretary of the Company (S127 (1) – Corporations Act 2001).							

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 and are to be in line with budget. These delegations are as follows:

Unlimited

- Board of Directors

Up to \$150,000

- Chief Executive Officer

Up to \$50,000

- Chief Financial Officer
- Director of Product Development
- Project Director

Up to \$20,000

- Director of Integrity Operations
- Facility Maintenance and Development Manager
- Senior Corporate Counsel/Company Secretary

Up to \$5,000

- Information Technology and Communications Manager
- Racing Managers – Dividing Races
- Licensing and Training Manager
- Accountant – Corporate Services
- Management Accountant

Up to \$2,000

- Race Course Facility Managers
- Chief Steward
- Track supervisor

Up to \$1,000

- Administrative Authorities – Executive Assistants including Track Supervisors
- Racing Managers - Procurement
- Racecourse Supervisor

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 Executive Officer or Chief Financial Officer 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 under \$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 46.5% 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 Racing Queensland Limited that no supplies be purchased from entities that are unable to quote an ABN;
- All suppliers to Racing Queensland 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 Racing Queensland Limited to claim input credits. Under law, the supplier must supply Racing Queensland Limited with a Tax Invoice within 28 days of request. Racing Queensland Limited 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 Racing Queensland 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 that are not completed through petty cash or credit cards must be completed in IPOS. **Where IPOS is not available a manual purchase order must be raised and authorised with the pink and green copies sent to accounts payable.** Additionally, copies of sponsorship agreement pro-formas must be provided to the Chief Financial Officer on a timely basis; and
- The delegated officer must be satisfied that Racing Queensland 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 Executive Officer or Chief Financial Officer.

IPOS

IPOS is an online web enable electronic procurement system. It has been custom built to meet Racing Queensland Limited and industry needs and greatly enhances Racing Queensland Limited's ability to operate in today's modern information driven environment.

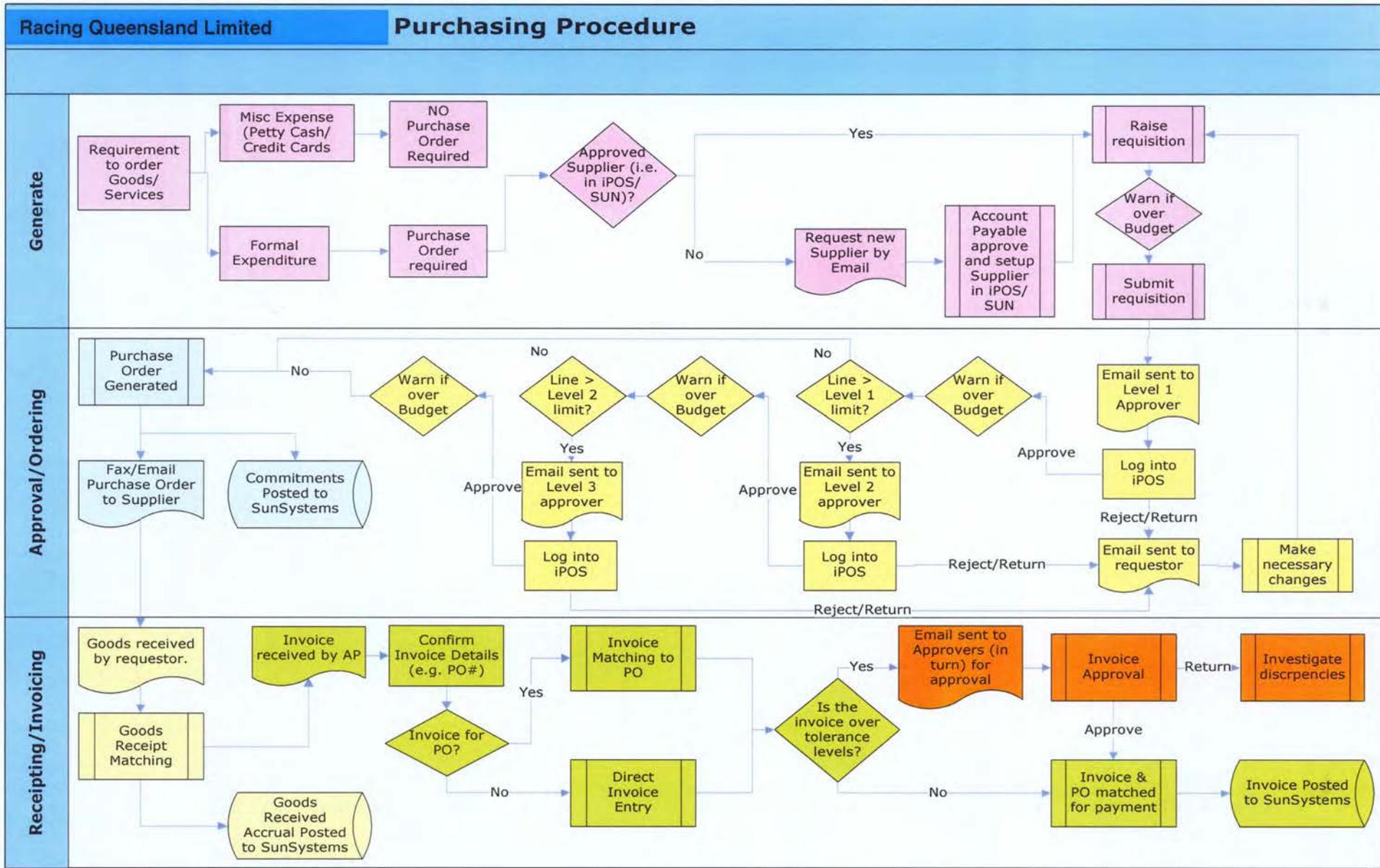
Where IPOS is not available a manual purchase order must be raised and authorized with the pink and green copies sent to accounts payable.

The main objectives of IPOS are:

- To provide the underlying systems to enable the business to obtain tighter budgetary controls, including the recording of committed expenditure,
- To provide managers with the appropriate tools to focus on their individual budgets,
- Implementation of systemic controls over the procure to pay process,
- Improved reporting to the whole business,
- To bring Racing Queensland Limited in line with best practice procurement through taking advantage of e-commerce, electronic purchase ordering and scanning.
- Provide more real time reporting with less reliance on accounts payable,

-
- Introduction of process efficiencies for accounts payable, removing the many manual processes currently in use, such as manual purchase order generation and invoice approvals.
 - Ability to interface with supplier ordering systems resulting in less manual entry.

The process map for Racing Queensland Limited's procurement process is featured below.



The major advantage of IPOS is that it enforces Racing Queensland Limited's purchasing policy in an electronic procurement system. All management delegations are enforced at requisition and invoice stage. Separation of duties ensures that only requisitioners can create purchase orders and only management can authorise.

From 1 July 2010 where applicable all invoices will only be paid if an IPOS purchase order number is quoted on the invoice. Instances where invoices do not require IPOS purchase orders are Energy, phones, rates and other standard monthly charges.

IPOS Procedures are linked below:

<http://starcraft:8080/finance/Shared%20Documents/Forms/AllItems.aspx>
<link to be updated>

Payment Methods

1. Direct Debit

1.1 Business Condition

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

1.2 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.

1.3 Dependencies

Payments must be fixed frequency and price.

2. Cheque

2.1 Business Condition

One-off purchases that can not be paid through any other alternative option. RQL will only pay by cheque under exceptional circumstances otherwise all payments are to be made by electronic funds transfer.

3. Electronic Funds Transfer (EFT)

All other purchases will be paid by Electronic Funds Transfer (EFT) unless previously authorised by the Chief Financial Officer

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. To be used only in exceptional circumstances.
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 the Chief Financial Officer

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 of \$10,000 or more 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 G:\Finance\FORMS\Accounts Payable\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.
- All Capital purchases require a Capital Expenditure request form.
- Major Repairs and Maintenance of \$20,000 or more require a Major Repairs and Maintenance form.

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

Credit Facilities

A credit facility is any system of credit established to allow purchase of goods or services without the use of an official purchase order or the exchange of cash between the purchaser and supplier at the time of the transaction.

The credit facilities generally used by the Company are:

- Corporate credit cards
- Fuel cards
- Taxi vouchers
- Toll cards.

The establishment of any credit facility requires the recommendation of the Chief Financial Officer and approval from the Company. The Chief Financial Officer is responsible for the establishment, implementation, management and control of credit facilities used by the Company.

All credit facilities must be subject to the agreed terms and conditions between the credit provider and the Company.

Users of credit facilities must comply with the agreed terms and conditions, and properly discharge responsibilities regarding the use and reconciliation of credit accounts. Users are responsible for utilising the facilities in a proper and appropriate manner, and are accountable for all transactions associated with their use.

Users are also responsible for the security of the card/vouchers. Misuse of credit facilities will, at the discretion of the Board, result in the user's access to the facility being revoked and appropriate disciplinary action being taken.

Corporate Credit Cards

Principles. The policies and procedures pertaining to corporate credit cards are contained in the following policy: [RQL Expense Reimbursement Policy.doc](#)

<Update link when on Intranet>

Issue. Corporate credit cards will be issued to relevant officers on the basis of the card providing a necessary and convenient facility for meeting commitments incurred in the course of official business.

The issue of corporate credit cards is to be recorded in a register that is maintained by an appropriate officer, e.g. Accounts Payable Officer. Corporate card use should be restricted to a specific transaction limit in any one month.

Documentation.

The following conditions governing the use of credit cards prevail:

A register of cards must be established and maintained to exercise control over the issue and use of cards.

- Only authorised charges may be made against the credit organisation;
- Cards must be secured at all times against unauthorised use;
- Internal control measures must be sufficient to ensure cards are used for official purposes only and that any misuse is detected promptly and reported to the Chief Financial Officer.
- Officers using a credit card must obtain particulars of transactions including supporting invoices and dockets duly signed. A Credit Card Usage Form must be completed with the invoices attached. Supporting documentation can include the vendor's invoice/account, copy of prior approval to travel/entertain (where applicable), and purchase order. Where supporting invoices or dockets are not available, a signed certificate stating that the transactions are valid and were for official purposes must be attached. Details of all hospitality/entertainment expenses must be fully documented with the purpose of the expense, guest name(s), date, refreshments, time and the like.

Reconciliation.

- The documentation must be forwarded promptly to an accounting officer for attachment to the credit card transaction record for the purposes of sustaining the official use of the card and settlement of the amount within the required period;
- An accounting officer must match the dockets to the statements received from the credit card organisation;
- The dockets and the summary of these dockets showing the charges incurred by the use of credit cards must be properly authorised by a duly authorised officer; and
- The use of credit cards for the purchase of goods and services must be in strict accordance with the expense reimbursement policy of Racing Queensland Limited.
- Failure to provide receipts and the reconciliation in a timely manner will result in the card being cancelled and the employee will have to be reimbursed expenditure through the expense reimbursement policy

Fuel Cards

Issue. The issue of fuel cards is to be recorded in a register maintained by the Finance area.

Responsibilities. Users of the fuel card credit facility are responsible for utilising the facility in a proper and appropriate manner. Users are also responsible for the security of the card while it is in their possession, and are accountable for all transactions associated with its use during that period.

Use. Fuel cards are to be used only in accordance with the agreement between the credit provider and the Company. This includes locations where the card may be used, vehicle for which the card may be used and the types of purchases that are permitted (e.g. fuel only, fuel and oil).

Documentation. Fuel card transactions are to be supported by documentary evidence of the purchase (e.g. the fuel card docket provided by the fuel supplier). This documentation is to be forwarded to the Finance Area and will be used when reconciling the credit provider's account and making payment.

Taxi Vouchers

Issue. Bulk stocks and the issue of taxi vouchers are to be maintained by the Finance area. The Accounts Payable Officer is responsible for the issue of taxi vouchers within their area of responsibility. This officer should ensure that taxi vouchers are issued for appropriate use.

Use. The use of taxi vouchers is strictly limited to taxi travel for the purpose of conducting official business within or outside business hours when neither an official vehicle is available, nor is public transport an acceptable option.

E Tolls

Issue. The Chief Financial Officer is responsible for approving the issue of E toll within their area of responsibility.

Officers may purchase pre-paid tolls only by credit card.

Use. The use of tolls is limited to conditions as specified under the motor vehicle policy.

SPONSORSHIP AGREEMENT

BETWEEN:

(The Sponsor)

AND RACING QUEENSLAND 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

RACING QUEENSLAND LIMITED

Full name of authorised officer

Signature of authorised officer

Signed in the presence of



Industry Infrastructure Plan Control Group Meeting

1 December 2011
9:00am to 10:00am
RQL Board Room, Head Office, Deagon

Attendees:

Malcolm Tuttle
Shara Reid
Ron Mathofer (guest)
Blair Odgers (guest)

Paul Brennan
Mark Snowdon
Deanna Dart (guest)

Apologies:

Adam Carter

Agenda topics

1. Apologies
2. Confirmation of minutes (Appendix A)
3. Review action sheet (Appendix B)
4. Update on discussions with the Cairns Jockey Club
5. Other business
6. Next meeting



**DRAFT Minutes of
Industry Infrastructure Plan Control Group**

23 November 2011

RQL Board Room, Head Office, Deagon

Meeting Commenced at 9:05am

Meeting Concluded at 10:05am

In attendance: Malcolm Tuttle – chairman
Paul Brennan
Adam Carter
Shara Reid
Mark Snowdon
Ron Mathofer (guest)
~~Blair Odgers (guest)~~
Deanna Dart (guest)

Minutes: Kearra Christensen

The chairman opened the meeting at 9:05am.

1. Apologies

No apologies.

2. Confirmation of minutes

The minutes from the meeting of November 17, 2011, were confirmed and signed by the chairman (**Appendix A**).

3. Review action sheet

The action sheet following the meeting of November 17, 2011, was reviewed and updates provided.

4. Consider the stewards and jockey building and swab stall contract, Ooralea Park Racecourse

The Industry Infrastructure Plan Control Group (IIPCG) reviewed the contract and unanimously approved the Buildplan Group contract.

5. Mackay management structure

The IIPCG noted the email from Mr Brett Thomson of Contour Consulting Engineers dated November 23, 2011 (**Appendix B**).

Mr Mark Snowdon advised he would be meeting with the Mackay Turf Club on November 30, 2011.

6. Draft letter to council regarding assessment issues

The IIPCG noted the correspondence from Mr Andrew Stevens of KHA Development Managers to the Brisbane City Council dated November 21, 2011 (**Appendix C**).

7. Industry infrastructure plan project management

The IIPCG noted the attached email from Mr Snowdon to Mr Malcolm Tuttle dated November 22, 2011 (**Appendix D**).

Mr Snowdon advised that he proposed to employ a temporary contractor, with the position to become fulltime.

Mr Tuttle advised Mr Snowdon to prepare a note under Mr Bob Bentley's hand to request approval from the board of Racing Queensland Limited. Mr Tuttle further advised Mr Snowdon, that once approval had been sought, to start the process.

Mr Tuttle went on to add that Mr Snowdon should hold off on the possibility of the position becoming fulltime until the delivery process has been finalised.

8. Other business

Upcoming election

Mr Paul Brennan raised the possible issues that could arise in relation to the approval process of the industry infrastructure plan when the next election is called.

Mr Tuttle advised the IIPCG to consider the previous email advice from Ms Carol Perrett of the Office of Racing in relation to the impact of an election being called.

Mr Brennan suggested that some business cases, for example Cairns and Beaudesert, be fast tracked to ensure approval prior to the next election being called, as it will have implications on the 2011/12 race date schedule if these business cases are not approved.

Mr Snowdon undertook to prepare a draft agenda in consultation with Mr Bentley for an upcoming meeting with Mr Stuart Booker of Queensland Treasury. The IIPCG agreed that it was essential that Mr Snowdon meet with Mr Booker as a matter of urgency to agree a pathway forward to urgently progress applications and business cases through treasury. Mr Snowdon undertook to follow up and arrange the meeting urgently.

Mr Tuttle advised that otherwise business should continue as normal.

Mackay Turf Club

It was noted by the IIPCG that the Mackay Turf Club is required to make application to expend funds under the TAB clubs purchasing/spending policy.

9. Next meeting

The next meeting is scheduled for December 1, 2011, at 9:00am.

Confirmed as a true and correct record.

MALCOLM TUTTLE

Chairman

Dated...../...../.....



Minutes of
Industry Infrastructure Plan Control Group

17 November 2011

RQL Board Room, Head Office, Deagon

Meeting Commenced at 1:10pm
Meeting Concluded at 2:00pm

In attendance: Malcolm Tuttle – chairman
Paul Brennan
Adam Carter
Shara Reid
Mark Snowdon
Ron Mathofer (guest)
Blair Odgers (guest)
Deanna Dart (guest)

Minutes: Kearra Christensen

The chairman opened the meeting at 1:10pm.

1. **Apologies**

Mr Paul Brennan is currently in Cairns and unable to attend the Industry Infrastructure Control Group (IIPCG) meeting.

2. **Confirmation of minutes**

The minutes from the meeting of November 10, 2011, were confirmed and signed by the chairman (**Appendix A**).

3. **Review action sheet**

The action sheet following the meeting of November 10, 2011, was reviewed and updates provided.

4. **Review internal processes**

The internal processes were provided to the IIPCG for review. The IIPCG was requested to provide feedback to Ms Kearra Christensen by close of business Tuesday, November 22, 2011.

5. **Discuss email from Carol Perrett**

The IIPCG noted the attached email from Ms Carol Perrett to Mr Malcolm Tuttle dated November 14, 2011, (**Appendix B**).

6. Note email from Malcolm Tuttle

The IIPCG noted the attached email from Mr Tuttle dated November 15, 2011 (**Appendix C**).

7. Note email from Mark Snowdon

The IIPCG noted the attached email from Mr Mark Snowdon to Mr Russell Thomson of Contour dated November 16, 2011 (**Appendix D**).

8. Review notes from IIP meeting on 16/11/2011

The IIPCG noted the emails from Mr Snowdon dated November 17 and Mr Tuttle dated November 16 in relation to the meeting held on November 16, 2011 (**Appendix E**).

Mr Adam Carter provided a draft table of Industry Infrastructure Plan Costs to October 31, 2011, to the IIPCG. Mr Carter advised that this document will be finalised and a copy provided to Mr Tuttle by close of business Monday, November 21, 2011.

Mr Snowdon advised that the amended budget will be presented to the board of Racing Queensland Limited for approval at its meeting of December 19, 2011. Mr Snowdon also advised that he will prepare a report regarding the amount over budget to date at Mackay to go to the board.

9. Note email from Bob Bentley

The IIPCG noted the attached email from Mr Bob Bentley to the IIPCG dated November 14, 2011 (**Appendix F**). Mr Snowdon noted the comment from Mr Bentley and confirmed he would prepare a report for the December 19, 2011, RQL board meeting in relation to the compliance matters raised at the last board meeting.

10. Clarify roles and responsibilities

Mrs Shara Reid raised a query in relation to the role held by Contour Consulting Engineers. Mr Snowdon confirmed that in terms of the internal processes document, Contour Consulting Engineers hold the role of project manager.

11. Consider the business case for Logan

Mr Adam Carter advised that he had updated the financial table in the business case for Logan and circulated this to the IIPCG yesterday.

The IIPCG considered the business case for Logan and provided their approval for the business case to be considered by the board of RQL. Mr Snowdon, in consultation with Ms Reid, undertook to prepare a flying minute for the board to consider the business case for Logan.

12. Other business**Mackay – tender process**

Mr Snowdon advised that Mr Brennan spoke with the chairman of the Mackay Turf Club, Mr Ian Joblin, who requested that despite the delays, we proceed with the tender process. Mr Snowdon advised that the tender process is 98% complete,

and that the costs to proceed are minimal and that the tender submissions will still be relevant when the project proceeds.

The IIPCG considered the Mackay tender process and provided their approval for the tender process to proceed.

Mackay – sand quote

Mr Snowdon advised a supplier for the sand required for the project at Mackay has been found that has quoted a cost of \$27 per square metre and that as a result the cost of the project may fall closer to budget.

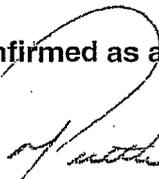
Cost of the Deagon community information days

Ms Reid undertook to prepare correspondence for the Queensland Government advising that the costs of the Deagon community information days, which were scheduled at the request of the government, will feed into the Industry Infrastructure Plan budget.

13. Next meeting

The next meeting is scheduled for November 24, 2011, at 9:00am.

Confirmed as a true and correct record.



MALCOLM TUTTLE
Chairman
Dated...23.../...11.../2011

Malcolm Tuttle

From: Brett Thomson <Brett@contource.com.au>
Sent: Wednesday, 23 November 2011 6:15 AM
To: Russell Thompson; Mark Snowdon
Cc: Warren Williams; Paul Brennan; Malcolm Tuttle; Adam Carter; Shara Reid; Chris Fulcher
Subject: RE:Mackay Management Structure

Mark,

We see from the email chain below (and previous of the same thrust) that Ian Joblin is becoming ever more frustrated with the delivery processes. There has been limited high level involvement on the ground in Mackay from MTC and RQL, and perceptions are building into concerns as the project begins to materialise (this is a common symptom of the project delivery lifecycle, in that stakeholder interest increases exponentially as plans are transformed into tangibles). We recommend that Ian and Mark commit to attendance to the Mackay Site Meetings so that all issues may be aired and resolved up the line as the project progresses. Based on our experience with the multiple projects we have previously undertaken for RQL, the regular site meetings are an invaluable tool to manage stakeholder interests/perceptions/frustrations.

We consider the MTC \$500k as an adjunct to the RQL IIP budget. We are cognisant that Contour could be perceived by some as having "two masters" on that component, but we have and will continue to operate by taking instructions only from RQL. We understand that RQL wish for us to liaise and keep MTC informed on the \$500K matters which will continue. However, as part of the project hierarchy structure, we consider MTC to be in a box to the side of RQL, with MTC dealing with Contour via RQL management. MTC may have different views and perceptions on the above. Clearly defined roles and boundaries are required.

Note that the above are simply our thoughts, please confirm RQL's instructions on our dealings with MTC.

We suggest that we add the above issues to our ever increasing agenda for today's meeting.

Regards,

Brett Thomson

PE AdvDipBus CPEng RPEQ CEnvP CPESC
 1st MEIANZ MQELA GAICD
 Director

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 Phone (07) 5493 9777
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From: Ian Joblin [mailto:ian@brownbird.com.au]
Sent: Tuesday, 22 November 2011 2:25 PM
To: Russell Thompson; Mark Snowdon (msnowdon@racingqueensland.com.au)
(msnowdon@racingqueensland.com.au)
Cc: Warren Williams; Paul Brennan (pbrennan@racingqueensland.com.au); Brett Thomson
Subject: RE: 550 Mackay Judges Tower

Just for everyone's understanding, MTC does not have a written engagement with Contours. MTC cannot spend funds without complete Committee approval when the dollar value is above authorisation limits, in my case this limit is currently \$2,000.

Regards

Ian Joblin B BUS FCPA MAICD MIIA
Partner

E: ian@brownbird.com.au
I: <http://www.brownbird.com.au>



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From: Russell Thompson [mailto:russell@contource.com.au]
Sent: Tuesday, 22 November 2011 12:33 PM
To: Mark Snowdon (msnowdon@racingqueensland.com.au) (msnowdon@racingqueensland.com.au)
Cc: Warren Williams; Paul Brennan (pbrennan@racingqueensland.com.au); Brett Thomson; Ian Joblin
Subject: RE: 550 Mackay Judges Tower

Hi Mark,

There seems to be a slight misunderstanding of our role in relation to the RQL / MTC delivery of this project.

Our understanding is, as we have been engaged by Racing Queensland Limited, all directives in relation to our services must come from RQL staff only. Contract approvals and higher order decisions will be made by RQL at the appropriate level up to Board level and outcomes from these decisions will be conveyed via yourself to Contour Consulting for our action.

In relation to Mackay Turf Club, RQL has requested that we keep MTC fully informed of project progress and issues which we have continued to do to date. We have engaged with MTC as a stakeholder in the design process for all buildings and to date MTC has been given opportunity to provide feedback which has been included in the designs thus far.

We are also providing a coordination role with MTC training activities and construction works as part of our role as Superintendent via weekly site meetings.

In relation to RQL budgeted works we have kept MTC informed of progress and status. However for MTC budgeted works we have also provided MTC with a copy of all the documentation/correspondence that has been forwarded to RQL.

The tender process has been set up to follow strict RQL and State Government purchasing probity requirements and this has been implemented in accordance with these requirements to date. RQL & CCE have evaluated tenders and appropriate reports / recommendations have been made and presented to RQL for approval.

Please confirm this is to your satisfaction and if there is any further service you require from us to assist RQL maintain their relationship with the Mackay Turf Club.

Regards,

Russell Thompson

Senior Project Manager

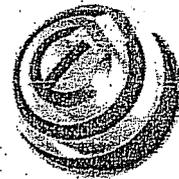
For and on behalf of:

CONTOUR Consulting Engineers Pty Ltd

Mobile 0488 380004 Phone (07) 5493 9777 Fax (07) 5493 6888

Email russell@ContourCE.com.au

PO Box 474, Buddina 4575, Qld. Suite 2 Level 1,
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From: Ian Joblin [<mailto:ian@brownbird.com.au>]

Sent: Tuesday, 22 November 2011 10:13 AM

To: Russell Thompson; Mark Snowdon (msnowdon@racingqueensland.com.au)

(msnowdon@racingqueensland.com.au)

Cc: Warren Williams; Paul Brennan (pbrennan@racingqueensland.com.au); Brett Thomson

Subject: RE: 550 Mackay Judges Tower

Yes, can we hold off until after Wednesday to discuss with builders. I have not even heard of Buildplan, let alone authorised them to do work, I have also made my thoughts clear on JM Kelly.

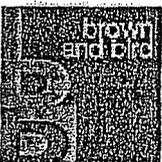
Regards

Ian Joblin B BUS FCPA MAICD MIIA

Partner

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From: Russell Thompson [mailto:russell@contource.com.au]
Sent: Tuesday, 22 November 2011 10:10 AM
To: Mark Snowdon (msnowdon@racingqueensland.com.au) (msnowdon@racingqueensland.com.au)
Cc: Warren Williams; Ian Joblin; Paul Brennan (pbrennan@racingqueensland.com.au); Brett Thomson
Subject: 550 Mackay Judges Tower

Hi Mark,

Please see attached drawings for the relocation and upgrade of the existing judges tower. We have also prepared a detailed estimate of cost which shows that this tower should be able to be delivered for \$100K which is our budget. We also believe that this will be a better outcome than purchase of a Steriline tower which would be much smaller and of similar cost. If we deal with builders that are going to be on site we should save on establishment costs and be in a position to negotiate a reasonable outcome.

Hence we are proceeding to seek prices for this work from the builders that will be engaged on site i.e. Buildplan & JM Kelly and let this as a variation to one of these contracts.

Regards,

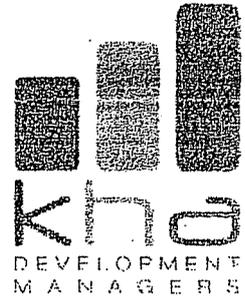
Russell Thompson
Senior Project Manager
For and on behalf of:
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Mobile **0488 380004** Phone **(07) 5493 9777** Fax **(07) 5493 6888**
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Monday, 21 November 2011

Our Ref: 080113 / Office: Sunshine Coast
Council Ref: A003189255

BRISBANE CITY COUNCIL
GPO BOX 1434
BRISBANE QLD 4001

ATTENTION: Adriana Bramley

Dear Adriana

DEAGON RACETRACK REDEVELOPMENT

**133 BOARD ST, DEAGON QLD 4017
LOT 1 RP159310 & LOT 2RP886794**

We wish to advise Council that a meeting was recently held with DTMR to resolve some outstanding items regarding the abovementioned proposal. At the completion of this meeting, DTMR confirmed that they would not require an Information Request. On this basis the applicant will now commence Public Notification of the development in accordance with the *Sustainable Planning Act 2009*.

However, prior to commencing Public Notification, we wish to note that the applicant is concerned and dissatisfied with Council's assessment process to date. The applicant believed it was prudent to present the following concerns to Council:

- 1) Although the applicant made the application on the basis that it was a Code Assessable use for Outdoor Sport and Recreation, Council has changed the level of assessment to Impact via the inclusion of separate Impact Assessable land uses. The applicant is still of the opinion that the application should have been Code Assessable as it proposes a racecourse which is specifically referred to in Council's definition of Outdoor Sport and Recreation. We further note that the activities associated with the racecourse are ancillary and reasonably expected to be associated with a racecourse operation.
- 2) Council has issued three Acknowledgement Notices between the 13 October 2011 and 10 November 2011.
- 3) Council has added several new uses to the application including Restaurant (13 October 2011), Club, Convention Centre and Shop (10 November 2011).
- 4) Council has adopted a position that the application would be decided by Full Council. This position was formed by Council within 10 days of lodging the subject application and is considered premature at such an early stage of the assessment process.
- 5) Council indicated during their site inspection on 19 October 2011 that there were some outstanding items which they required to be addressed. After this meeting Council further extended their Information Request Period until 10 November 2011. Council then advised in writing on 10 November 2011 that no Information Request would be issued.

PLANNING SURVEYING PROJECT MANAGEMENT COURT APPEALS

Brisbane

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Sunshine Coast

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Alexandra Headland Qld 4572
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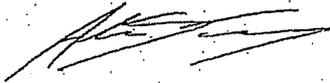
North Queensland

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PO Box 5027, Townsville Qld 4810
p | 07 4721 3066 f | 07 4721 3088

Concerns aside, in accordance with the *Sustainable Planning Act 2009*, the applicant must now commence advertising within the next 20 business days. The particulars detailed within the Acknowledgement Notice dated 10 November 2011 will be advertised as directed by Council.

Should you have any questions with respect to the above, please do not hesitate to contact me direct.

Yours faithfully
KHA DEVELOPMENT MANAGERS



Andrew Stevens
MANAGING DIRECTOR

Kearra Christensen

From: Mark Snowdon
Sent: Tuesday, 22 November 2011 8:35 AM
To: Malcolm Tuttle
Cc: Robert Bentley; Paul Brennan; Shara Reid; Adam Carter
Subject: RE: Mark

Mal

We did initially speak of 3 people for the department and currently we have 2. Under any structure we would have always had Warrens involvement and the assistance of finance. The plan is actually funding 2 people in the racing department, we are using approx. 80% of Warren and part Paul, we are funding 2 people in finance and we are using 50% of Jeff, part Ron and part Adam. The plan is currently funding \$620,000pa of these costs for RQL. There of course will other overheads such as other AP finance staff, marketing etc.

The Project Management budget is \$2,136,214 for the IIP, Contour want all of this fee for their Lead Consultant role and Project Co-ordination role (they may well go over this budget), as they have recently advised they would charge other 1% (\$890,000) to do the project management as well. My suggestion is to bring all those roles in-house with the initial appointment of one project manager (\$150,000 - \$175,000), followed by a second when Gold Coast and Deagon get approved and funded. With incidentals and rounding, if together they cost \$200,000 each this would be an overall project cost of \$900,000 over the 27 months of the project.

Therefore we would be looking at saving at least \$1m which could be put to better use in the plan. As you have suggested in your email I will put the framework into a report for the control group for their consideration. I will do this as a matter of priority as I indicated yesterday we are at risk of further delaying the commencement of projects should we not have a structure in place prior to the funding being approved.

Mark Snowdon

Project Director

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E msnowdon@racingqueensland.com.au

W www.racingqueensland.com.au

From: Malcolm Tuttle
Sent: Monday, November 21, 2011 11:59 AM
To: Mark Snowdon
Cc: Robert Bentley; Paul Brennan; Shara Reid; Adam Carter
Subject: RE: Mark

Tks Mark

We spoke of 3 people initially in the infrastructure department when we were planning for the initial plan delivery. Presently we have 4 people dedicated to the delivery of the plan (Warren Williams for the majority of his time). This of course is in addition to the time others not specifically employed for the plan put in. I suggest that when you have a project delivery framework in place you put this matter on the IIPCG agenda for discussion. This will enable the group to understand your thinking on this matter and consider the existing deployment of people to support the plan delivery.

Regards

Malcolm Tuttle

Chief Executive Officer



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From: Mark Snowdon
Sent: Monday, 21 November 2011 11:39 AM
To: Malcolm Tuttle
Cc: Robert Bentley; Paul Brennan; Shara Reid; Adam Carter
Subject: RE: Mark

Thanks Mal

I have advised Brett, as late as Friday afternoon, that we are in the process of creating the appropriate structure moving forward. The Mackay project, being pushed as it was, has been managed well to date despite the "Mackay factor" on prices of resources and materials, in addition there has not been defined roles and structure which will be cleared off on in the contract for Contour.

We discussed Contour meeting with the IIPCG but my advice to him would stand as they have been appointed for the Mackay project in numerous disciplines, due to the urgency, and for the preparation of the business cases. The Mackay project is ongoing and the business case work is complete other than the Deagon public information sessions or any other work we may require as a result of changes to the business cases by Office of Racing and Treasury.

Finance will have the draft of the new Procurement Document to me by the end of the week, however it will be most likely that any work above \$10,000 will require 3 quotes from our preferred supplier list, which will mean that Contour will be required to price their work along with other candidates.

This keeps coming back to the fact that we need to decide how we will move forward in regard to the management of these projects. As you know my recommendation, as far back as October 2010 was that we engage project management in house, this recommendation still stands and awaits a decision. This structure will provide us with better control and will reduce costs. If we don't have something in place prior to the project funding being made available by Treasury we will need to start the process then and it will delay the projects further.

I believe we should have a preferred structure in mind prior to meeting with Contour.

Mark Snowdon

Project Director



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From: Malcolm Tuttle
Sent: Monday, November 21, 2011 10:42 AM
To: Mark Snowdon
Cc: Robert Bentley; Paul Brennan; Shara Reid; Adam Carter
Subject: Mark

Mark

Brett Thompson has contacted me this morning basically regarding Contour's role moving forward. I have suggested all of the above should attend so that we are all on the same page. Brett really didn't understand the role of the IIPCG and I was able to discuss this with him also.

At the end of the day you will be required to put in place an agreed delivery framework for each project that has IIPCG and Board approval.

Regards

Malcolm Tuttle

Chief Executive Officer



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RACING QUEENSLAND LIMITED
INDUSTRY INFRASTRUCTURE PLAN CONTROL GROUP
RUNNING ACTION SHEET

ACTION REQUIRED	ACTION OFFICER	ACTION DATE	COMMENT
1. Prepare a draft charter for the group to be circulated.	Shara Murray	20 September 2011	Complete.
<i>Remove</i> 2. Prepare a schedule for the delivery of the Plan, including timelines and cash flows.	Mark Snowdon	29 September 2011	Complete. Mark to provide to the board at the next meeting. <i>update schedule Dec 19.</i>
3. Provide a list of the questions that ought to be put to Government for the sake of clarity in relation to the management of the relationship between Racing Queensland Limited, the Office of Racing and other relevant areas of Government, including Treasury.	Mark Snowdon	20 September 2011	Complete. ✓
4. Identify the preferred business models for each of the race clubs that are either recipients of or involved with benefits that flow from the Plan.	Paul Brennan	Ongoing	HOA for the GCTC is being developed. <i>been sent to GC committee</i>
5. Map out the required approval within RQL.	Adam Carter	12 October 2011	Complete. ✓
<i>Remove</i> 6. Write to Treasury to request that 'in-principle' support for the business case be provided, along with approval to drawdown MCU and DA costs	Mark Snowdon	20 September 2011	Complete. Treasury have provided 'in-principle' approval, however, wish to review a written request. Subsequent advice from Government advised RQL was unable to drawdown costs. Mark to request written confirmation. Written confirmation not provided by the Government .Bob Bentley is pursuing this matter direct with the Treasurer.

ACTION REQUIRED	ACTION OFFICER	ACTION DATE	COMMENT
<i>remove</i> 7. Provide overall report to the board at their upcoming meeting on September 2, 2011.	Mark Snowdon	20 September 2011	Complete. ✓
<i>remove</i> 8. Review and provide feedback to Kearra Christensen on process charts.	IIPCG	24 August 2011	Complete. ✓
<i>remove</i> 9. Meet with David Rowan to determine who should attend IIPCG meeting from a marketing/communication perspective, and meet with Bob, Mark Snowdon and Sequel to discuss communication strategies.	Blair Odgers	20 September 2011	Complete.
10. Identify a percentage of salaries that should be attributed to the Plan. Confirm amount/percentage with government after a figure has been agreed.	Mark Snowdon/ Adam Carter Mark Snowdon	12 October 2011 12 October 2011 FEB 2012	Complete. ✓ Complete. The amount is to form part of the business cases to be submitted to government for approval.
<i>remove</i> 11. Update the board in relation to the recruitment of staff to assist with the implementation of the Industry Infrastructure Plan.	Mark Snowdon	20 September 2011	Complete. ✓
<i>remove</i> 12. Set dates for additional meetings.	Kearra Christensen	12 October 2011	Complete. Meetings confirmed for 19/09, 17/10, 21/11 and 19/12. ✓
<i>remove</i> 13. Change meeting scheduled for October 17.	Kearra Christensen	23 September 2011	Complete.

RACING QUEENSLAND LIMITED
INDUSTRY INFRASTRUCTURE PLAN CONTROL GROUP
RUNNING ACTION SHEET

ACTION REQUIRED	ACTION OFFICER	ACTION DATE	COMMENT
<i>remove</i> 14. Review and provide feedback to Shara Murray on the draft Charter.	IIPCG	22 September 2011	Complete. Charter finalised on 30/09.
<i>remove</i> 15. Request advice from Clayton Utz as to whether RQL can resubmit its application for ex gratia relief for the transfer of Callaghan Park from Rockhampton Jockey Club to Rockhampton Racing.	Shara Murray	26 October 2011	Complete. Advice received and provided to Bob prior to his meeting with the Treasurer on 1/11.
16. Request Bob to approach Government in relation to the ex gratia relief issue at Rockhampton and the treatment of these types of transactions under the IIP.	Shara Murray	12 October 2011	Complete. Meeting held on 1/11. Currently awaiting advice from the Treasurer following Bob's meeting. ✓
<i>remove</i> 17. Meet with Bob to assist in managing the expectations of the clubs and project manager.	Mark Snowdon / Paul Brennan	Ongoing	Mark and Paul to continue to update clubs in relation to the projects. Bob is assisting Mark and Paul with this matter. ✓
18. Finalise the business cases for Beaudesert, Cairns and Rockhampton.	Mark Snowdon / Paul Brennan	Beaudesert 25/11	Mike Kelly of the Office of Racing has received the business case for Beaudesert and advised not to submit the business cases for Cairns and Rockhampton at this time. Mike Kelly has requested the business case for Logan. Mark advised that the Beaudesert business case will be completed by 2/12. Mark to prepare a flying minute to the IIPCG for approval, followed by a flying minuted to the board for approval before submission.
<i>remove</i> 19. Update the purchasing policy and provide to the IIPCG for approval.	Adam Carter	30 October 2011	Complete. At its meeting on 4/11, the board of RQL agreed to amend the purchasing policy, which provides for Mark to sign for expenditure up to \$50,000.

RACING QUEENSLAND LIMITED
INDUSTRY INFRASTRUCTURE PLAN CONTROL GROUP
RUNNING ACTION SHEET

ACTION REQUIRED	ACTION OFFICER	ACTION DATE	COMMENT
20. Gain approval to engage Contour to provide RQL with project management and other services.	Mark Snowdon	25 November 2011 ✓	The proposal was put forward to the RQL board at its meeting on 4/11. A number of issues were raised in relation to the combining of multiple services and as such Mark is required to address these concerns.
<i>✓ Amend</i> 21. Advise Contour to seek quotes where possible from at least one local supplier.	Mark Snowdon	28 September 2011	Complete. ✓
22. Provide the following reports to the IIPCG and board: <ul style="list-style-type: none"> • Project budget report • Project timeline report 	Mark Snowdon	Ongoing ✓	<p>These reports were provided to the board at its meeting on 4/11 and subsequently provided to the IIPCG at its meeting on 10/11.</p> <p>Shara raised concerns in relation to the overall budget following a meeting with Contour on 10/11. Mark to confirm he is satisfied with the overall budget.</p> <p>Paul enquired as to whether the finance department had reviewed the cash flow budgets as presented by Mark. Ron reported that the reviews are currently underway and undertook to present any anomalies or errors detected in the budget to the IIPCG.</p> <p>Malcolm asked Mark for confirmation that individual projects had received board approval. Mark advised that they were noted by the board at its meeting on 4/11. The IIPCG noted that amendments to individual budgets were to occur and would require board approval, then would need to be submitted to the government.</p> <p>It should be noted that the budgets and timelines must be reconsidered and approval sought from government.</p> <p>Mark to create a new plan for each project including the timing of those things to be done to commence a project.</p>

ACTION REQUIRED	ACTION OFFICER	ACTION DATE	COMMENT
<p>23. Meeting to be organised with Bob, Blair, Mark and Sequel to discuss possible positive news stories in relation to the Plan, in particular Deagon.</p>	Mark Snowdon	20 October 2011	Complete.
<p>24. Organise a meeting with Bob, Mark, Paul and Malcolm to request written approval from the board for RQL expenditure to cover preliminary costs.</p>	Kearra Christensen	14 October 2011	Complete. Bob agreed to address this matter directly with the Treasurer. As at 16/11 no response has been received by Govt.
<p>25. Provide copy of Lawlor correspondence dated January 2011 to Mark.</p> <p>Touch base with Bob to follow up above correspondence.</p>	Adam Carter	14 October 2011	Complete.
<p>26. Contact council to obtain an explanation in relation to the approval process of our Deagon application.</p>	Mark Snowdon	18 November 2011	<p>Advice was received from KHA advising they would be hesitant considering obtaining an explanation from council, due to the potential anti-RQL response being returned in the press.</p> <p>However, the preferred view of the IIPCG and Bob was to write. Mark undertook to send correspondence to the council seeking an explanation in relation to the approval process.</p> <p>Mark advised that draft correspondence had been prepared and Deanna undertook to circulate the letter to the IIPCG for their consideration and review.</p> <p>Correspondence has been sent. Currently awaiting advice.</p>

RACING QUEENSLAND LIMITED
INDUSTRY INFRASTRUCTURE PLAN CONTROL GROUP
RUNNING ACTION SHEET

ACTION REQUIRED	ACTION OFFICER	ACTION DATE	COMMENT
27. Update the IIPCG in relation to a meeting with BDO on 26/10 regarding alternative venue/club management models.	Paul Brennan	21 November 2011	BDO provided alternative venue/club management models that have regard for both stamp duty and taxation implications, and as such work continues in this area.
28. Provide a brief to Bob in relation to words to be used in relation to Rockhampton when discussing the matter with the Treasurer.	Paul Brennan	28 October 2011	Complete. Brief provided to Bob prior to meeting with Treasurer on 1/11.
29. Organise a consultation day where local stakeholders could register and attend Deagon to be informed as to the Plan and ensure the local paper is aware.	Blair Odgers / Mark Snowdon	11 November 2011	Complete.
30. Undertake the following actions in relation to communications: <input checked="" type="checkbox"/> <ul style="list-style-type: none"> • Establish an appropriate area on the RQL website and ensure updates on projects are posted on a regular basis. • Regularly brief government ensuring they are kept up to date on Plan progress. • Arrange magazine articles for Bob each month. • Prepare regional media releases for Bob on a regular basis. • Ensure all local stakeholders are kept fully apprised of developments. 	Blair Odgers	Ongoing	<p>Website has been updated to provide an area for regular updates.</p> <p>It was agreed that all updates would be provided to Mike Kelly (OoR) prior to being uploaded on our website, etc.</p> <p>Underway. Blair plans to use the consultation as they focus of the next magazine article.</p>

ACTION REQUIRED	ACTION OFFICER	ACTION DATE	COMMENT
31. Report to the RQL board an updated cash flow in relation to Mackay, Beaudesert and Cairns project plans.	Mark Snowdon	4 December 2011	Reports provided to the IIPCG on 10/11. Mark advised that the reports are going to the board at its meeting on 19/12.
32. Ensure compliance on the Mackay project in terms of audit reports as required as a result of project approval.	Mark Snowdon	18 November 2011	The first report is currently being completed. Mark advised he will distribute a copy to the IIPCG once complete. Deanna undertook to provide a schedule outline of the audit reports to the IIPCG. Deanna to report to the next IIPCG meeting on 1/12.
33. Identify any gaps that exist in the engagement process undertaken in relation to the Mackay project and the business cases to date.	Mark Snowdon / Ron Mathofer / Adam Carter <i>talk to Mark ASAP.</i>	2 December 2011 <i>12 December</i>	Appropriate notes to be kept on file regarding the appointment of consultants demonstrating appropriate standards of probity, transparency and value for money. Adam advised that the invoice audit is currently underway.
34. Ensure that any instructions and/or invoices between the consultant and the project manager are vetted and approved by Mark, in circumstances where the project manager holds additional roles in respect of any one project. <i>Remove</i> Advise in writing the project manager and consultants accordingly to ensure that the process is followed.	Mark Snowdon	Ongoing 18 November 2011	Complete. Mark confirmed he had advised the consultants via email. Complete. Mark confirmed he had advised the consultants via email.

RACING QUEENSLAND LIMITED
INDUSTRY INFRASTRUCTURE PLAN CONTROL GROUP
RUNNING ACTION SHEET

ACTION REQUIRED	ACTION OFFICER	ACTION DATE	COMMENT
35. Work through the RQL purchasing policy and the state purchasing policy, paying particular attention to the points raised by Carol Perrett's email of 10/11. Identify any discrepancies in the purchasing policies and discuss them with Mike Kelly to rectify any issues.	Mark Snowdon / Ron Mathofer / Adam Carter Mark Snowdon / Ron Mathofer / Adam Carter	9 December 2011 9 December 2011	Adam advised that a draft addendum is complete. Amended IIPCG internal financial control document to be provided to IIPCG, Office of Racing and RQL Board for approval.
36. Respond to Tony Hanmer's email of 6/11 under Bob's hand reminding Tony of the contract approval process, which was approved by the RQL board.	Shara Murray	18 November 2011	Complete. Bob advised not to proceed.
37. Ensure that the project budgets with amendments are approved by the board as a matter of urgency.	Mark Snowdon	19 December 2011	Mark advised that this will be considered for approval by the board at its meeting on 19/12.
38. Provide a briefing note to the government following each day of consultation and keep the government apprised of the program.	Blair Odgers	24 November 2011	Underway. <i>Complete</i>
39. Provide Shara with a running sheet of the information days.	Deanna Dart	18 November 2011	Complete. ✓
40. Provide a statement to Blair in relation to the delays at Beaudesert to publish.	Paul Brennan	11 November 2011	Complete. ✓

RACING QUEENSLAND LIMITED
INDUSTRY INFRASTRUCTURE PLAN CONTROL GROUP
RUNNING ACTION SHEET

	ACTION REQUIRED	ACTION OFFICER	ACTION DATE	COMMENT
<i>remove</i>	41. Assist Paul with a presentation to the Beaudesert Race Club directors.	Bob Bentley	11 November 2011	Complete.
<i>remove</i>	42. Discuss the development of a strategy / announcement to mitigate fallout against RQL from the significant delays in the comments of work at these venues with Blair to ascertain whether a strategy needs to be developed or implemented.	Paul Brennan / Bob Bentley / Blair Odgers	25 November 2011	Blair advised that a brief discussion had been held, but no strategy had been finalised as yet. <i>where possible Update case by case</i>
<i>remove</i>	43. Arrange a board meeting to seek approval of the budgets with approvals as a matter of urgency. Prepare the necessary board papers.	Shara Murray Mark Snowdon	11 November 2011	Complete. Bob elected to cancel the meeting. Complete. Bob elected to cancel the meeting.
<i>remove</i>	44. Complete the auditing of the cash flow budgets and report back to the IIPCG as soon as possible.	Adam Carter / Ron Mathofer	1 December 2011	Underway. Update to be provided at next IIPCG meeting. <i>complete</i>
	45. Provide an updated copy of the internal processes to the IIPCG for approval.	Kearra Christensen	22 November 2011	Complete.
<i>remove</i>	46. Finalise the industry infrastructure plan costs to date table and provide a copy to Malcolm Tuttle.	Adam Carter/Mark Snowdon	25 November 2011	<i>complete</i>
<i>remove</i>	47. Prepare a note regarding the over budget to date at Mackay and present to the board.	Mark Snowdon	19 December 2011	Complete.

RACING QUEENSLAND LIMITED
INDUSTRY INFRASTRUCTURE PLAN CONTROL GROUP
RUNNING ACTION SHEET

ACTION REQUIRED	ACTION OFFICER	ACTION DATE	COMMENT
48. Prepare a note in relation to the compliance matters raised at the November board meeting and present to the board.	Mark Snowdon	19 December 2011 ✓	
<i>Remove</i> 49. Prepare a flying minute for the board to approve the business case for Logan.	Mark Snowdon	21 November 2011	Complete. Submitted to government.
50. Prepare correspondence for the government advising that the costs of the community information days will feed into the IIP budget.	Shara Murray	25 November 2011 2 Dec	Correspondence prepared awaiting approval and signature from Bob.
51. Prepare a note under Bob's hand to request approval from the board of RQL for a temporary contractor.	Mark Snowdon	1 December 2011	
52. Prepare a draft agenda in consultation with Bob for an upcoming meeting with Stuart Booker (of Qld Treasury) and follow-up for a meeting as a matter of urgency.	Mark Snowdon	1 December 2011	Meeting Friday



**Racing Queensland Limited
Infrastructure Plan
Internal Financial Process**

Background

On 19 July 2011, the Queensland Government approved the amended infrastructure plan and extended the Wagering Tax relief from 4 to 5 years.

Project	Value	Estimated Start Date	Estimated Completion Date
Deagon	\$39.9M	April 2012	April 2013
Gold Coast	\$35.4M	Feb 2012	Jan 2013
Beaudesert	\$7.27M	Nov 2011	April 2013
Cairns	\$1.96M	Nov 2011	April 2013
Townsville	\$6.34M	April 2013	Dec 2013
Mackay	\$7.44M	Sept 2011	June 2013
Rockhampton	\$1.6M	Sept 2011	March 2012
Subtotal Infrastructure	\$99.91M		
Country Racing	\$2.35M	July 2011	Dec 2011
Total	\$102.26M	April 2012	April 2013

Overview

All transactions will be processed through the Racing Queensland Limited (RQL) data base in Sun and will be kept separate from the RQL operating account. ✓

All payments are to be paid from the following NAB bank Account:-

Account Name	BSB – Account Number
Infrastructure Plan	084-817 11 632 4760

Budgets

- ✱ a) Project Director is to liaise with Contour Consulting Engineers (CCE) to ensure the budget is on track and to ensure an up to date cash flow and reconciliation is in place.
- b) Project Director to liaise with Chief Financial Officer (CFO) to ensure that the budgets and cash flows are up to date to ensure sufficient time is allowed to draw down from investments and/or the Queensland Treasury Corporation (QTC).

The first meeting with QTC indicated reasonable flexibility with the loan facility in that we could do monthly drawdowns if required. As QTC will be charging an interest cost on drawn down funds there is little advantage in drawing down from the facility early and investing the funds until required.

Once the budget has been approved by the Board and a business case has been completed and approved for each project for each facility by both the Board of RQL and Treasury, tenders

will need to be completed and reviewed by CCE and the Project Director and the Industry Infrastructure Project Control Group (IIPCG).

Treasury have indicated that they do not wish to receive business cases without statutory planning approval; otherwise they will be approving funds on a conditional business case.

~~All items outside of the budget with a tolerance level of greater than either 1% or \$200K of the project value will require Board approval.~~

an aggregate
if combined total of variations exceed tolerance all subsequent variations must be board approved.

1. Purchase Orders

In the interim, while IPOS (Electronic Procurement System) is not up and running, manual purchase orders will need to be prepared. See Accounts Payable (AP) for purchase order books.

Purchase orders must be prepared prior to the goods and/or services being requested and signed by an authorised officer. All purchasing must be in accordance with the RQL Purchasing Policy:-

http://sharepoint/Policies/FIN_pol001_RQL%20PurchasingPolicy.doc

Suppliers:-

All suppliers will only be added after they have gone through the tender process and been signed off by the Project Director, CFO, Senior Corporate Counsel and Chief Executive Officer (CEO).

A full risk profile must be undertaken for each supplier reviewing the following:-

The selection of suppliers or preferred suppliers should be based on selection criteria that *may* 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, and
- Favourable referee reports (a successful track record to deliver).

A risk profile *may* could include the following in the checklist and be signed off by the Project Director and/or CFO and/or Senior Corporate Counsel as long as there are 2 delegated officers reviewing and would be done in the tender process prior to preparing the contract.

Managing Risk with Suppliers:-

When evaluating preferred suppliers, a risk analysis should be performed as part of that process. In line with RQL's risk management framework, the following 4 point scale can be adopted to assess risks associated with suppliers as identified below.

Rating	Description
4	Extreme Risk
3	High Risk
2	Moderate Risk
1	Low Risk

Criteria	Sub-Criteria
1. History and Development of the Supplier's Business	<ul style="list-style-type: none"> • Longevity/stability of the business • Principal activities and past successes • Market experience
2. Critical Performance Elements of the Contract	<ul style="list-style-type: none"> • Availability of critical elements • Reliance on another party (sub-contracting) • Dispute management processes • Confidentiality management
3. Insurance	<ul style="list-style-type: none"> • Workers Compensation • Public Indemnity Insurance • Professional Indemnity
4. Quality Assurance	<ul style="list-style-type: none"> • AS/NZS ISO 9001/2000 Quality Assurance accreditation
5. Management and Employees	<ul style="list-style-type: none"> • Experience of management team
6. Legal Background and Capital Structure	<ul style="list-style-type: none"> • Ownership • Control of the business • Loan arrangements • Legal agreements
7. Financial Viability	<ul style="list-style-type: none"> • Financial strength and viability • Gearing level and credit rating • Contingency funding and current level of operations • Reasonableness of information • Compliance with the Australian Corporations Law (if relevant)

An overall risk score should be derived for the supplier. This ^{may} ~~could~~ be an average of the scores for each risk area or ~~could~~ ^{may} be more complex by weighting certain ^{risk} and then calculating a range of scores to ascertain the overall risk. ^{risk areas}

Treatment strategies should be developed to mitigate the risks. A potential supplier assessed as either extreme or high, in terms of their ability to deliver the services proposed, ^{may} still be acceptable, provided that the risk is capable of being effectively managed by RQL or treated by the supplier. A risk, for example, ~~could~~ ^{may} be treated by requiring a bank guarantee to protect RQL's interests as you have highlighted a % of the contract value. Risks should also be monitored on an ongoing basis to ensure that any events or circumstances have been identified that necessitates ^{may} a review of the level of risk assigned.

The above table ~~could~~ ^{may} incorporate a 2 tiered approach whereby low risk contractual arrangements perhaps only incorporate an assessment of risk criteria 1 to 3 above, but more complex or higher risk procurement incorporates an assessment for all criteria i.e. from 1 to 7.

2. Delegations

All invoices must be checked and signed by the Project Director even if outside of delegation limit. The Project Director is to obtain the approval of the CEO or Board if over his delegation limit.

All delegations are to be in line with the RQL purchasing policy.

Officer	Delegation Limit
Board	Initial Budget or project variations outside of tolerance level
CEO	All invoices over \$50K
Project Director	\$50K
CFO	\$50K
Director of Product Development	\$50K
Racecourse Development Manager	\$20K

an aggregate

All items outside of the approved budget with a tolerance level of greater than either 1% or \$200K of the project value will require Board approval.

Project	Value	1% Tolerance Level
Deagon	\$39.9M	\$399K
Gold Coast	\$35.4M	\$354K
Beaudesert	\$7.27M	\$72,7K or \$200K
Cairns	\$1.96M	\$19.6K or \$200K
Townsville	\$6.34M	\$63.4K or \$200K
Mackay	\$7.44M	\$74.4K or \$200K
Rockhampton	\$1.6M	\$16K or \$200K

3. Accounts Payable (AP)

The RQL AP Officer is the contact for the accounts payable function of the infrastructure plan. However, it is important to copy ~~in~~ the RQL Project Accountant into ~~all~~ correspondence. ^{on}

The procedure for processing invoices/payments is as follows:

- Check with AP if the supplier has been set up in the system.
- Sufficient time (2 days) must be given to AP for this to be done. *for new suppliers*

new supplier



- If ~~not~~, send the supplier the "New Supplier Application" form ~~in~~ which ~~they~~ forwarded ~~through~~ to the accounts payable officer once completed.
- All invoices to be pre coded, ~~and~~ signed and approved by an authorised RQL representative per the approved delegation and sent through to the accounts payable officer.

RQL conducts payment runs every Friday. To ensure the payment is processed on time, the supplier's details and the authorised invoice need to be received at RQL by the ~~prior~~ ^{preceding} Wednesday. If these details are not received by close of business Wednesday, they will not be processed and paid that week and will be paid in the following week's payment run.

to ensure these

It is the responsibility of the Project Director ~~that these~~ conditions are met to ensure prompt payment, particularly in the case of 7 day accounts. All other invoices will be paid according to the payment terms. It is the responsibility of the Project Director to liaise with the suppliers to ensure appropriate payment terms are in place based on the above process. Where ~~at all~~ possible, RQL will insist on 30 day invoices and will endeavour to avoid any invoices being prepared under the *Building and Construction Industry Payments Act 2004*. ?

Coding:-

All invoices need to be authorised and checked against budget by the Project Director prior to being received by AP and coded as follows:-

Project	Account Code	T1 Cost Code Facility	T2 - Project Broken down further See below **	T3 - Function Code	T5 - Area Code	T7 - Racing Division Code
Deagon	12393	20	IIPLN	AD	02	11 (Harness & Greyhounds 50:50)
Gold Coast Turf Club	11341	31	IIPLN	AD	02	02 - THB
Beaudesert Race Club	11331	22	IIPLN	AD	02	02 - THB
Cairns Jockey Club - Canon Park	11332	10 THB 54 GH	IIPLN	AD	10	02 - Thoroughbreds 04 - Greyhounds
Townsville Turf Club - Cluden Park	11339	37	IIPLN	AD	08	02 - THB
Mackay Turf Club - Ooralea Park	11333	33	IIPLN	AD	08	02 - THB
Rockhampton Greyhound Club - Callaghan Park - Greyhounds Only	11334	57 GH	IIPLN	AD	03	04 - Greyhounds
Country Racing	11349					Paul Brennan
Albion Park	12394	23	IIPLN	AD	02	11 (Harness & Greyhounds 50:50)

IIPLN – Industry Infrastructure Plan
AD – Asset Development

** The project codes are broken down further per area to easily identify the asset and are as per the following link and attachment "A"

IIPN New Codes.xlsx

4. Cheque/Electronic Funds Transfer (EFT) Signatories

Payments will not be processed without the prior approval of the Project Director and CCE's representative. Once approval is received, two of the following five designations are required to authorise each payment on behalf of the infrastructure plan via EFT:

- CFO
- Management Accountant
- Revenue Services Accountant
- Business Analyst
- Senior Corporate Counsel/Company Secretary

Petty Cash:-

The procedure for processing petty cash is as follows:

- Send through to AP Officer the petty cash reimbursement form along with necessary receipts.
- RQL processes the cheque to be signed by CFO or equivalent.

Sufficient time is required to return the petty cash cheque. Please reimburse the petty cash fund regularly to prevent any shortage.

It is recommended that urgent correspondence be sent through an external mailing system or scanned and emailed with the originals sent in the post.

The Accounts Receivable (**AR**) and AP function are vital to the successful management of the Infrastructure Plan. It is extremely important that the Project Director of the Infrastructure Plan continually liaises with the AR and AP departments as well as RQL staff liaise and provide feedback to the Project Director.

5. Credit Card Process

The credit card is designated for use by the authorised card holder when:

- a creditor account has not been set up
- or is a one off payment to a creditor not normally used
- or based on necessity e.g. travel.

Process:-

- Credit Card Statement received by authorised card holder.
- Attach invoices/receipts for corresponding debit amounts on the statement and send through to the accounts payable officer within 3 days of receipt of credit card statement.
- Statement is coded and allocated to the relevant ledger accounts.
- Payment is made by direct debit monthly.

6. Accounts Receivable

Where required, the RQL AR Officer is the contact for the AR function if an invoice is required to be raised for the Infrastructure Plan. However, it is important to copy in the RQL Revenue Services Accountant into all correspondence.

The procedure for raising an invoice is as follows:

- An authorised Infrastructure Plan representative is to fill out an invoice request form and send through to the AR Officer.
- The request form must include the following information to facilitate accounts receivable following up any issues
 - Name
 - Address
 - Phone Number
 - E-mail (optional but preferred)
 - Payment Terms
 - Supporting Documentation (e.g. sponsorship agreements)
 - Signed by an authorised Infrastructure Plan representative

Once the invoice request form is completed in its entirety, the invoice will be created and within 3 working days of receipt.

A final authorisation is required from the RQL Revenue Services Accountant prior to processing.

Once authorised the invoice will be processed and issued by the following working day.

Statements will be issued the first working day of the month.

For any adjustments that may be required (e.g. refund, credits), an adjustment form is required to be completed by an authorised Infrastructure Plan representative and sent through to the accounts receivable officer.

A final authorisation is required from the RQL Revenue Services Accountant prior to processing.

7. Payroll

For all additional employees from 1 July 2010 payroll is paid monthly on the 14th of each month, approximately 2 weeks in arrears and 2 weeks in advance with the exception of:

- Casual employees
- Facility maintenance staff dependant on their circumstances and in consultation with the executive manager.
- Employees on fortnightly arrangements prior to 1 July 2010

For these employees payroll is run on a fortnightly basis paid on a Wednesday in arrears. The payroll period is Monday to the following Sunday.

Process:-

- Timesheets are due by close of business Monday for the previous fortnight sent through to the payroll officer.
- Project Director Authorisation is required to be sent through to the payroll officer by midday Tuesday of the pay run week.
- All leave and payroll requests are due to payroll 3 days prior to processing.
- All leave and payslips are available through the employee services portal on the intranet through ConnX.
- Payroll is processed and then checked and payment authorised by two authorising RQL delegates (see no.1).
- Salaries are due in the employees' bank account fortnightly on a Wednesday.
- Monthly salaries are due on the 14th of each month.

From 1 July 2011 there will be the following RQL employees dedicated to the infrastructure plan

POSITION	NAME	EMAIL	DIRECT PHONE
Project Director	Mark Snowdon	msnowdon@racingqueensland.com.au	07 3869 9402
Executive Assistant Assets & Infrastructure	Deanna Dart	ddart@racingqueensland.com.au	07 3869 9405
Accounts Payable	TBA	TBA	TBA

All other RQL employees who are involved with providing advice and working on the infrastructure plan and/or processing of payments will need to complete an Infrastructure time sheet which will need to be authorised by the project director. A monthly Journal will need to be recoded from the RQL salaries operating account to the infrastructure plan per a project seeking reimbursement of this expenditure from 1 July 2011.

It is anticipated that a total fee required from the IIPLN be formulated for the use of RQL employees. This total figure will then be allocated over the projects relevant to the work and time required. Time sheets will then be written up to reflect the fees charged.

Infrastructure Plan Timesheet (click on link to timesheet)

If the IIPLN does not have a specific account amounts are allocated to and will then be reallocated to the specific project.

Account Name	Account Code	T1	T2	T3	T5	T7
Infrastructure Plan	11349	01	IIPLN	AD	02	01,02,03,04

8. Expense reimbursement

All expenses are to be reimbursed in line with the expense reimbursements policy and in line with the appropriate delegation.

http://sharepoint/Policies/FIN_pol003_Expense%20Reimbursement%20Policy.doc

9. Investments/Term Deposits

Term Deposit and investment advice is provided by the CFO and/or Management Accountant through a number of institutions currently, NAB, QTC, Westpac, CBA or ANZ and is invested by the Senior Finance Officer – Treasury

10. Cash flow and Budgets

The Project Director is to liaise with CCE to ensure the budget is on track and to ensure an up to date cash flow is in place. The Project Director to liaise with CFO to ensure that the budgets and cash flows are up to date to ensure sufficient time is allowed to draw down from investments and/or Treasury to ensure payments can be made within the agreed credit terms. Once done, authorised payments are to be made. Finance Department to manage and produce budget to actual reports for RQL Board and Government.

Senior Finance Officer and Accountant to review daily cash requirements for AP and other requirements

11. Monthly Financial Statements – Project Reconciliations

RQL will provide monthly financial statements – Project Reconciliations by working day 10 of the following month. These statements are prepared by the Project Accountant and will be reviewed by the CFO or Management Accountant prior to release. These reconciliations must be agreed by the Project Director prior to being released to the IIPCG or the Board.

12. Urgent transactional delivery

The Management Accountant is the first point of contact to assist in the delivery of any urgent transactions or financial enquiries.

If the Management Accountant is unavailable, please contact the CFO or any contact on your contacts list below so that they can source the appropriate authority and escalate the delivery as required.

13. Club Restructures and financial modelling

RQL will pursue partnership arrangements with clubs and the Business Analyst will assist with all financial modelling and support.

14. RQL employees with responsibilities on behalf of the Infrastructure Plan

As mentioned above, RQL provides the following employee resources to assist with the Infrastructure Plan accounts:

- Compliance/Project Accountant
- Accountant
- AP Officer
- AR Officer, and
- Payroll.

The CFO and Management Accountant provide direction to the above employees as well as assisting the Infrastructure Plan directly on any higher level financial analysis or needs.

The senior accountants (Revenue Services Accountant and Project Accountant) are also utilised to ensure correct processing, coding and authorising of all transactions has been adhered to as per RQL credit and purchasing policies.

All the above mentioned resources are full time permanent RQL employees who assist in the Infrastructure Plan accounts on the basis of hours needed to fulfil the deadlines, processing, reporting requirements and any other financial advice as deemed appropriate and relevant. RQL also provides back up assistance from within the Finance Department to alleviate any concerns relating to leave or turnover of staff.

Following are the current RQL contacts assisting with financial functions as at today's date:

POSITION	NAME	EMAIL	DIRECT PHONE
CFO	Adam Carter	acarter@racingqueensland.com.au	07 3869 9702
Management Accountant	Sharon Drew	sdrew@racingqueensland.com.au	07 3869 9704
Business Analyst	Ron Mathofer	rmathofer@racingqueensland.com.au	07 3869 9716
Financial/Compliance/Project Accountant	Jeffrey Zeppa	jzeppa@racingqueensland.com.au	07 3869 9713
Revenue Services Accountant	Murray Dyke	mdyke@racingqueensland.com.au	07 3869 9727
Senior Finance Officer	Kees Van der Waal	kvanderwaal@racingqueensland.com.au	07 3869 9706
Accountant	Craig Roberts	croberts@racingqueensland.com.au	07 3869 9718
Accounts Receivable	Janet Roth	jroth@racingqueensland.com.au	07 3869 9711
Accounts Payable	Su Agate Karin Schreiber	ap@racingqueensland.com.au sagate@racingqueensland.com.au kschreiber@racingqueensland.com.au	07 3869 9714 07 3869 9703
Payroll	Leanne Lorena	llorena@racingqueensland.com.au payroll@racingqueensland.com.au	07 3869 9708

RQL will endeavour to update your contact list as soon as any changes occur.



If you have any further queries please do not hesitate to contact me by email acarter@racingqueensland.com.au or by mobile 0400 761 700.

A handwritten signature in black ink, appearing to read "Adam Carter".

ADAM CARTER
Chief Financial Officer



PURCHASING POLICY

Owner

Chief Financial Officer

Stakeholders

Corporate Wide

Revision History

<i>Version</i>	<i>Date</i>	<i>Description of Change</i>
1.01	May 2010	First draft (Murray Dyke)/Reviewed Adam Carter
1.02	12 May 2010	Provided to Tracey Harris and Abhendra Kumar for Feedback
1.03	22 June 2010	Reviewed AC
1.04	1 July 2010	RQL Board Changes (FINAL)
1.05	9 June 2011	Reviewed Adam Carter and Sharon Drew
1.06	1 July 2011	Approved by RQL Board – Capital Expenditure and Repairs and Maintenance
1.07	25 October 2011	Added: 1. Delegation authority of \$50K for the Project Director. 2. Industry Infrastructure Plan Section. Made minor changes to the Capital Expenditure and Repairs and Maintenance forms.
1.08	4 November 2011	Approved by RQL Board – changes made as per version 1.07



PURCHASING POLICY:

RACING QUEENSLAND LIMITED

Introduction

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

Racing Queensland Limited is the Control Body established by, and obtaining its objects and functions from, the *Racing Act 2002* and its Constitution. Racing Queensland 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 Racing Queensland 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;
 - Major repairs and maintenance;
 - Day to day purchasing of services and supplies;
 - Industry Infrastructure Plan; and
 - Credit Facilities

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

Racing Queensland Limited plays a major role in the implementation of industry capital works projects each year. Racing Queensland 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 Racing Queensland 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. Racing Queensland 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 Racing Queensland Limited;
- Assuming the project cost following detailed design is contained within 10% of the preliminary estimate, and Racing Queensland Limited is satisfied with the standard of documentation provided, final approval will be given for the project to proceed (Chief Executive Officer or Chief Financial Officer);
- 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, Racing Queensland 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 Racing Queensland Limited with a report, which addresses the outcomes of the project, including cost to budget, quality of product, and timeliness.

Consulting Services

Racing Queensland 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 Executive Officer or Chief Financial Officer);
- For contracts over \$100,000, will be subject to Board discretion as to the waiver of an open tender, 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 Racing Queensland 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, will be subject to Board discretion as to the waiver of an open tender, as described above, must be followed.

Sponsorship Contracts

Racing Queensland 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 Racing Queensland 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 Racing Queensland 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 Racing Queensland 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 Racing Queensland 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 Racing Queensland 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

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

- the leasing of a new vehicle must be approved by the Chief Executive Officer or Chief Financial Officer; 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 three years, or having travelled 90,000 klms, whichever comes first, unless the Chief Executive Officer or Chief Financial Officer agrees to an extension of the leasing term.

Vehicles are to be leased in line with the Racing Queensland Limited's Motor Vehicle Policy, for further details email ap@racingqueensland.com.au

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. Racing Queensland 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 Executive Officer or Chief Financial Officer 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 Racing Queensland Limited are to adhere to the following guidelines:

A request for capital expenditure form is to be completed for all capital purchases and is to be authorised by both the Chief Executive Officer and Chief Financial Officer<insert link to form when on intranet >.

- 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, will be subject to Board discretion as to the waiver of an open tender. 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.

Major Repairs and Maintenance

Major Repairs and Maintenance purchases of \$20,000 or more made by Racing Queensland Limited are to adhere to the following guidelines:

A request for major repairs and maintenance expenditure form is to be completed for purchases of \$20,000 or more and is to be authorised by both the Director of Product Development and Chief Financial Officer to the value of \$50,000). Purchases of \$50,000 or more will require an additional approval by the Chief Executive Officer.

. <insert link to form when on intranet >

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 Racing Queensland Limited's key principles are satisfied. At least three competitive quotes must be obtained for any purchase of \$10,000 or more.

Industry Infrastructure Plan;

Policy in relation to the approval of supplier payments specifically related to the Industry Infrastructure Plan is as follows;

- All invoices must be checked and signed by the Project Director even if outside of delegation limit. The Project Director is to obtain the approval of the CEO or Board if over his delegation limit.
- All delegations are to be in line with the RQL purchasing policy.

- All items outside of the approved budget with a tolerance level of greater than either 1% or \$200K of the project value will require Board approval.

Preferred Suppliers

As much as possible, Racing Queensland Limited 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. 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)
- Racing Queensland Limited'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.

1.2 Preferred Suppliers Listing.

The current preferred suppliers list can be obtained from accounts payable ap@racingqueensland.com.au or can be located at the following link:

<Insert Link to Preferred Supplier Listing which is currently under construction>

Item	Regional Senior Stewards	Admin Authorities, Racecourse Supervisor, racing Manager – Procurement Track Supervisor	Managers, Chief Steward, Racing and Facilities Supervisor, Track Supervisor	Information Technology and Communications Manager, Licensing and Training Manager, Racing Managers – Dividing Races, Management Accountant, Revenue & Services Accountant	Director of Integrity Operations, Facility & Development Manager, Senior Corporate Counsel/Company Secretary	Chief Financial Officer, Director of Product Development, Project Director	Chief Executive Officer	Board of Directors
Overall Delegation	<\$500	<\$1,000	<\$2,000	<\$5,000	<\$20,000	<\$50,000	<\$150,000 In line with Budget	Unlimited

Standard Purchase Orders	IPOS	IPOS	IPOS	IPOS	IPOS	IPOS	IPOS	IPOS
Emergency Purchase Orders	IPOS	IPOS	IPOS	IPOS	IPOS	IPOS	IPOS	IPOS
Requisition – Miscellaneous Purchases (Credit Cards) (Refer to Expense Reimbursement policy for conditions)	X	X	X	X	<\$20,000 and to Budget	To Budget	To Budget	Same as above
Petty Cash	<\$100	<\$100	<\$100	<\$100	<\$100	<\$300	<\$300	<\$300
Capital Expenditure Purchase Orders and Request Forms	X	X	X	X	X	Forecast projects if <\$50,000 or if satisfied CEO has previously approved the project	Any single project <\$150,000 where included in approved annual budget	Any single project above \$150,000
Domestic (Interstate) travel	X	X	X	To Budget	To Budget	To Budget	To Budget	If outside aggregate annual budget
International Travel	X	X	X	X	X	X	To Budget	If outside aggregate annual budget
Official Hospitality	<\$100	<\$100	<\$100 <\$300 Senior Management Team	<\$100 <\$300 Senior Management Team	<\$300	<\$300 or other functions as approved by CEO	To Budget	Yes
Sponsorship	X	X	X	Authorities restricted to IT&Comms Manager or Marketing Manager and Senior Corporate Counsel/Company Secretary	To Budget	To Budget	To Budget	Yes, subject to Board agreement

Item	Regional Senior Stewards	Admin Authorities, Racecourse Supervisor, racing Manager – Procurement Track Supervisor	Managers, Chief Steward, Racing and Facilities Supervisor, Track Supervisor	Information Technology and Communications Manager, Licensing and Training Manager, Racing Managers – Dividing Races, Management Accountant, Revenue & Services Accountant	Director of Integrity Operations, Facility & Development Manager, Senior Corporate Counsel/Company Secretary	Chief Financial Officer, Director of Product Development, Project Director	Chief Executive Officer	Board of Directors
Overall Delegation	<\$500	<\$1,000	<\$2,000	<\$5,000	<\$20,000	<\$50,000	<\$150,000 In line with Budget	Unlimited

Contractual Agreements (all contracts to be reviewed by Senior Corporate Counsel/Company Secretary for updating of Contracts register and assess if any legal advice is required)	X	X	X	X	<\$20,000 total value (not lease or license) assuming that authorised to sign in ordinary operations	Yes with CEO assuming CEO previously approved and legally authorised to sign where <\$100,000	Yes where value <\$150,000	Yes, subject to Board agreement
Execution of Contractual agreements (All contracts to be reviewed by Senior Corporate Counsel/Company Secretary for updating of contracts register and assess if any legal advice is required)	To be executed by 2 Directors of the Company or a Director and a Company Secretary of the Company (S127 (1) – Corporations Act 2001).							

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 and are to be in line with budget. These delegations are as follows:

Unlimited

- Board of Directors

Up to \$150,000

- Chief Executive Officer

Up to \$50,000

- Chief Financial Officer
- Director of Product Development
- Project Director

Up to \$20,000

- Director of Integrity Operations
- Facility Maintenance and Development Manager
- Senior Corporate Counsel/Company Secretary

Up to \$5,000

- Information Technology and Communications Manager
- Racing Managers – Dividing Races
- Licensing and Training Manager
- Accountant – Corporate Services
- Management Accountant

Up to \$2,000

- Race Course Facility Managers
- Chief Steward
- Track supervisor

Up to \$1,000

- Administrative Authorities – Executive Assistants including Track Supervisors
- Racing Managers - Procurement
- Racecourse Supervisor

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 Executive Officer or Chief Financial Officer 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 under \$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 46.5% 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 Racing Queensland Limited that no supplies be purchased from entities that are unable to quote an ABN;
- All suppliers to Racing Queensland 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 Racing Queensland Limited to claim input credits. Under law, the supplier must supply Racing Queensland Limited with a Tax Invoice within 28 days of request. Racing Queensland Limited 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 Racing Queensland 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 that are not completed through petty cash or credit cards must be completed in IPOS. **Where IPOS is not available a manual purchase order must be raised and authorised with the pink and green copies sent to accounts payable.** Additionally, copies of sponsorship agreement pro-formas must be provided to the Chief Financial Officer on a timely basis; and
- The delegated officer must be satisfied that Racing Queensland 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 Executive Officer or Chief Financial Officer.

IPOS

IPOS is an online web enable electronic procurement system. It has been custom built to meet Racing Queensland Limited and industry needs and greatly enhances Racing Queensland Limited's ability to operate in today's modern information driven environment.

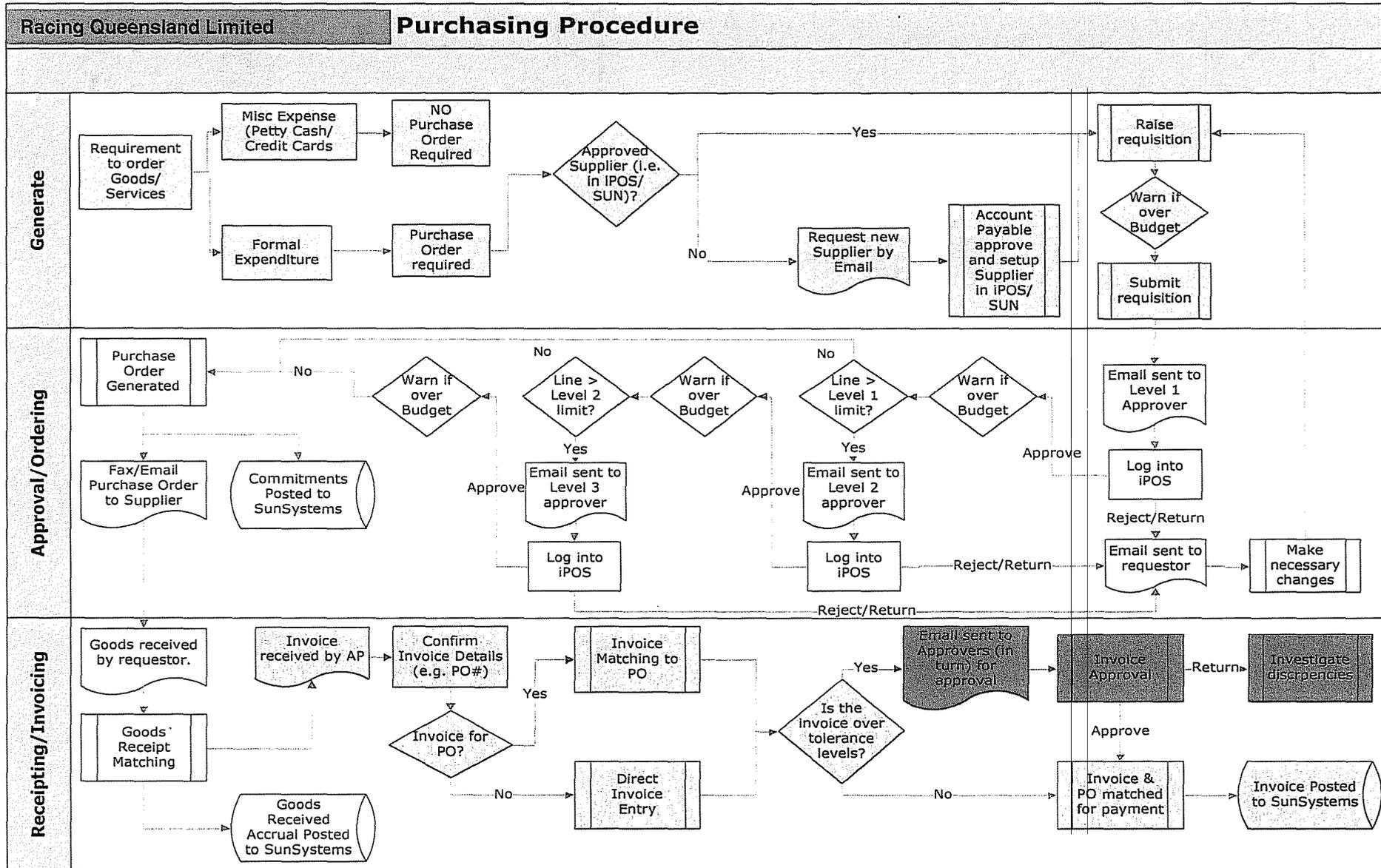
Where IPOS is not available a manual purchase order must be raised and authorized with the pink and green copies sent to accounts payable.

The main objectives of IPOS are:

- To provide the underlying systems to enable the business to obtain tighter budgetary controls, including the recording of committed expenditure,
- To provide managers with the appropriate tools to focus on their individual budgets,
- Implementation of systemic controls over the procure to pay process,
- Improved reporting to the whole business,
- To bring Racing Queensland Limited in line with best practice procurement through taking advantage of e-commerce, electronic purchase ordering and scanning.
- Provide more real time reporting with less reliance on accounts payable,

-
- Introduction of process efficiencies for accounts payable, removing the many manual processes currently in use, such as manual purchase order generation and invoice approvals.
 - Ability to interface with supplier ordering systems resulting in less manual entry.

The process map for Racing Queensland Limited's procurement process is featured below.



The major advantage of IPOS is that it enforces Racing Queensland Limited's purchasing policy in an electronic procurement system. All management delegations are enforced at requisition and invoice stage. Separation of duties ensures that only requisitioners can create purchase orders and only management can authorise.

From 1 July 2010 where applicable all invoices will only be paid if an IPOS purchase order number is quoted on the invoice. Instances where invoices do not require IPOS purchase orders are Energy, phones, rates and other standard monthly charges.

IPOS Procedures are linked below:

<http://starcraft:8080/finance/Shared%20Documents/Forms/AllItems.aspx>
<link to be updated>

Payment Methods

1. Direct Debit

1.1 Business Condition

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

1.2 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.

1.3 Dependencies

Payments must be fixed frequency and price.

2. Cheque

2.1 Business Condition

One-off purchases that can not be paid through any other alternative option. RQL will only pay by cheque under exceptional circumstances otherwise all payments are to be made by electronic funds transfer.

3. Electronic Funds Transfer (EFT)

All other purchases will be paid by Electronic Funds Transfer (EFT) unless previously authorised by the Chief Financial Officer

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. To be used only in exceptional circumstances.
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 the Chief Financial Officer

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 of \$10,000 or more 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 G:\Finance\FORMS\Accounts Payable\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.
- All Capital purchases require a Capital Expenditure request form.
- Major Repairs and Maintenance of \$20,000 or more require a Major Repairs and Maintenance form.

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

Credit Facilities

A credit facility is any system of credit established to allow purchase of goods or services without the use of an official purchase order or the exchange of cash between the purchaser and supplier at the time of the transaction.

The credit facilities generally used by the Company are:

- Corporate credit cards
- Fuel cards
- Taxi vouchers
- Toll cards.

The establishment of any credit facility requires the recommendation of the Chief Financial Officer and approval from the Company. The Chief Financial Officer is responsible for the establishment, implementation, management and control of credit facilities used by the Company.

All credit facilities must be subject to the agreed terms and conditions between the credit provider and the Company.

Users of credit facilities must comply with the agreed terms and conditions, and properly discharge responsibilities regarding the use and reconciliation of credit accounts. Users are responsible for utilising the facilities in a proper and appropriate manner, and are accountable for all transactions associated with their use.

Users are also responsible for the security of the card/vouchers. Misuse of credit facilities will, at the discretion of the Board, result in the user's access to the facility being revoked and appropriate disciplinary action being taken.

Corporate Credit Cards

Principles. The policies and procedures pertaining to corporate credit cards are contained in the following policy: [RQL Expense Reimbursement Policy.doc](#)
<Update link when on Intranet>

Issue. Corporate credit cards will be issued to relevant officers on the basis of the card providing a necessary and convenient facility for meeting commitments incurred in the course of official business. The issue of corporate credit cards is to be recorded in a register that is maintained by an appropriate officer, e.g. Accounts Payable Officer. Corporate card use should be restricted to a specific transaction limit in any one month.

Documentation.

The following conditions governing the use of credit cards prevail:

A register of cards must be established and maintained to exercise control over the issue and use of cards.

- Only authorised charges may be made against the credit organisation;
- Cards must be secured at all times against unauthorised use;
- Internal control measures must be sufficient to ensure cards are used for official purposes only and that any misuse is detected promptly and reported to the Chief Financial Officer.
- Officers using a credit card must obtain particulars of transactions including supporting invoices and dockets duly signed. A Credit Card Usage Form must be completed with the invoices attached. Supporting documentation can include the vendor's invoice/account, copy of prior approval to travel/entertain (where applicable), and purchase order. Where supporting invoices or dockets are not available, a signed certificate stating that the transactions are valid and were for official purposes must be attached. Details of all hospitality/entertainment expenses must be fully documented with the purpose of the expense, guest name(s), date, refreshments, time and the like.

Reconciliation.

- The documentation must be forwarded promptly to an accounting officer for attachment to the credit card transaction record for the purposes of sustaining the official use of the card and settlement of the amount within the required period;
- An accounting officer must match the dockets to the statements received from the credit card organisation;
- The dockets and the summary of these dockets showing the charges incurred by the use of credit cards must be properly authorised by a duly authorised officer; and
- The use of credit cards for the purchase of goods and services must be in strict accordance with the expense reimbursement policy of Racing Queensland Limited.
- Failure to provide receipts and the reconciliation in a timely manner will result in the card being cancelled and the employee will have to be reimbursed expenditure through the expense reimbursement policy

Fuel Cards

Issue. The issue of fuel cards is to be recorded in a register maintained by the Finance area.

Responsibilities. Users of the fuel card credit facility are responsible for utilising the facility in a proper and appropriate manner. Users are also responsible for the security of the card while it is in their possession, and are accountable for all transactions associated with its use during that period.

Use. Fuel cards are to be used only in accordance with the agreement between the credit provider and the Company. This includes locations where the card may be used, vehicle for which the card may be used and the types of purchases that are permitted (e.g. fuel only, fuel and oil).

Documentation. Fuel card transactions are to be supported by documentary evidence of the purchase (e.g. the fuel card docket provided by the fuel supplier). This documentation is to be forwarded to the Finance Area and will be used when reconciling the credit provider's account and making payment.

Taxi Vouchers

Issue. Bulk stocks and the issue of taxi vouchers are to be maintained by the Finance area. The Accounts Payable Officer is responsible for the issue of taxi vouchers within their area of responsibility. This officer should ensure that taxi vouchers are issued for appropriate use.

Use. The use of taxi vouchers is strictly limited to taxi travel for the purpose of conducting official business within or outside business hours when neither an official vehicle is available, nor is public transport an acceptable option.

E Tolls

Issue. The Chief Financial Officer is responsible for approving the issue of E toll within their area of responsibility.

Officers may purchase pre-paid tolls only by credit card.

Use. The use of tolls is limited to conditions as specified under the motor vehicle policy.

SPONSORSHIP AGREEMENT

BETWEEN:

(The Sponsor)

AND RACING QUEENSLAND 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

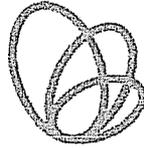
SPONSORED

RACING QUEENSLAND LIMITED

Full name of authorised officer

Signature of authorised officer

Signed in the presence of



RACING
QUEENSLAND

PURCHASING POLICY

Owner

Chief Financial Officer

Stakeholders

Corporate Wide

Revision History

<i>Version</i>	<i>Date</i>	<i>Description of Change</i>
1.01	May 2010	First draft (Murray Dyke)/Reviewed Adam Carter
1.02	12 May 2010	Provided to Tracey Harris and Abhendra Kumar for Feedback
1.03	22 June 2010	Reviewed AC
1.04	1 July 2010	RQL Board Changes (FINAL)

1.05 15 Nov 2010 Reviewed



PURCHASING POLICY:

RACING QUEENSLAND LIMITED

Introduction

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

Racing Queensland Limited is the Control Body established by, and obtaining its objects and functions from, the *Racing Act 2002* and its Constitution. Racing Queensland 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 Racing Queensland 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.
- probity and*

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.
- Credit Facilities

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

Racing Queensland Limited plays a major role in the implementation of industry capital works projects each year. Racing Queensland 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 Racing Queensland 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. Racing Queensland 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 Racing Queensland Limited;
- Assuming the project cost following detailed design is contained within 10% of the preliminary estimate, and Racing Queensland Limited is satisfied with the standard of documentation provided, final approval will be given for the project to proceed (Chief Executive Officer or Chief Financial Officer);
- 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, Racing Queensland 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 Racing Queensland Limited with a report, which addresses the outcomes of the project, including cost to budget, quality of product, and timeliness.

Consulting Services

Racing Queensland 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 Executive Officer or Chief Financial Officer);

• For contracts over \$100,000, will be subject to Board discretion as to the waiver of an open tender, 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 Racing Queensland 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, will be subject to Board discretion as to the waiver of an open tender, as described above, must be followed.

Sponsorship Contracts

Racing Queensland 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 Racing Queensland 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 Racing Queensland 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 Racing Queensland 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 Racing Queensland 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 Racing Queensland 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

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

- the leasing of a new vehicle must be approved by the Chief Executive Officer or Chief Financial Officer or Finance and Business Manager and *? replace with ?*
- 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 three years, *or where high mileage anticipated, a lesser period*, or having travelled 60,000 kms, whichever comes first, unless the Chief Executive Officer or Chief Financial Officer or Finance Business Manager agrees to an extension of the leasing term. *reduction* *replace with*

Vehicles are to be leased in line with the Racing Queensland Limited's Motor Vehicle Policy, for further details email ap@racingqueensland.com.au

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. Racing Queensland 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 Executive Officer or Chief Financial Officer or Finance and Business Manager will determine the successful staff bidder in the event of two or more staff bidding for the same vehicle being traded. *replace with ?*

Other capital purchases

All other capital purchases (e.g. office machines) made by Racing Queensland 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, will be subject to Board discretion as to the waiver of an open tender. 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 Racing Queensland 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, Racing Queensland Limited 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. Selection of Preferred Suppliers

The selection of preferred suppliers should be based on selection criteria that ~~could~~ ^{may} 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)
- Racing Queensland Limited'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.

1.2 Preferred Suppliers Listing.

The current preferred suppliers list can be obtained from the Finance and Business Manager or accounts payable ap@racingqueensland.com.au or can be located at the following link:

~~<Insert Link to Preferred Supplier Listing which is currently under construction>~~

ITEM	POSITION						
	Regional Senior Stewards	Admin Authorities	Managers, Chief Steward	Company Secretary, Director of Integrity Operations, Finance and Business Manager, Accountant Corporate Services	Chief Financial Officer, Director Product Development	Chief Executive Officer	Board of Directors
Overall Delegation	<\$500	<\$2,000	<\$5,000	<\$20,000	<\$50,000	<\$150,000 in line with budget	Unlimited
Standard Purchase Orders	IPOS	IPOS	IPOS	IPOS	IPOS	IPOS	IPOS
Emergency Purchase Orders	IPOS	IPOS	IPOS	IPOS	IPOS	IPOS	IPOS
Requisition - Miscellaneous Purchases (Credit Cards) (Refer to Expense reimbursement policy for conditions)	x	x	x	<\$20,000 and to budget	To Budget	To Budget	Same as above
Petty Cash	<\$100	<\$100	<\$100	<\$100	<\$300	<\$300	<\$300
Capital Expenditure Purchase Orders and Request Forms	x	x	x	x	Forecast projects if <\$50,000 or if satisfied CEO has previously approved the project	Any single project <\$150,000 where included in approved annual budget	Any single project above \$150,000
Domestic (Interstate) travel	x	x	x	To budget	To budget	To budget	If outside of aggregate annual budget
International Travel	x	x	x	x	x	To Budget	If outside of aggregate annual budget
Official Hospitality	<\$100	<\$100	<\$100 <\$300 Senior Management Team	<\$300	<\$300 or other functions as approved by CEO	To Budget	Yes
Employment of new staff	x	x	x	Negotiation only if resignation and within same salary range and approval from CEO	Employment letters and contracts assuming CEO approval	Yes	Yes

Contractual Agreements (All contracts to be reviewed by Corporate Counsel/Company Secretary for updating of Contracts register and asses if any legal advice required)	x	x	x	<\$20,000 total value (not lease or licence) assuming that authorised to sign in ordinary operations	Yes with CEO assuming CEO previously approved and legally authorised to sign where <\$100,000	Yes where value <\$150,000	Yes – subject to Board Agreement
Execution of Contractual Agreements (All contracts to be reviewed by Senior Corporate Counsel/Company Secretary for updating of Contracts register and asses if any legal advice required)	To be executed by 2 Directors of the Company or a Director and a Company Secretary of the Company (S127 (1) – Corporations Act 2001).						

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 and are to be in line with budget. These delegations are as follows:

Unlimited

- Board of Directors
- Up to \$150,000*
- Chief Executive Officer
- Up to \$50,000*
- Chief Financial Officer
- Director of Product Development
- Up to \$20,000*
- ~~Director of Integrity Operations~~
- Finance and Business Manager
- Senior Corporate Counsel/Company Secretary
- Accountant – Corporate Services

Project. + Director \$50k replace with? AS approved Nov Board meeting

Up to \$10,000

- Facility Maintenance and Development Manager
- Racing Managers – Dividing Races

Up to \$5,000

- Information Technology and Communications Manager
- Licensing and Training Manager
- Race Course Facility Managers
- Chief Steward

Up to \$2,000

- Administrative Authorities – Executive Assistants including Track Supervisors
- Racing Managers - Procurement
- Racecourse Supervisor

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 Executive Officer or Chief Financial Officer or Finance and Business 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. *replace with*

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 46.5% 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 Racing Queensland Limited that no supplies be purchased from entities that are unable to quote an ABN;
- All suppliers to Racing Queensland 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 Racing Queensland Limited to claim input credits. Under law, the supplier must supply Racing Queensland Limited with a Tax Invoice within 28 days of request. Racing Queensland Limited 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 Racing Queensland 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 that are not completed through petty cash or credit cards must be completed in IPOS. **Where IPOS is not available a manual purchase order must be raised and authorized with the pink and green copies sent to accounts payable.** Additionally, copies of sponsorship agreement pro-formas must be provided to the Finance and Business Manager on a timely basis; and *replace with?*
- The delegated officer must be satisfied that Racing Queensland 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 Executive Officer or Chief Financial Officer or Finance and Business Manager. *replace with*

IPOS

IPOS is an online web enable electronic procurement system. It has been custom built to meet Racing Queensland Limited and industry needs and greatly enhances Racing Queensland Limited's ability to operate in today's modern information driven environment.

Where IPOS is not available a manual purchase order must be raised and authorized with the pink and green copies sent to accounts payable.

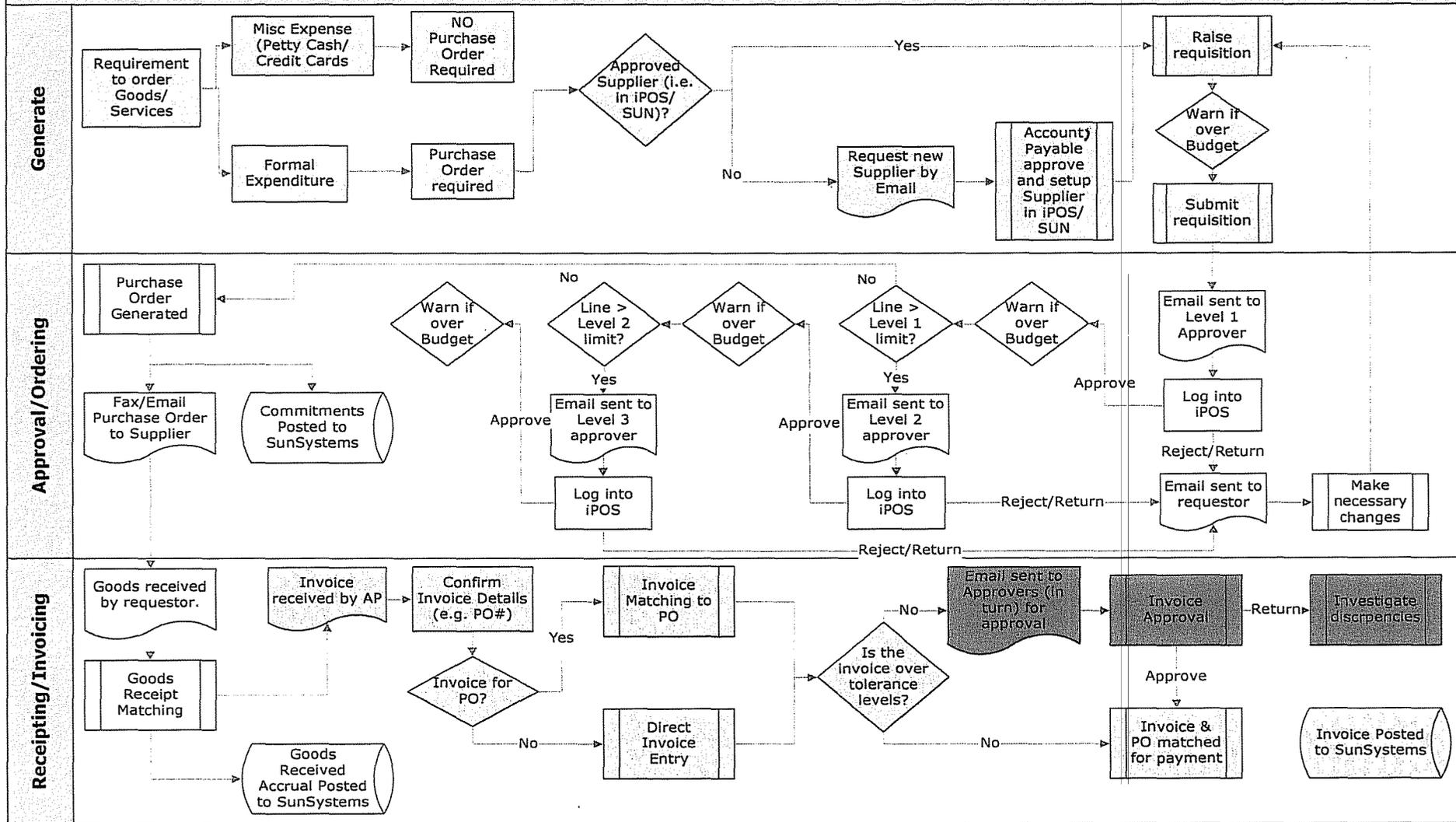
The main objectives of IPOS are:

- To provide the underlying systems to enable the business to obtain tighter budgetary controls, including the recording of committed expenditure,
- To provide managers with the appropriate tools to focus on their individual budgets,
- Implementation of systemic controls over the procure to pay process,
- Improved reporting to the whole business,
- To bring Racing Queensland Limited in line with best practice procurement through taking advantage of e-commerce, electronic purchase ordering and scanning.
- Provide more real time reporting with less reliance on accounts payable,
- Introduction of process efficiencies for accounts payable, removing the many manual processes currently in use, such as manual purchase order generation and invoice approvals.
- Ability to interface with supplier ordering systems resulting in less manual entry.

The process map for Racing Queensland Limited's procurement process is featured below.

RACING QLD

Queensland Racing Limited Purchasing Procedure



The major advantage of IPOS is that it enforces Racing Queensland Limited's purchasing policy in an electronic procurement system. All management delegations are enforced at requisition and invoice stage. Separation of duties ensures that only requisitioners can create purchase orders and only management can authorise.

From 1 July 2010 where applicable all invoices will only be paid if an IPOS purchase order number is quoted on the invoice. Instances where invoices do not require IPOS purchase orders are Energy, phones, rates and other standard monthly charges.

IPOS Procedures are linked below:

<http://starcraft:8080/finance/Shared%20Documents/Forms/AllItems.aspx>

Payment Methods

1. Direct Debit

1.1 Business Condition

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

1.2 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.

1.3 Dependencies

Payments must be fixed frequency and price.

2. Cheque

2.1 Business Condition

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

3. Electronic Funds Transfer (EFT)

All other purchases will be paid by Electronic Funds Transfer (EFT) unless previously authorised by Finance and Business 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. To be used only in exceptional circumstances.
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 and Business 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 G:\Finance\FORMS\Accounts Payable\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, Racing Queensland Limited should perform an annual supplier analysis to review expenditure to determine that value for money is being achieved.

Credit Facilities

A credit facility is any system of credit established to allow purchase of goods or services without the use of an official purchase order or the exchange of cash between the purchaser and supplier at the time of the transaction.

The credit facilities generally used by the Company are:

- Corporate credit cards
- Fuel cards
- Taxi vouchers
- Toll cards.

The establishment of any credit facility requires the recommendation of the Chief Financial Officer and approval from the Company. The Chief Financial Officer is responsible for the establishment, implementation, management and control of credit facilities used by the Company.

All credit facilities must be subject to the agreed terms and conditions between the credit provider and the Company.

Users of credit facilities must comply with the agreed terms and conditions, and properly discharge responsibilities regarding the use and reconciliation of credit accounts. Users are responsible for utilising the facilities in a proper and appropriate manner, and are accountable for all transactions associated with their use.

Users are also responsible for the security of the card/vouchers. Misuse of credit facilities will, at the discretion of the Board, result in the user's access to the facility being revoked and appropriate disciplinary action being taken.

Corporate Credit Cards

Principles. The policies and procedures pertaining to corporate credit cards are contained in the following policy: RQL Expense Reimbursement Policy.doc

Issue. Corporate credit cards will be issued to relevant officers on the basis of the card providing a necessary and convenient facility for meeting commitments incurred in the course of official business. The issue of corporate credit cards is to be recorded in a register that is maintained by an appropriate officer, e.g. Accounts Payable Officer. Corporate card use should be restricted to a specific transaction limit in any one month.

Documentation.

The following conditions governing the use of credit cards prevail:

A register of cards must be established and maintained to exercise control over the issue and use of cards.

- Only authorised charges may be made against the credit organisation;
- Cards must be secured at all times against unauthorised use;
- Internal control measures must be sufficient to ensure cards are used for official purposes only and that any misuse is detected promptly and reported to the Chief Financial Officer.
- Officers using a credit card must obtain particulars of transactions including supporting invoices and dockets duly signed. A Credit Card Usage Form must be completed with the invoices attached. Supporting documentation can include the vendor's invoice/account, copy of prior approval to travel/entertain (where applicable), and purchase order. Where supporting invoices or dockets are not available, a signed certificate stating that the transactions are valid and were for official purposes must be attached. Details of all hospitality/entertainment expenses must be fully documented with the purpose of the expense, guest name(s), date, refreshments, time and the like.

Reconciliation.

- The documentation must be forwarded promptly to an accounting officer for attachment to the credit card transaction record for the purposes of sustaining the official use of the card and settlement of the amount within the required period;
- An accounting officer must match the dockets to the statements received from the credit card organisation;
- The dockets and the summary of these dockets showing the charges incurred by the use of credit cards must be properly authorised by a duly authorised officer; and
- The use of credit cards for the purchase of goods and services must be in strict accordance with the expense reimbursement policy of Racing Queensland Limited.
- Failure to provide receipts and the reconciliation in a timely manner will result in the card being cancelled and the employee will have to be reimbursed expenditure through the expense reimbursement policy

Fuel Cards

Issue. The issue of fuel cards is to be recorded in a register maintained by the Finance area.

Responsibilities. Users of the fuel card credit facility are responsible for utilising the facility in a proper and appropriate manner. Users are also responsible for the security of the card while it is in their possession, and are accountable for all transactions associated with its use during that period.

Use. Fuel cards are to be used only in accordance with the agreement between the credit provider and the Company. This includes locations where the card may be used, vehicle for which the card may be used and the types of purchases that are permitted (e.g. fuel only, fuel and oil).

Documentation. Fuel card transactions are to be supported by documentary evidence of the purchase (e.g. the fuel card docket provided by the fuel supplier). This documentation is to be forwarded to the Finance Area and will be used when reconciling the credit provider's account and making payment.

Taxi Vouchers

Issue. Bulk stocks and the issue of taxi vouchers are to be maintained by the Finance area. The Accounts Payable Officer is responsible for the issue of taxi vouchers within their area of responsibility. This officer should ensure that taxi vouchers are issued for appropriate use.

Use. The use of taxi vouchers is strictly limited to taxi travel for the purpose of conducting official business within or outside business hours when neither an official vehicle is available, nor is public transport an acceptable option.

E Tolls

Issue. ~~The Finance and Business Manager is responsible~~ for approving the issue of E toll within their area of responsibility.

Officers may purchase pre-paid tolls only by credit card.

Use. The use of tolls is limited to conditions as specified under the motor vehicle policy.

SPONSORSHIP AGREEMENT

BETWEEN:

(The Sponsor)

AND RACING QUEENSLAND 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

RACING QUEENSLAND LIMITED

Full name of authorised officer

Signature of authorised officer

Signed in the presence of



PROCESS FOR APPLICATION FOR SOLE SUPPLIER

Introduction

The Queensland State Purchasing Policy has, among its objectives, two equally ranking criteria:

- 1.1. To achieve value for money; and
- 1.2. To ensure probity and accountability for outcomes.

Achievement of these objectives would generally be by the following means:

- Achieving value for money – completing the project by the most economical means
- Ensuring probity and accountability – completing the required paperwork so that it satisfies audit.

Normal Practice

The generally accepted best means of achieving the above objectives for engaging suppliers is by tendering to three or more firms, or by going to a competitively neutral commercialised business unit of DPW or other State Government agency, such as Q Build.

Reasons for Exemption

There are 5 main reasons why exemption to normal practice may have to be sought in order to achieve the State Purchasing Policy objectives:

- 1.1. Accessing existing standing offer and/or preferred supplier arrangements. Examples of this are not common, but may occur in situations such as supply of air conditioning units for Cooler Schools.
- 1.2. Pursuing the second or subsequent stage of a multi-stage procurement process. Multi-stage developments such as Woolloongabba Cricket Ground are good examples.
- 1.3. A sole supply situation exists. An example is where there is a high degree of technical expertise required, eg tension structures or technically complex projects.
- 1.4. A genuine urgency exists. This is the most frequently used reason and the most frequently abused. If this is the reason, there must be adequate accompanying documentation to prove that the urgency is genuine and not a result of inadequate planning.
- 1.5. The procurement is from a competitively neutral commercialised business unit of DPW or other agency acting for the Crown in the same right of the State of Queensland. This is the means by which Q Build or other commercialised business units such as Roadtek can be engaged.

Whichever reason or reasons are used, it is **absolutely essential** that sufficient accompanying documentation is provided to answer any questions that any of the signatories below (Page 3) may raise.

Completing the Form on the following page

Place – name of the site, eg. Greenbank State School.

Project – name of the project, eg. New Teaching Block Stage 1.

Reasons – delete those not applicable and provide details to adequately support those reasons which are applicable.

Firm – list the firm the project manager proposes to invite.

Note: Any questions about this process should be directed to Procurement Services.

PROCUREMENT SERVICES

Application for Sole Supplier

PLACE: Various

PROJECT: Various Department of Communities Developments

PROJECT NO: n/a

PROJECT MANAGER: Various

Approval is sought for the attached list of projects to allow an invitation to be issued to a single supplier for the following reasons:

- A genuine urgency exists

In a meeting on the 15 Dec 2010 between Max Smith and Damian Lavercombe the instruction was given to senior representatives from the Project Services Nation Building team to increase the number of traditional delivery projects in the Nation Building Program.

All of these projects are only just completing preliminary design and therefore the traditional delivery method has needed to be streamlined in order to achieve a construction completion by 24 December 2010.

The philosophy for streamlining the traditional process for ensuring delivery of these projects by this date is:

- Sole select Principal Consultants for a 6 week Contract Documentation stage.
- Select tender projects for Building Contractors using a reduced tender period of 2 weeks, with QBSA Assessments occurring in parallel for each tenderer. A separate series of approvals of select tender lists and reduction in tender durations will be submitted shortly.

This entire strategy is built around the smoothest and most efficient delivery program possible.

There is an urgent need to commission the following list of Principal Consultants. The methodology used to select these consultants and the projects issued to each consultant was that those proven performers in the timely and professional delivery of contract documentation were selected and the volume of work was issued based on their stated capacity to immediately commence works and complete within the 6 week timeframe. The estimated value of the each commission is shown below.

It is proposed to issue an invitation to the following firm against each of these projects:

PS#	Street	Suburb	Project	Consultant	Approx Cost
61477	118A-124 Cypress Tce	Palm Beach	12x2B AP	Noel Robinson	\$120,000 (incl GST)
61476	140-144 West Burleigh Rd	Burleigh Road	16x1B AP	Noel Robinson	\$160,000 (incl GST)
63188	36-38 Juliette St	Annerley	7x1B AP	Noel Robinson	\$70,000 (incl GST)

1. Recommended/Not Recommended

2. Recommended/Not Recommended

A/Assistant Director Date

Director, Housing & Property Portfolio Date

3. Recommended/Not Recommended

4. Approved/Not Approved

Manager, Procurement Services Date

General Manager, Project Services Date

PROCUREMENT SERVICES

Application for Sole Supplier

PLACE: Various

PROJECT: Various Department of Communities Developments

PROJECT NO: n/a

PROJECT MANAGER: Various

Approval is sought for the attached list of projects to allow an invitation to be issued to a single supplier for the following reasons:

- A genuine urgency exists

On the 22nd January 2010 the Department of Communities instructed Project Services to accelerate a number of traditional delivery projects that could be substituted into the Nation Building Program, if required.

These projects are in various stages of design and need to proceed at a pace sufficient to potentially achieve a construction completion by 24 December 2010, therefore the traditional delivery method has needed to be streamlined. Senior representatives of Project Services Nation Building team will need to confirm the Nation Building Programs need for the project and ability to financially commit to the 24 December 2010 construction completion, prior to that project proceeding to tender.

The philosophy for streamlining the traditional process for ensuring delivery of these projects by this date is:

- Sole select Principal Consultants for a 6 week Contract Documentation stage.
- Select tender projects for Building Contractors using a reduced tender period of 2 weeks, with QBSA Assessments occurring in parallel for each tenderer. A separate series of approvals of select tender lists and reduction in tender durations will be submitted shortly.

This entire strategy is built around the smoothest and most efficient delivery program possible.

There is an urgent need to commission the following list of Principal Consultants. The methodology used to select these consultants and the projects issued to each consultant was that those proven performers in the timely and professional delivery of contract documentation were selected and the volume of work was issued based on their stated capacity to immediately commence works and complete within the 6 week timeframe. The estimated value of the each commission is shown below.

It is proposed to issue an invitation to the following firm against each of these projects:

PS#	Street	Suburb	Project	Consultant	Approx Cost
54986	13 Eleventh Ave	Parkside	4x2B AP	Tam Faragher Arch	\$60,000 (incl GST)
55565	70-72 Takalvan St	Svensson Heights	16x1B AP	Ellivo Architects	\$170,000 (incl GST)
52413	2 Hansford Rd	Coombah	4x2B AP	Ellivo Architects	\$48,000 (incl GST)
55564	90-92 Thorn St	Ipswich	12x2 & 4x1B AP	ETS Group	\$180,000 (incl GST)
63166	16 Cole St	Booval	5x2B AP	Arc 2	\$55,000 (incl GST)

1. Recommended/Not Recommended

2. Recommended/Not Recommended

A/Assistant Director Date

Director, Housing & Property Portfolio Date

3. Recommended/Not Recommended

4. Approved/Not Approved

Manager, Procurement Services Date

General Manager, Project Services Date

Ron Mathofer

From: Perrett, Carol <Carol.Perrett@racing.qld.gov.au>
Sent: Thursday, November 10, 2011 11:12 AM
To: Malcolm Tuttle; Kelly, Michael - Racing
Cc: Kelly, Michael - Racing
Subject: RE: yesterday's conversation

Mal

I confirm points 1- 8 below. In regard to Logan, Treasury would require more than a letter. A business case would still need to be prepared but it would be a lot shorter and simpler than for the other projects as it is simply a reimbursement of funds already spent.

Attached is the link to the State Purchasing Policy (SPP). It is high level document and does not include detailed procedures. However, in government we are required to obtain 3 quotes for the provision of goods and services for \$10,000 and above. For contracts under \$10,000, only one quote is required.

The following statements from the SPP are relevant and their intent will be incorporated into all future funding agreements between RQL and the State:

- Open approaches to the market are to be used except where there is demonstrated justification in the significant plan, for use of selective or limited approaches
- All stages of the procurement decision making process from planning to contract award, are to be defensible and documented.

On page 32 of the SPP, it is stated:

Queensland Government employees must comply with the following four inter-linked principles of probity and accountability in procurement:

- fairness and accountability ✓
- transparency of process ✓
- confidentiality and security of information and materials
- effective management of conflicts of interest

not referred to in the Doc.

Among the key areas where probity must be incorporated into an agency's procurement systems, policies and procedures, are the:

- procurement planning process ✓
- internal organisation and decision making processes ✓
- security and confidentiality arrangements ✓
- communication with offerors ✓
- offer evaluation and selection ✓
- promoting a probity-orientated culture ✓
- management of probity issues.

It is considered that all of the above are relevant to RQL's processes.

I am happy to discuss.

Regards Carol

From: Malcolm Tuttle [mailto:mtuttle@racingqueensland.com.au]
Sent: Wednesday, 9 November 2011 12:46 PM
To: Kelly, Michael - Racing
Cc: Perrett, Carol
Subject: yesterday's conversation

Mike/Carol

Can you pls review and confirm I have this correct.

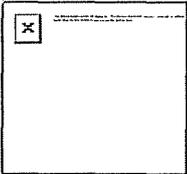
1. Going forward tender process required
2. RQ will compare state purchasing policy with RQL procurement policy and provide you with further feedback re, tender levels (dollar value when required), quotation levels and preferred supplier levels
3. If project is over project budget even though it is within overall budget Govt approval is required. Options are: RQL absorbs amount, We seek adjustments now, We seek adjustments in Feb when Cabinet sits (One more go only)
4. Going forward project manager role separate from other disciplines (Sole PM for entire plan ok)
5. Any previous related party approvals ie project manager/consultant to be fully documented with disclosure forming part of docs
6. Any future related party engagements to be avoided where possible
7. Multiple disciplines within a project being awarded to one consultant to be avoided where possible. If not fully documented reasons to accompany all approvals with conditions as necessary
8. Ok to finalize Beaudesert plan and submit. Wait for feedback and then move onto Cairns etc
9. Letter ok for Logan with invoice

Grateful for feedback – this was taken from my notes

Tks and regards

Malcolm Tuttle

Chief Executive Officer



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E mtuttle@racingqueensland.com.au

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The intent of this document is to track the specifications and to document offers to purchase used equipment which has been nominated to be disposed of by Private Treaty. Please ensure that your justification for this form of disposal has been well documented and that you have had an accountable officer authorise this activity.

REQUEST FOR OFFER TO PURCHASE

From:		Attn:	
Supplier:		Department:	
Date:		Location:	
Phone:		Phone:	
Fax:		Fax:	

You are invited to submit an offer to purchase the following equipment. Please complete this document and return.

Offers to Purchase are required by: / /2011 _____ am/pm. Please fax/email offer to: <input type="checkbox"/> Please provide an offer for the purchase of the following equipment.			
Qty	Description	Pick Up (working days)	Total Price Offered Including any Applicable GST
1	Fork lift as specified below		
1	Set of forklift tines as specified below		
Packaging / handling / delivery charges are solely the responsibility of the purchaser.			
Specifications of the equipment are as follows. Year Make Model Service History / Log books Will / Will Not be provided for the equipment.			
Terms and Conditions: <ul style="list-style-type: none"> • All equipment is sold in its current used condition. • There is no warranty on any equipment being sold • The department accept no liability for any aspect of the equipment or transportation once payment has been made. • Packaging / handling / delivery-pick up / transportation charges are solely the responsibility of the purchaser. 			
SUPPLIER DETAILS (I / we offer to purchase the equipment in accordance with the terms, conditions and the offered price set out above.)			
Business Name of Purchaser:			
Address:			
ABN No.			
Contact Name:			
Signature:		Date:	

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Department of Employment, Economic Development and Innovation

Evaluation Plan

For

[Number and Title of Requirement]

1. Introduction

1.1 Purpose

The purpose of this plan is to detail the conduct of the evaluation process for Tender No. [insert Reference no.] for [insert title of requirement] and provide guidance for the Evaluation Panel Members.

2. Evaluation Process

The Tender is scheduled to close on [insert date and time].

2.1 Offers Opened and Registered

- (a) A list of offers received is to be provided to all Evaluation Panel Members.
- (b) All Evaluation Panel Members are to complete the Acknowledgement of Obligations form declaring any conflicts that exist based on the list of offers received prior to conducting the evaluation of the offers.
- (c) The Evaluation Panel Members will determine whether to accept or reject late offers on the basis of adequate justification being provided by the Offeror.
- (d) Upon receipt of all completed Acknowledgement of Obligations forms the Evaluation Panel Members will be provided with the Offers for the purpose of evaluation.

2.2 Review of Offers Received

- (a) An initial compliance assessment of the Offers received will be undertaken to determine any non-conformance. Offers which are identified in this assessment as non-conforming will be highlighted for the attention and consideration of the Evaluation Panel Members. The Evaluation Panel may determine that a non-conforming Offer be excluded from further consideration.
- (b) Offers will be assessed to determine whether or not mandatory requirements have been met. [Offers **may** be excluded from further consideration in the evaluation process where mandatory requirements have not been met.] [Delete if not applicable (i.e. no mandatory requirements in the tender).]
- (c) The Evaluation Panel Chair or Procurement Professional [delete whichever is not applicable] will conduct any Offer clarification, if required.

2.3 Detailed Evaluation

- (a) The Evaluation Panel Members will meet to moderate and discuss the evaluation result.
- (b) The Evaluation Panel Chair may contact referees to confirm experience and qualifications of the preferred Offeror/s, asking consistent questions of each of Offeror/s referees.
- (c) Evaluation Panel Members will prepare and sign an evaluation report which provides scores and comments against each evaluation criteria as stated in the Tender documentation.
- (d) Shortlisted Offerors may be required to meet with the Evaluation Panel to provide a presentation based on a consistent set of questions that will be provided to all Shortlisted Offerors. This is not an opportunity to present any new information.

3. Evaluation Criteria, Weightings and Ratings

The Evaluation Panel Members agreed on the following evaluation criteria weightings prior to the issue of the Tender. The Evaluation Panel Members will meet to evaluate Offers, allocate scores and moderate (as necessary) to determine the ranking of Offers based on the total weighted scores achieved by each Offeror.

3.1 Evaluation Criteria and Weightings

Evaluation Criteria	Weightings
Mandatory Criteria: [insert mandatory criteria details]	Yes / No
<i>(Any specified mandatory requirements will be evaluated. Failure to meet mandatory requirements may result in non-acceptance of the offer.)</i>	
[delete mandatory criteria if not applicable]	
Criteria 1: [insert criteria details]	[insert weighting] %
Criteria 2: [insert criteria details]	[insert weighting] %
Criteria 3: [insert criteria details]	[insert weighting] %
TOTAL	100 %

3.2 Evaluation Ratings

The evaluation panel will use ratings in the range 0-6 (**except price**) in accordance with the following table:

Rating	Definition	Description
0	Non-compliant	Does not meet the requirement (major weaknesses or deficiencies) or no response
1	Very Poor	Does not demonstrate an acceptable level of understanding of the requirement. Some definite weaknesses or deficiencies.
2	Poor	Demonstrates a general understanding of the requirement, however has some minor weaknesses or deficiencies.
3	Acceptable	Demonstrates an adequate understanding of the requirement, will achieve the minimum acceptable requirement.
4	Good	Demonstrates a good understanding of the requirement, will easily meet requirement.
5	Very Good	Exceeds the requirement, requirement easily met in a way which adds value.
6	Excellent	Excellent ability to meet the requirement. Exceeds specified performance or capability and the additional functionality adds value.

3.3 Comparative Pricing

The following pricing formula will be used to compare pricing:

Lowest offered price ÷ price offered x maximum evaluation rating x weighting = score.

4. Approval Process

The Evaluation Panel Members are to complete a *Short Form Evaluation Report* making recommendation based on the outcomes of the evaluation process.

5. Evaluation Panel Members

[Preferably three officers (minimum of two officers) should conduct the evaluation. Please delete this guidance text.]

Name	Role	Position
[insert name]	Chair of Evaluation Panel	[insert position title]
[insert name]	Evaluation Panel Member	[insert position title]
[insert name]	Evaluation Panel Member	[insert position title]

6. Roles

The **Chair** of the Evaluation Panel is to participate in discussions and reviews and provide guidance, advice and direction to the Evaluation Panel as well as undertake detailed scoring of offers against criteria.

Evaluation Panel Member/s undertake the detailed scoring and review of Offers against set evaluation criteria, including participation in moderation meetings, and where necessary, endorsing clarifications and evaluation reports.

Signed by:

.....

[insert representative's name]

[insert representative's position title]

Chair of Evaluation Panel

Date:

Signed by:

.....

[insert representative's name]

[Insert representative's position title]

Evaluation Panel Member

Date:

Signed by:

.....

[insert representative's name]

[insert representative's position title]

Evaluation Panel Member

Date:



Department of Employment, Economic Development and Innovation

Disclosure Statement

ACKNOWLEDGEMENT OF OBLIGATIONS

Invitation to Offer No.: [insert invitation number and title of requirement]

By this declaration dated the day of 20.....

I, in the position of
(insert name) (insert position title)

acknowledge and agree to the following.

1. CONFIDENTIALITY OBLIGATIONS

- 1.1 In the course of performing services on behalf of the department relating to the evaluation of offers process, I will be exposed to confidential information.
- 1.2 Improper use or disclosure of that information could jeopardise or invalidate the evaluation process and may severely damage the department's ability to perform its governmental/statutory functions.

If a departmental employee, select the following paragraph:

- 1.3 I am aware of my obligations under the legislation which governs my employment (and associated code of conduct) to take all reasonable steps in ensuring the department's confidential information is kept confidential and in performing those services faithfully and without any conflicting interest.

~~*If external to the department, select the following paragraph:*~~

- 1.3 I agree to treat all information provided to me in the course of performing the services described in clause 1.1 herein as confidential information, which must not be divulged to any person without the prior written consent of the department.
- 1.4 I am aware that under the *Crime and Misconduct Act 2001*, disclosure of confidential information may be official misconduct and as such is an offence under the Act.

Confidential information includes information of a sensitive, personal, commercial or political nature made available to you that could cause harm to individuals or the state if disclosed other than in accordance with its intended purpose or target audience.

2. CONFLICT OF INTEREST

- 2.1 I warrant that before signing this declaration, I have disclosed on this document all the past, current and anticipated interests which may conflict with my impartial involvement in the evaluation process.
- 2.2 I agree that during the course of the evaluation process I will not engage in any activity or obtain any interest likely to conflict with my impartiality in respect of this project. In the event that a real or apparent conflict of interest arises, I will immediately disclose it to the department.

Self-assessment checklist for: Compliance with the State Procurement Policy

Respondent's Name: _____
 Agency Name: _____
 Agency Type: Budget Sector Agency
 Phone Number: _____
 Email Address: _____

SPP Requirement (and clause reference)	Fully Compliant?		Information and strategies to achieve compliance
	Yes	No	
1.0 Governance			
1.1 Agency procurement procedures, consistent with the SPP, have been issued (cl. 4.2).	<input type="checkbox"/>	<input type="checkbox"/>	Agency procurement procedures should have been updated to take account of the revised SPP 2010. Note the date that the procedures were last reviewed.
2.0 Procurement Planning			
2.1 The corporate procurement plan (CPP), completed in accordance with the QGCPO template, has been approved by the accountable officer and provided to the QGCPO by 30 June each year (cl. 5.1.2)	<input type="checkbox"/>	<input type="checkbox"/>	For further information, the QGCPO CPP workbook can be accessed at http://www.qgm.qld.gov.au/13_ProcurementPlanningPerformance/Planning_Risk_Management.htm#cpp - refer table 8
2.2 A significant procurement plan (or equivalent) has been prepared for all significant procurements (high expenditure and/or high degree of business risk procurements) (cl. 5.1.3)	<input type="checkbox"/>	<input type="checkbox"/>	The supply positioning analysis (using SUPREM) undertaken as part of corporate procurement planning should reveal the value of estimated significant procurement spend. The agency should estimate the percent of significant procurement spend for which a plan has not been prepared. This represents 'unplanned' procurement for which the agency cannot demonstrate that best value for money has been achieved. The agency should detail corrective action to be taken to ensure all significant procurement is planned.

2.3	Significant procurement plans demonstrate that consideration has been given to opportunities for participation by local suppliers (cl. 5.1.3)	<input type="checkbox"/>	<input type="checkbox"/>	Significant procurement plans should include details as to how the procurement strategy and subsequent tender process has provided opportunities for local suppliers.
3.0 Procurement Performance Measurement				
3.1	A framework for procurement measurement and reporting is in place (cl. 5.2).	<input type="checkbox"/>	<input type="checkbox"/>	This is the broader framework in place to support the collection and reporting of whole-of-Government measures information as per the Data Dictionary and it may also include specific agency requirements.
3.2	Procurement measures and targets have been set in the Corporate Procurement Plan (cl. 5.2).	<input type="checkbox"/>	<input type="checkbox"/>	For further information, the QGCPO CPP workbook can be accessed at http://www.qgm.qld.gov.au/13_ProcurementPlanningPerformance/Planning_Risk_Management.htm#cpp Refer Table 8
4.0 Sustainable Procurement				
4.1	Sustainability considerations related to each significant procurement have been addressed during the significant procurement planning process (cl. 6).	<input type="checkbox"/>	<input type="checkbox"/>	Significant procurement plans should include documented evidence of the analysis of sustainability considerations. This includes analysis of sustainability considerations that form part of the establishment of new, or renewal of existing standing offer arrangements where these are also significant procurements.
4.2	Sustainable procurement targets have been identified in the Corporate Procurement Plan (cl. 6).	<input type="checkbox"/>	<input type="checkbox"/>	For further information, the QGCPO CPP workbook can be accessed at http://www.qgm.qld.gov.au/13_ProcurementPlanningPerformance/Planning_Risk_Management.htm#cpp Refer table 3.5 and 3.6
4.3	The agency has set sustainable procurement targets for three significant procurement spend areas.	<input type="checkbox"/>	<input type="checkbox"/>	For further information, the QGCPO CPP workbook can be accessed at http://www.qgm.qld.gov.au/13_ProcurementPlanningPerformance/Planning_Risk_Management.htm#cpp Refer table 3.5 and 3.6
5.0 Regional Development and Employment				
5.1	A review of procurement decision making delegations and associated budgets for 'routine' expenditure (low expenditure and / or low degree of business risk procurements) has been undertaken to ensure they have been devolved to the lowest practical geographical level (cl. 7).	<input type="checkbox"/>	<input type="checkbox"/>	Specify the date of the last review of procurement decision making delegations and associated budgets, or describe what other process is used to ensure that procurement decision making delegations and associated budgets for routine expenditure has been undertaken to ensure they have been devolved to the lowest practical geographical level.
6.0 Consistency With Other Obligations				

6.1	Agency procurement procedures include procedures to ensure compliance with trade agreement requirements (cl. 8).	<input type="checkbox"/>	<input type="checkbox"/>	Agency procurement procedures should take account of trade agreement requirements relevant to the procurement needs of the agency.
6.2	Procurement decisions which give preference to small and medium enterprises in the context of the Australia United States Free Trade Agreement (AUSFTA) and the Australia Chile Free Trade Agreement (ACFTA) are documented in a Significant Procurement Plan (cl. 8.1).	<input type="checkbox"/>	<input type="checkbox"/>	Procurement decisions which aim to give preference or make set-asides to SMEs in the context of the AUSFTA or ACFTA, must be documented in a Significant Procurement Plan.
7.01/7.02/7.03/7.04/7.05/7.06/7.07/7.08/7.09/7.10/7.11/7.12/7.13/7.14/7.15/7.16/7.17/7.18/7.19/7.20/7.21/7.22/7.23/7.24/7.25/7.26/7.27/7.28/7.29/7.30/7.31/7.32/7.33/7.34/7.35/7.36/7.37/7.38/7.39/7.40/7.41/7.42/7.43/7.44/7.45/7.46/7.47/7.48/7.49/7.50/7.51/7.52/7.53/7.54/7.55/7.56/7.57/7.58/7.59/7.60/7.61/7.62/7.63/7.64/7.65/7.66/7.67/7.68/7.69/7.70/7.71/7.72/7.73/7.74/7.75/7.76/7.77/7.78/7.79/7.80/7.81/7.82/7.83/7.84/7.85/7.86/7.87/7.88/7.89/7.90/7.91/7.92/7.93/7.94/7.95/7.96/7.97/7.98/7.99/8.00				
7.1	All open tenders are published on the Queensland Government Chief Procurement Office eTender website (cl. 9.1).	<input type="checkbox"/>	<input type="checkbox"/>	The agency must be able to demonstrate a documented process supporting each decision not to publish on e-tender. This documentation generally would form part of the significant procurement plan or be an accompaniment to it. For the purposes of audit compliance and best practice procurement, agencies should compile a central register of such non-conformances.
7.2	A Forward Procurement Schedule outlining anticipated significant procurements is published on the Queensland Government Chief Procurement Office eTender website (cl. 9.1).	<input type="checkbox"/>	<input type="checkbox"/>	The agency should publish on e-tender their Forward Procurement Schedule which details significant procurements for each upcoming financial year or beyond, where possible. For the purposes of audit compliance and best practice procurement, agencies should compile a central register of such non-conformances
7.3	Details of all awarded contracts and standing offer arrangements with a value of \$100,000 and over (to be reduced to \$10,000 and over effective 1 July 2011) are published on the Queensland Government Chief Procurement Office eTender website within 60 days of contract award date (cl. 9.2).	<input type="checkbox"/>	<input type="checkbox"/>	Publication of contract details must be in accordance with QGCPO Contract Disclosure Guidelines. These can be accessed at: http://www.qgm.qld.gov.au/02_policy/pdfs/contract_disclosure_guidelines_april_2011.pdf Further details as to mandatory agency requirements regarding recording reasons for non-disclosure are contained in section 9 of these guidelines.
7.4	From 1 July 2011: Additional contract details, as specified in Schedule E of the SPP, have been published for contracts and standing offer arrangements with a value of \$10million and over (cl. 9.2).	<input type="checkbox"/>	<input type="checkbox"/>	Publication of contract details must be in accordance with QGCPO Contract Disclosure Guidelines. These can be accessed at: http://www.qgm.qld.gov.au/02_policy/pdfs/contract_disclosure_guidelines_april_2011.pdf Further details as to mandatory agency requirements regarding recording reasons for non-disclosure are contained in section 9 of these guidelines.

7.5	An independent probity auditor or advisor is engaged for high risk procurement of goods and services with a value of \$10million and over; and construction procurement with a value of \$100million and over (cl. 9.3).	<input type="checkbox"/>	<input type="checkbox"/>	Agencies are required to assess the probity risks inherent in a particular procurement at the earliest stages of procurement planning as part of a broader procurement risk identification and analysis. Agencies are expected to be able to demonstrate that they have utilized a documented, rigorous and defensible approach for determining whether a procurement is high risk. Further guidance is contained in the QGCPO procurement guideline Use of probity auditors and advisors in procurement. To be published
8.0 Common Use Supply Arrangements				
8.1	The agency uses common use supply arrangements managed by QGCPO or approved lead agencies (cl. 11).	<input type="checkbox"/>	<input type="checkbox"/>	Where there is a duplicate agency arrangement in place, note steps to be taken to transition to the common use supply arrangement at expiration of the current contract.
9.0 Queensland Contracts Directory				
9.1	Details of existing and new standing offer arrangements are entered into the Queensland Contracts Directory and regularly maintained (cl. 12).	<input type="checkbox"/>	<input type="checkbox"/>	For the purposes of audit compliance and best practice procurement, agencies should compile a central register of existing and new standing offer arrangements that were not entered into or maintained in the Queensland Contracts Directory.
10.0 Government Standards				
10.1	Standard terms and conditions are used for the procurement of goods and services (excluding construction) (cl. 13).	<input type="checkbox"/>	<input type="checkbox"/>	For the purposes of audit compliance, agencies should compile a central register of all procurements for goods and services where standard terms and conditions were not used, including documentation of reasons for not using the standard terms and conditions.
10.2	A schedule of variation to the standard terms and conditions is submitted to QGCPO every six months (cl. 13).	<input type="checkbox"/>	<input type="checkbox"/>	Details of variations to standard Ts and Cs are monitored, recorded and returned to QGCPO on a six monthly basis via a standard Variation Notification Form - to be issued by QGCPO to budget sector agencies.
11.0 Complaint Processes				
11.1	A procurement complaints management system is in place (cl. 14.)	<input type="checkbox"/>	<input type="checkbox"/>	

State Procurement Policy

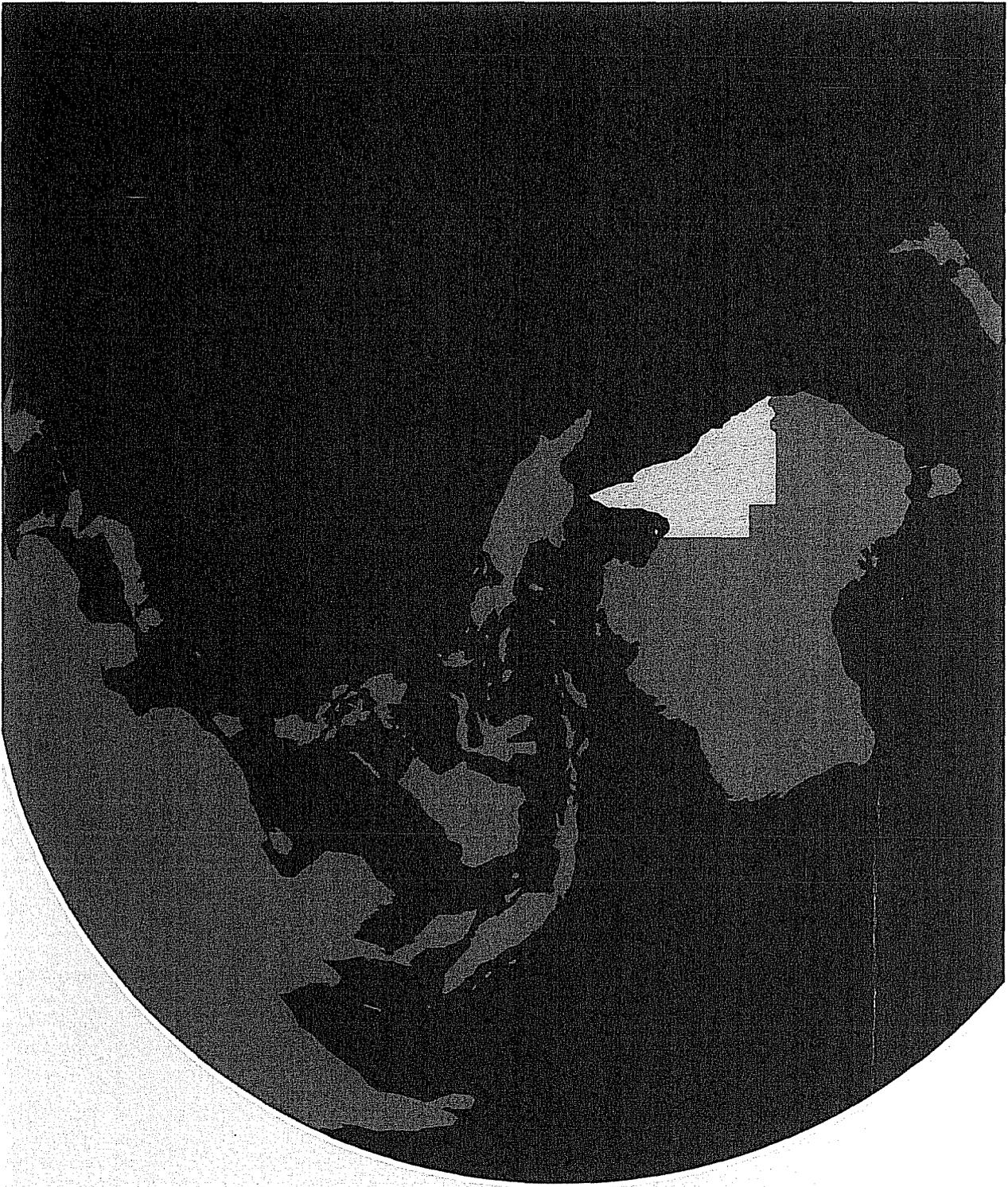
September 2010

*better procurement,
better outcomes*



QGCPD
Department of Public Works





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Explanatory notes

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Overview

The State Procurement Policy delivers benefits for the Queensland Government, suppliers and the community through a commitment to three equally ranked objectives: advancing priorities of the Government, seeking value for money and probity and accountability of procurement outcomes.

The procurement of goods, services and capital projects can account for between about 20 and 80 per cent of an agency's total expenditure. The procurement activities of the Queensland Government therefore have significant economic and budgetary implications. The framework established by the State Procurement Policy seeks to maximise the benefits that can be delivered through effective and efficient government procurement.

Benefits of this Policy

For the Queensland Government, the State Procurement Policy is about:

- maximising value for money and reducing the costs of procurement
- linking agency procurement activities and the priorities of the Government
- focusing procurement on outcomes rather than on process
- providing agencies with a procurement framework that offers autonomy, balanced with accountability of procurement decision making
- aligning agency procurement planning with agency strategic and business planning
- encouraging the development of strategic procurement expertise within agencies.

For industry and the community, the State Procurement Policy is about:

- maximising opportunities for Queensland suppliers by:
 - requiring agencies to consider the priorities of Government as part of procurement activities
 - requiring procurement officers to understand the markets in which they buy, and be aware of opportunities for local suppliers and industry
 - communicating anticipated future procurement requirements through Forward Procurement Schedules to assist local suppliers to identify opportunities to supply the Queensland Government

- providing improved transparency and disclosure in government procurement
- encouraging the devolution of procurement decisions to the lowest practicable geographical level for low value goods and services that are of low business risk, resulting in more business opportunities for suppliers in regional Queensland
- requiring sustainable procurement considerations relating to both the environment and the ethical behaviour of suppliers, to be incorporated into significant procurements
- encouraging agencies to consider how procurement can deliver other economic or social benefits for the community.

Compliance and commencement

Cabinet has mandated this Policy for application to budget sector agencies, Government Owned Corporations, statutory bodies and Special Purpose Vehicles. These entities are collectively referred to as 'agencies' within this Policy.

Some clauses, or parts of clauses, may only apply to budget sector agencies, or may apply to other entity types (e.g. Government Owned Corporations, Special Purpose Vehicles or large statutory bodies) in certain circumstances or as a better practice consideration. Where particular clauses apply only to certain entity types, this is specified within the clause in the body of this Policy and is also summarised in Schedule A.

This edition of the Policy contains a new clause 9 entitled *Transparent procurement*. The requirements in this clause will improve transparency of the Government's procurement activities and outcomes. The effective implementation of some requirements related to contract disclosure necessitates the development of new systems in agencies. Accordingly, agencies will be required to progressively implement the new provisions from 1 September 2010, with the requirements to be fully operational from 1 July 2011.

Policy objectives

The Policy has three equally ranking objectives:

- to advance the priorities of the Government
- to achieve value for money
- to ensure probity and accountability for outcomes.

Each agency should use its best endeavours to ensure that competitive local suppliers are given a full, fair and reasonable opportunity to supply the Queensland Government and to deal with suppliers which treat their employees fairly.

Maximising procurement outcomes

The State Procurement Policy encourages agencies to maximise the benefits of their procurement based on an understanding of the nature of what they actually buy, and what they plan to buy. It allows agencies to apply different strategies consistent with the objectives of the Policy to different categories of goods and services. This means that agencies can seek out and capitalise on various opportunities to meet the objectives of this Policy.

Taking advantage of these opportunities requires agencies to:

- apply a 'value for money' definition which includes the contribution of the procurement to advancing priorities of the Government
- systematically plan their procurement to achieve the objectives of the Policy
- understand the nature of their procurement and the key markets from which they buy as a basis for identifying opportunities to advance the priorities of the Government
- be accountable for the outcomes of their procurement and maintain transparent decision making processes.

Guide to documentation

The State Procurement Policy and associated documentation consists of:

- the *Policy statement*
- *foundation concepts* that explain the Policy objectives and an *operational concept* that outlines how to apply the sustainable procurement requirements of this Policy
- *procurement guidance* that assists agencies and suppliers to understand government procurement practices.

The State Procurement Policy requires agencies to establish and maintain procurement procedures which outline their procurement systems and practices consistent with this Policy.

Other relevant policies

While the State Procurement Policy is the overarching policy for Government procurement, there are related policies and frameworks with which officers dealing with specific types of procurement such as building construction and maintenance, civil construction and information technology and telecommunications should be familiar. These include the:

- *Capital Works Management Framework, Maintenance Management Framework, Quality Assurance Policy, Information and Communication Technology (ICT) Purchasing Framework, including the Government Information Technology Contracting Framework* (administered by the Department of Public Works)
- *Local Industry Policy* (administered by the Department of Employment, Economic Development and Innovation)
- *ICT SME Participation Scheme* (jointly administered by the Department of Public Works and the Department of Employment, Economic Development and Innovation)
- *Project Assurance Framework* (administered by the Department of Infrastructure and Planning).

Assistance with the Policy

The Queensland Government Chief Procurement Office provides a range of assistance for the implementation of the State Procurement Policy including:

- advice on the application of the Policy and associated guidance
- assistance with procurement profiling and supply positioning
- procurement capability and performance assessments to assist agencies to identify areas of improvement in procurement
- procurement education and training programs
- a procurement certification system that helps agencies to ensure that officers involved in procurement have the appropriate skills
- seminars on key aspects of the Policy for officers involved in procurement
- the Queensland Government Chief Procurement Office website – www.qgcpo.qld.gov.au.

State procurement policy

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1 Application and commencement

This Policy takes effect from 1 September 2010 and replaces the Queensland Government State Procurement Policy released in 2008.

Cabinet has mandated the application of this Policy to budget sector agencies, Government Owned Corporations, statutory bodies and Special Purpose Vehicles as defined in clause 16 *Definitions*. These entities are collectively referred to as 'agencies' within this Policy.

Some clauses or parts of clauses may only apply to budget sector agencies, or may apply to other entity types listed above in certain circumstances or as a better practice consideration. Where particular clauses apply only to certain entity types, this is specified within the clause in the body of this Policy, and is also summarised in Schedule A.

The *Financial and Performance Management Standard 2009* also refers to this Policy.

Agency compliance with this Policy may be subject to audit by the Queensland Audit Office.

2 Policy intent

2.1 Statement of intent

Agencies must seek to use their procurement to advance the priorities of the Government while achieving value for money with probity and accountability. In doing so, each agency should use its best endeavours to:

- ensure that competitive local suppliers that comply with relevant legislation are given a full, fair and reasonable opportunity to supply the Queensland Government
- deal with suppliers which treat their employees fairly.

3 Objectives

3.1 Statement of objectives

The objectives of the State Procurement Policy are to:

- advance the priorities of the Government
- achieve value for money
- ensure probity and accountability for outcomes.

3.2 Priorities of the Government

Each agency must seek to advance priorities of the Queensland Government. These priorities define the Government's commitment to advance, through its procurement, certain social, economic and environmental objectives. The priorities of the Government are set out in Schedule B.

Refer also *Foundation Concept 1: Advancing priorities of the Government*.

3.3 Value for money

Each agency must seek to obtain best value for money in its procurement. The concept of value for money is not restricted to price alone. The value for money assessment must include consideration of:

- contribution to the advancement of priorities of the Government
- non-cost factors such as fitness for purpose, quality, service and support, and sustainability considerations
- cost-related factors including whole-of-life costs and transaction costs associated with acquisition, use, holding, maintenance and disposal.

Refer also *Foundation Concept 2: Value for money*.

3.4 Probity and accountability for outcomes

An agency must conduct its procurement activities in a transparent manner which demonstrates probity and accountability. Each agency is to ensure that its procurement is carried out in accordance with such obligations as may be placed upon it by the:

- *Financial Accountability Act 2009*
- *Financial and Performance Management Standard 2009*
- *Public Sector Ethics Act 1994*
- such other legislative or Government policy obligations which may apply to the procurement activities of the agency.

Refer also *Foundation Concept 3: Probity and accountability for outcomes*.

4 Governance

4.1 Governance of the procurement function

This Policy establishes governance structures for procurement at the whole-of-government and agency levels.

Leadership for Queensland Government procurement will be discharged through the Queensland Government Chief Procurement Office, Department of Public Works and the Procurement Board of Management. The Policy promotes collaboration and consultation through mechanisms including the Procurement Board of Management and the Procurement Council.

The Policy reinforces the obligations of accountable officers to manage their agencies efficiently, effectively and economically, and to be accountable for public resources.

4.2 Agency Procurement Procedures

The accountable officer must issue Agency Procurement Procedures consistent with this Policy which guide officers concerning procurement systems and practices within the agency.

5 Procurement planning and performance

5.1 Procurement planning

An important preliminary part of the deliberative process of achieving the objectives of this Policy is procurement planning. Procurement planning facilitates a structured and considered approach to the management of procurement activities.

Procurement planning must be based on an analysis of the agency's purchasing patterns and supply markets. Agencies should use this analysis in an effort to identify possible opportunities for local suppliers.

Planning must be undertaken at both the corporate level and in relation to significant individual procurement projects or aggregated categories of expenditure classed as significant procurement.

5.1.2 Corporate Procurement Plans

Every agency must prepare a Corporate Procurement Plan which links the agency's procurement to its strategic plan and covers the same period as the agency's strategic plan. This plan must be approved by the agency's accountable officer, and reviewed annually.

Corporate Procurement Plans set out:

- the objectives to be achieved through the agency's procurement activities consistent with the objectives of this Policy
- how the agency will meet its specified objectives
- mechanisms through which the achievement of the agency's procurement objectives will be measured.

As a minimum, the Corporate Procurement Plan must contain a balance of strategic and operational information in relation to the following areas:

- procurement objectives
- the procurement profile of the agency
- procurement systems, processes and practices, including management and resourcing arrangements for the procurement function
- procurement strategies that will achieve the stated procurement objectives
- procurement measures, targets, and annual comparisons against targets.

Procurement strategies must address, among other things, the skills development of procurement personnel and other staff involved in procurement. They must also cover how the agency will maintain sufficient capability to properly manage its procurement operations, including scope of authority and the roles of agency personnel involved in procurement.

In addition to the above requirements, budget sector agencies must:

- prepare the Corporate Procurement Plan in accordance with the methodology prescribed by the Queensland Government Chief Procurement Officer. The methodology will address the expected depth of analysis across the factors influencing procurement effectiveness and efficiency, and incorporate relevant Policy requirements set out in this clause
- provide Corporate Procurement Plans which have been approved by the accountable officer, to the Queensland Government Chief Procurement Office by 30 June each year.

All agencies must make draft Corporate Procurement Plans available to the Department of Employment, Economic Development and Innovation upon request.

5.1.3 Significant Procurement Plans

Every agency must prepare Significant Procurement Plans for approval by the accountable officer or delegate, when procuring goods, services and capital projects that have been identified by the agency as being high expenditure and/or for which there is a high degree of business risk. Significant procurements can be significant single, one-off procurements or a number of smaller projects in a category of like goods and/or services which when combined, are considered significant. Agencies should not over aggregate goods and services to minimise the number of Significant Procurement Plans to be prepared.

As a minimum, these Plans must:

- establish the objectives to be achieved from the procurement
- specify how the procurement supports the achievement of agency procurement objectives
- analyse demand for the procurement
- analyse the supply market relevant to the area of procurement and the likely impact the procurement will have on the market
- evaluate potential supply strategies and identify the preferred strategy to be followed
- specify measures for the evaluation of the implementation of the supply strategy.

Significant procurement plans should also demonstrate that agencies have considered opportunities for participation by competitive local suppliers.

Agencies must document each element of the significant procurement planning process. This includes stating reasons for limiting the scope of, or not undertaking, certain elements of the process (for example, in emergency procurement situations).

The Department of Employment, Economic Development and Innovation may consult with agencies in relation to the development of certain Significant Procurement Plans.

5.2 Procurement measurement

The regular measurement of procurement activities and analysis of results provides the Government and its agencies with high quality procurement information to improve decision making, and enables an assessment to be made about the progress towards meeting the objectives of the State Procurement Policy.

Accordingly, this Policy requires agencies to establish and maintain a framework for procurement measurement and reporting. Each agency's Corporate Procurement Plan must contain a section on measurement, which contains procurement measures and targets and an annual comparison of actual results against targets.

Each year, budget sector agencies must adopt and report on certain whole-of-government measures as prescribed by the Queensland Government Chief Procurement Officer.

The Queensland Government Chief Procurement Officer may seek procurement measurement information from Government Owned Corporations each year, through shareholding ministers.

5.3 Procurement assessment

Assessments of procurement capability and performance facilitate improvements in procurement outcomes, including achieving better value for money.

Each budget sector agency must ensure that:

- an assessment of its procurement capability and performance is undertaken at least once every three years
- the first review is undertaken in cooperation with the Queensland Government Chief Procurement Office, using the procurement assessment tool provided by the Office
- subsequent reviews are undertaken either in co-operation with the Queensland Government Chief Procurement Office, or with a suitably qualified external provider approved by the Queensland Government Chief Procurement Officer

- information is provided to the Queensland Government Chief Procurement Office in relation to procurement assessments as requested
- any requests concerning procurement capacity and capability improvement initiatives made by the Director-General, Department of Public Works acting on the recommendation of the Procurement Board of Management, are implemented.

As part of a commitment to continuous improvement and better practice, Government Owned Corporations, statutory bodies and Special Purpose Vehicles should consider implementing periodic independent assessments of procurement capability and performance.

6 Sustainable procurement

The Queensland Government is committed to protecting the environment and doing business with ethical and socially responsible suppliers. Agencies must integrate the practice of sustainability into the procurement of goods, services and construction.

Budget sector agencies should seek to progressively increase the proportion of their procurement expenditure on goods, services and construction that demonstrate improved sustainability outcomes from year to year. To achieve this, budget sector agencies must:

- demonstrate that sustainability considerations related to each significant procurement have been addressed during the significant procurement planning process. This includes the establishment of new, or renewal of existing, standing offer arrangements where these are also significant procurements.
- include sustainable procurement strategies and targets in the Corporate Procurement Plan and report annually on progress against targets in the plan. Requirements with respect to setting, measuring and reporting on sustainable procurement targets are outlined in the Operational Concept. The selection of targets should align with the agency's strategic and operational procurement objectives.
- comply with certain product based targets as mandated by the Queensland Government Chief Procurement Officer.

As part of a commitment to continuous improvement and better practice, Government Owned Corporations, statutory bodies and Special Purpose Vehicles should seek to progressively increase the proportion of their procurement expenditure on goods, services and construction that demonstrate improved sustainability outcomes, from year to year. To achieve this Government Owned Corporations, statutory bodies and Special Purpose Vehicles should consider setting, measuring and reporting on sustainable procurement targets. The selection of targets should align with their strategic and operational procurement objectives.

Refer also *Operational Concept: Sustainable procurement*.

7 Regional development and employment

Each agency must devolve to the lowest practicable geographical level, procurement decision making and associated budgets for goods and services that the agency assesses are low expenditure and for which there is a low degree of business risk.

Agencies may also devolve procurement decision making and associated budgets for goods and services that are not in this category.

Agencies should consider government policies concerning regional and industry development, employment and training that impact on government procurement.

8 Consistency with other obligations

This Policy is to be construed as subject to and limited by other legislation, policy and agreements including but not limited to the following:

- *Australia New Zealand Government Procurement Agreement (ANZGPA)*
- Chapter 15: *Government Procurement*, of the *Australia-United States Free Trade Agreement (AUSFTA)*
- Chapter 15: *Government Procurement*, of the *Australia-Chile Free Trade Agreement (ACFTA)*
- *National Competition Policy* and related legislation and agreements including the *Trade Practices Act 1974 (Cth)*.

All agencies must comply with the ANZGPA. Schedule C of this Policy sets out the circumstances in which agencies listed within the Schedule must comply with the Government Procurement chapter of the AUSFTA and ACFTA.

Where an agency's procurement is in breach of applicable international trade agreement obligations, the Director-General, Department of Public Works may require agencies to terminate or suspend the non-compliant procurement process, following consultation with the Director-General, Department of the Premier and Cabinet and the Australian Department of Foreign Affairs and Trade.

Other policies relevant to government procurement are set out in Schedule D.

8.1 Small and medium enterprise preferences

The Government Procurement chapter of the AUSFTA or ACFTA does not apply to any form of preference to small and medium enterprises (SMEs). A procurement decision which aims to give preference or make set-asides to SMEs in the context of the AUSFTA or ACFTA, must be documented in a Significant Procurement Plan.

9 Transparent procurement

9.1 Promote access to government procurement opportunities

Agencies must promote access to government procurement opportunities by publishing and maintaining the following information on the Queensland Government Chief Procurement Office's eTender website:

- a Forward Procurement Schedule, outlining anticipated significant procurements. The schedule should cover, at a minimum, each upcoming financial year or beyond where possible.
- all open invitation opportunities.

Agencies should use open offer processes where possible. Limited and selective offer processes may be used where the Significant Procurement Plan demonstrates that this is the appropriate strategy. Limited and selective offer processes must not be used for the purposes of avoiding competition.

9.2 Disclosure of procurement results

Affected agencies must publish basic details of all awarded contracts and standing offer arrangements, where the value of the contract or arrangement over its initial term (excluding extensions) is \$100,000 and over (to be reduced to \$10,000 and over effective 1 July 2011), on the Queensland Government Chief Procurement Office's eTender website, within 60 days of contract date. Details to be published include:

- the name and address of the procuring agency
- a description of the goods or services procured
- the date of award or contract date
- the value of the contract or standing offer arrangement
- the name and address of the successful supplier
- the procurement method used.

From 1 July 2011, affected agencies must also publish additional contract details as specified in Schedule E, for contracts and standing offer arrangements with a value of \$10 million and over.

The additional contract details must be published on the Queensland Government Chief Procurement Office's eTender website within 60 days of contract date.

9.3 Integrity of procurement decisions

Agencies must ensure that processes and procedures are in place to ensure the integrity of the procurement decision making process. All stages of the procurement decision making process from planning to award, should be defensible and documented.

Affected agencies must engage independent probity auditors or advisors for high risk procurement of:

- goods and services procurement with a value of \$10 million and over
- construction procurement with a value of \$100 million and over.

This does not prevent agencies from engaging probity auditors or advisors for high risk procurement below these thresholds.

10 Intra-governmental procurement activities

This Policy preserves the right of each agency to deal directly with competitively neutral commercialised business units of their own agency or other agencies that are acting for the Crown in the same right of the State of Queensland.

11 Common use supply arrangements

To promote improved procurement outcomes and cross agency collaboration for significant expenditure categories across Government, budget sector agencies must use common use supply arrangements managed by the Queensland Government Chief Procurement Office or a lead agency approved by the Office.

Common use supply arrangements will be developed for certain expenditure categories:

- common to all budget sector agencies (whole-of-Government supply arrangements)
- which are not whole-of-Government but are common to two or more agencies (lead agency supply arrangements).

Where a potential lead agency supply arrangement is identified, the relevant agencies must act in partnership. The Queensland Government Chief Procurement Officer will identify a lead agency to consolidate and/or transition requirements under a single supply arrangement as soon as practicable. The lead agency may be the Queensland Government Chief Procurement Office or another agency. Where the lead agency is not the Queensland Government Chief Procurement Office, agreements will be formed between the Office and the lead agency in terms of respective responsibilities and accountabilities for each relevant expenditure category.

A Significant Procurement Plan must be prepared for each common use supply arrangement. For whole-of-Government supply arrangements, the Plan will be prepared by the Queensland Government Chief Procurement Office. For lead agency supply arrangements, the responsible lead agency will prepare the Significant Procurement Plan.

During the development of each Significant Procurement Plan, consideration will be given to the requirements of buying agencies and market characteristics, and opportunities for competitive regional suppliers.

The Procurement Board of Management will be briefed with respect to the anticipated benefits and outcomes for each proposed common use supply arrangement and budget sector agencies will be consulted during the development of these arrangements.

The Director-General, Department of Public Works, may, on a case by case basis, exempt budget sector agencies or parts of agencies from participating in certain common use supply arrangements.

12 Queensland Contracts Directory

The Queensland Government Chief Procurement Office will host a central directory of standing offer arrangements on behalf of budget sector agencies. Budget sector agencies are required to ensure that details of existing and new standing offer arrangements are entered into the Queensland Contracts Directory and regularly maintained by the responsible agency.

13 Government terms and conditions

Budget sector agencies must use the standard terms and conditions for the provision of goods and services (excluding construction) published by the Queensland Government Chief Procurement Office. Budget sector agencies may vary the standard terms and conditions in the Invitation to Offer document where necessary, however a schedule of these variations must be submitted to the Queensland Government Chief Procurement Office every six months, or as requested by the Office. The Queensland Government Chief Procurement Office will be responsible for updating the standard terms and conditions at least annually.

Budget sector agencies and statutory bodies must use the Government Information Technology Contracting Framework when procuring information and communication technology goods and services.

14 Complaints about procurement activities

Agencies must develop and maintain fair, equitable and non-discriminatory procedures for addressing complaints and concerns raised by suppliers or members of the community about the conduct of agency procurement activities.

In the first instance, complaints about the conduct of procurement activities must be referred to the agency concerned.

When it is not possible to resolve a complaint with the agency concerned, the complainant may seek the assistance of the Queensland Government Chief Procurement Office. The Queensland Government Chief Procurement Office can help to resolve the complaint by facilitating open communication between the parties. The Queensland Government Chief Procurement Office cannot override legally binding contracts.

External independent review of a procurement complaint is available through the Queensland Ombudsman. The Queensland Ombudsman can investigate the administrative actions of agencies and make recommendations to the agency for rectification.

Allegations of official misconduct in relation to procurement must be referred to the Crime and Misconduct Commission as required by the *Crime and Misconduct Act 2001*.

Where applicable, Australian Government organisations may also deal with complaints about procurement:

- Australian Competition and Consumer Commission, regarding contraventions of the *Trade Practices Act 1974* (Cth)
- Australian Securities and Investments Commission, regarding contraventions of the *Corporations Act 2001* (Cth).

15 Roles and responsibilities

15.1 Ministerial responsibility

The Minister for Public Works and Information and Communication Technology is the Minister responsible for the State Procurement Policy.

The Treasurer and Minister for Employment and Economic Development has responsibility for business, industry and regional development issues relevant to this Policy.

15.2 Director-General, Department of Public Works

The Director-General, Department of Public Works sets whole-of-Government strategic directions and implementation strategies for procurement. This includes:

- acting on recommendations made by the Procurement Board of Management to require budget sector agencies to undertake procurement capacity and capability improvement initiatives
- exempting budget sector agencies or parts of agencies from participating in certain common use supply arrangements
- in consultation with the Department of the Premier and Cabinet and the Australian Department of Foreign Affairs and Trade, requiring agencies to suspend or terminate procurements which are non-compliant with international trade obligations.

15.3 Procurement Board of Management

The Procurement Board of Management:

- provides leadership in respect of the management of strategic procurement and logistics functions across the Queensland Government
- assists the Director-General, Department of Public Works by making recommendations on significant decisions relating to procurement.

15.4 Queensland Government Chief Procurement Office

The Queensland Government Chief Procurement Office, led by the Queensland Government Chief Procurement Officer, is responsible for managing the Queensland Government's procurement framework. This includes facilitating more efficient, effective and accountable Queensland Government procurement, which contributes to the priorities of Government.

The Office's role includes:

- developing procurement policy and guidance, monitoring its application and evaluating the impact of the Policy
- leading procurement planning, measurement, capability and performance improvement initiatives across government
- developing and implementing a recognised system of procurement capability and performance assessment for budget sector agencies
- business leadership for e-procurement and procurement business systems
- developing and implementing common use supply strategies
- managing arrangements for disposal of government assets
- providing support and advice to the Procurement Board of Management and providing leadership to the Procurement Council
- preparing an annual report on Queensland Government procurement, including the sector's capability and performance, for endorsement by the Procurement Board of Management to Cabinet through the Minister for Public Works and Information and Communication Technology
- managing a procurement training and certification regime
- providing advice on the application of the Policy.

15.5 Procurement Council

The Procurement Council provides advice and support to the Queensland Government Chief Procurement Office in the development and implementation of whole-of-Government procurement and logistics strategies and initiatives.

15.6 Department of Employment, Economic Development and Innovation

The Department of Employment, Economic Development and Innovation is responsible for business, industry and regional development issues. The Department may, as it deems necessary:

- comment on draft agency Corporate Procurement Plans
- consult with agencies during the development of certain Significant Procurement Plans.

15.7 Agency roles and responsibilities

Accountable officers are responsible for ensuring that procurement activities are managed in accordance with this Policy. For procurement, this means that accountable officers must ensure:

- compliance by their agencies with the State Procurement Policy, and other relevant legislation, policies, and agreements
- the good governance of the procurement function, as demonstrated by an established procurement planning regime which supports agency strategic and operational goals; an appropriately structured procurement function; clear management standards embodied in delegations, policies and processes; and appropriate control, monitoring and reporting frameworks
- that the agency's procurement capability is commensurate with the value and risk of the agency's procurement
- that processes are in place to review procurement structures as required, to ensure that an appropriate level of senior leadership is in place to manage and drive reform of the agency's procurement
- that agency staff have proper access to procurement training and development activities
- that agency procedures and documentation result in procurement which is transparent and accountable, and able to withstand external scrutiny
- a commitment to continuous improvement, as demonstrated for example by innovative practices, and the regular measurement and review of procurement.

Accountable officers must address issues raised by the Queensland Government Chief Procurement Officer concerning procurement plans, procurement measurement and reporting requirements, procurement capability and performance assessments, and common use supply arrangements.

To assist the Queensland Government Chief Procurement Office in discharging its role, accountable officers must provide information and assistance in relation to agency procurement, as requested by the Queensland Government Chief Procurement Officer.

Schedule A provides a summary of key obligations conferred on agencies by this Policy.

15.8 Shared service arrangements

This section applies to those agencies which participate in the Queensland Government Shared Services Initiative.

The accountable officers of client agencies are accountable for procurement outcomes delivered on their behalf by Shared Service Providers. This includes decision making and control responsibility in relation to agreed outcomes. Client agencies must retain a strategic and tactical capability with regard to procurement.

Shared service agreements must be taken into account in the preparation of Corporate Procurement Plans. This process should inform client agency negotiations with Shared Service Providers, to ensure that operating level agreements clearly articulate the expectations, roles and responsibilities of both parties to the agreement.

Client agencies and Shared Service Providers must cooperate to facilitate optimum procurement outcomes.

16 Definitions

In this Policy:

"Agency Procurement Procedures" are agency-specific procedures which set out how procurement activities are to be conducted in compliance with the Policy.

"accountable officer" has the meaning conferred by the *Financial Accountability Act 2009*. For the purposes of this Policy, this term also includes Chief Executive Officers of Government Owned Corporations, statutory bodies and Special Purpose Vehicles.

"affected agency" means, for the purposes of clause 9 of this Policy, agencies including budget sector agencies, Government Owned Corporations (to the extent the Corporation is covered by the *Right to Information Act 2009*), large statutory bodies, and Special Purpose Vehicles.

"agency" means, for the purposes of this Policy:

- a department or a statutory body as those expressions are defined in the *Financial Accountability Act 2009*
- any Government Owned Corporation and its subsidiaries where the shareholding ministers have given notification pursuant to s.114 of the

Government Owned Corporations Act 1993 as listed in Schedule F as published by the Queensland Government Chief Procurement Office

- Special Purpose Vehicles as established from 1 July 2010 and existing Special Purpose Vehicles which are required to comply with the State Procurement Policy by their respective constitutions.

“budget sector agency” includes departments and those agencies listed in Schedule G.

“construction” for the purposes of this Policy, includes infrastructure.

“contract date” means the date when a contract, or standing offer arrangement, is accepted by, executed by, or effectively binds all parties thereto.

“goods and services” include all property (except for real property) and all types of services including building and construction services.

“large statutory body” means a statutory body where the following criteria apply:

- net operating result in excess of \$2 million or
- net assets in excess of \$25 million.

“limited offer process” is a procurement method where the agency invites a supplier/s of its choice to offer.

“priorities of the Government” mean the priorities of the Government of the day contained in Schedule B and includes any changes as published in Schedule B by the Queensland Government Chief Procurement Office.

“other policies relevant to Government procurement” means Government policies relating to procurement as may be determined by Cabinet and includes any changes as published in Schedule D by the Queensland Government Chief Procurement Office.

“open offer process” is a procurement method where all interested suppliers may submit an offer.

“procurement” is the entire process by which all classes of resources (human, material, facilities and services) are obtained. This can include the functions of planning, design, standards determination, specification writing, selection of suppliers, financing, contract administration, disposals and other related functions.

“purchasing” is the acquisition process for goods, services and capital projects through purchasing, leasing and licensing and this expression extends to standing offer or similar arrangements by which terms and conditions of purchase are determined.

“selective offer process” is a procurement method where suppliers that have met pre-established criteria are invited to offer.

“set-asides” include any form of preference, such as the exclusive right to provide a good or service and price preferences.

“small and medium enterprise” means an Australian or New Zealand firm with less than 200 full time equivalent employees.

“Special Purpose Vehicle” means, for the purposes of this Policy, a company incorporated under the *Corporations Act 2001* (Cth) that is under the control of a Queensland Government department, and which is established for a specific purpose such as delivery of infrastructure projects. For the purpose of this definition a ‘company’ does not include a Government Owned Corporation.

“standing offer arrangement” means an arrangement established between the principal and the successful offeror (including without limitation a standing offer arrangement, a register of pre-qualified suppliers, panel arrangement or preferred supplier arrangement).

“supplier” means an enterprise known to be capable of supplying required goods and/or services. It includes manufacturers, stockists, resellers, merchants, distributors, consultants and contractors.

Schedule A – Summary of key Policy obligations

State Procurement Policy requirement	Clause	Budget sector agencies	Government Owned Corporations	Statutory bodies	Special Purpose Vehicles
Compliance					
Comply with the State Procurement Policy	1	✓	✓	✓	✓
Policy Intent					
Use best endeavours to ensure that competitive local suppliers that comply with relevant legislation are given full, fair and reasonable opportunity to supply the Queensland Government	2.1	✓	✓	✓ ✓	✓
Use best endeavours to deal with suppliers which treat their employees fairly	2.1	✓	✓	✓ ✓	✓
Objectives					
Advance priorities of the Government through procurement activities	3.2	✓	✓	✓ ✓	✓
Obtain value for money in procurement	3.3	✓	✓	✓ ✓	✓
Conduct procurement activities with probity and accountability	3.4	✓	✓	✓ ✓	✓
Governance					
Issue agency procurement procedures consistent with this Policy	4.2	✓	✓	✓	✓
Procurement planning					
Prepare a Corporate Procurement Plan for approval by the accountable officer and review annually	5.1.2	✓	✓	✓ ✓	✓
Prepare the Corporate Procurement Plan in accordance with the methodology issued by the Queensland Government Chief Procurement Officer	5.1.2	✓			
Provide a copy of the Corporate Procurement Plan approved by the accountable officer to the Queensland Government Chief Procurement Officer by 30 June each year	5.1.2	✓			
Provide draft Corporate Procurement Plans to the Department of Employment, Economic Development and Innovation upon request	5.1.2	✓	✓	✓ ✓	✓
Prepare Significant Procurement Plans for high expenditure and/or high business risk procedures for approval of the accountable officer or delegate	5.1.3	✓	✓	✓ ✓	✓

*to be confirmed
See 804
Initials*

MS Business Cases

State Procurement Policy requirement	Clause	Budget sector agencies	Government Owned Corporations	Statutory bodies	Special Purpose Vehicles
Demonstrate in the Significant Procurement Plan, that consideration has been given to opportunities for participation by local suppliers	5.1.3	✓	✓	✓	✓
Procurement measurement					
Ensure that a framework for procurement measurement and reporting is in place	5.2	✓	✓	✓	✓
Corporate Procurement Plan to include a section on procurement measurement, which contains procurement measures and targets and an annual comparison of actual results against targets	5.2	✓	✓	✓	✓
Adopt and report on whole-of-Government measures as prescribed by the Queensland Government Chief Procurement Officer	5.2	✓			
Provide measurement information, if requested by the Queensland Government Chief Procurement Officer through shareholding ministers	5.2		✓		
Procurement assessment					
Undertake a procurement capability and performance assessment every three years	5.3	✓			
Use a procurement capability and performance assessment tool developed by the Queensland Government Chief Procurement Office for the first assessment	5.3	✓			
Undertake subsequent assessments in co-operation with the Queensland Government Chief Procurement Office or with a suitably qualified external provider approved by the Queensland Government Chief Procurement Officer	5.3	✓			
Provide information to the Queensland Government Chief Procurement Office on assessments as required	5.3	✓			
Implement requests of the Director-General, Department of Public Works, concerning procurement capacity and capability improvement initiatives	5.3	✓			
As part of a commitment to continuous improvement and better practice, consider implementing periodic assessments of procurement capability and performance	5.3		✓	✓	✓

budgets etc budget & chairs

review + info from

State Procurement Policy requirement	Clause	Budget sector agencies	Government Owned Corporations	Statutory bodies	Special Purpose Vehicles
Sustainable procurement					
Integrate the practice of sustainability into the procurement of goods, services and construction	6	✓	✓	✓	✓
Require sustainable procurement considerations to be integrated into significant procurement planning processes	6	✓			
Include sustainable procurement strategies and targets in the Corporate Procurement Plan and report annually on progress against targets in the plan	6	✓			
Comply with product based targets mandated by the Queensland Government Chief Procurement Officer	6	✓			
As part of a commitment to better practice, seek to increase the proportion of procurement expenditure on goods, services and construction that demonstrate improved sustainability outcomes, and consider setting, measuring and reporting against sustainable procurement targets	6		✓	✓	✓
Set sustainable procurement targets across three significant procurement expenditure areas, and identify the level of benefits that will be secured as a result	Oper. concept	✓			
Regional development and employment					
Devolve to the lowest practicable geographical level, procurement decision making and associated budgets for low expenditure and/or low business risk items	7	✓	✓	✓	✓
Consistency with other obligations					
Comply with the Australia New Zealand Government Procurement Agreement	8	✓	✓	✓	✓
Comply with the Government Procurement chapter of the Australia-United States Free Trade Agreement (AUSFTA) and Australia-Chile Free Trade Agreement (ACFTA)	8	covered procurements only		covered procurements only	
Document procurement decisions which give preference to small and medium enterprises, in the context of the Government Procurement chapter of the AUSFTA and ACFTA	8.1	covered procurements only		covered procurements only	

State Procurement Policy requirement	Clause	Budget sector agencies	Government Owned Corporations	Statutory bodies	Special Purpose Vehicles
Transparent procurement					
Publish and maintain a forward procurement schedule on the Queensland Government Chief Procurement Office website (eTender)	9.1	✓	✓	✓ 	✓
Publish and maintain all open invitations to offer on the Queensland Government Chief Procurement Office website (eTender)	9.1	✓	✓	✓ 	✓
Open approaches to the market are to be used except where there is demonstrated justification in the significant procurement plan, for the use of selective or limited approaches	9.1	✓	✓	✓ ✓	✓
Publish basic details of all awarded contracts and standing offer arrangements with a value of \$100,000 and over (reducing to \$10,000 from 1 July 2011) on the Queensland Government Chief Procurement Office's eTender website, within 60 days of contract award	9.2	✓	As per coverage of the RTI Act	Large statutory bodies only	✓
Publish additional contract details for all awarded contracts and standing offer arrangements with a value of \$10 million and over on the Queensland Government Chief Procurement Office's eTender website, within 60 days of contract award (from 1 July 2011)	9.2	✓	As per coverage of the RTI Act	Large statutory bodies only	✓
All stages of the procurement decision making process from planning to contract award, are to be defensible and documented	9.3	✓	✓	✓	✓
Engage a probity auditor or advisor for:					
<ul style="list-style-type: none"> goods and services procurements above \$10 million which are classified as high risk 	9.3	✓	As per coverage of the RTI Act	Large statutory bodies only	✓
<ul style="list-style-type: none"> construction procurements above \$100 million which are classified as high risk 					

State Procurement Policy requirement	Clause	Budget sector agencies	Government Owned Corporations	Statutory bodies	Special Purpose Vehicles
Common use supply arrangements					
Use common use supply arrangements managed by the Queensland Government Chief Procurement Office or approved lead agencies	11	✓			
Queensland Contracts Directory					
Update and maintain the Queensland Contracts Directory	12	✓			
Government standards					
Use standard terms and conditions for procurement of goods and services	13	✓			
Use Government Information Technology Contracting for ICT procurement	13	✓		✓ ✘	
Complaint processes					
Develop and maintain a procurement complaints management system	14	✓	✓	✓ ✘	✓
Roles and responsibilities					
Take into account impacts on procurement arising from shared service arrangements when preparing Corporate Procurement Plans	15.8	✓		Where applicable	
Client agencies retain a strategic and tactical capability with regard to procurement	15.8	✓			
Clearly articulate expectations, roles and responsibilities of each of the parties to operating level agreements	15.8	✓		Where applicable	

Schedule B – Priorities of the Government

The Queensland Government has framed its 2020 vision for Queensland around five ambitions that address current and future challenges. Targets have been set for each ambition.

Strong – Creating a diverse economy powered by bright ideas

1. Queensland is Australia's strongest economy, with infrastructure that anticipates growth
2. 50 per cent increase in the proportion of Queensland businesses that undertake research and development or innovation

Green – Protecting our lifestyle and environment

1. Cut by one-third Queenslanders' carbon footprint with reduced car and electricity use
2. Protect 50 per cent more land for nature conservation and public recreation

Smart – Delivering world-class education and training

1. All children will have access to a quality early childhood education so they are ready for school
2. Three out of four Queenslanders will hold trade, training or tertiary qualifications

Healthy – Making Queenslanders Australia's healthiest people

1. Shortest public hospital waiting times in Australia
2. Cut obesity, smoking, heavy drinking and unsafe sun exposure by one third

Fair – Supporting safe and caring communities

1. Halve the proportion of Queensland children living in a household without a working parent
2. Increase by 50 per cent the proportion of Queenslanders involved in their communities as volunteers

Source: <http://www.towardqz.qld.gov.au/tomorrow/index.aspx>

Schedule C – Circumstances in which the Government Procurement chapter of the AUSFTA and ACFTA applies

This schedule is updated periodically following review of free trade agreement coverage by the Australian Government and trading partners in consultation with the States. For the latest list of nominated agencies and thresholds refer to www.qgcpo.qld.gov.au

Criteria 1, 2 and 3 below must all apply for the procurement to be subject to the requirements of the Government Procurement chapter of the Australia-United States Free Trade Agreement, and the Australia-Chile Free Trade Agreement.

1. Agency is nominated in the following list (Annex 15A):

Attorney-General and Justice Portfolio

- Department of Justice and Attorney-General
- Public Trust Office
- Office of Fair Trading

Child Safety and Women Portfolio

- Department of Child Safety
- Office for Women

Communities, Disability Services, Aboriginal and Torres Strait Islander Partnerships, Seniors and Youth Portfolio

- Department of Communities
- Disability Services Queensland

Deputy Premier, Infrastructure and Planning Portfolio

- Department of Infrastructure and Planning

Emergency Services Portfolio

- Department of Emergency Services
- Queensland Ambulance Service
- Queensland Fire and Rescue Service

Sustainability, Climate Change and Innovation Portfolio

- Environmental Protection Agency
- Queensland Parks and Wildlife Service

Natural Resources and Water Portfolio

- Department of Natural Resources and Water

Mines and Energy Portfolio

- Department of Mines and Energy

Police, Corrective Services and Sport Portfolio

- Queensland Police Service
- Queensland Corrective Services

Premier Portfolio

- Department of the Premier and Cabinet
- Office of the Queensland Parliamentary Counsel
- Office of the Public Service Commissioner

Primary Industries and Fisheries Portfolio

- Department of Primary Industries and Fisheries

Public Works, Housing and Information and Communication Technology Portfolio

- Department of Public Works
- Department of Housing

Tourism, Regional Development and Industry Portfolio

- Department of Tourism, Regional Development and Industry

Transport, Trade, Employment and Industrial Relations Portfolio

- Queensland Transport
- Department of Employment and Industrial Relations

Main Roads and Local Government Portfolio

- Department of Main Roads
- Department of Local Government, Sport and Recreation
- Sport and Recreation Queensland

Treasury Portfolio

- Queensland Treasury
- Government Superannuation Office
- Motor Accident Insurance Commission
- Nominal Defendant
- Office of Economic and Statistical Research
- Office of State Revenue
- Queensland Office of Gaming and Regulation

Note: Government Procurement chapter requirements do not apply to procurements by covered entities (listed above) on behalf of non-covered entities.

2. The intended procurement exceeds thresholds established within the Government Procurement chapter of the AUSFTA and ACFTA:

For goods and services: A\$675,000

For construction services: A\$9,514,000

3. The intended procurement is not subject to exclusions or exceptions listed in the Government Procurement Chapter or its annexure, within the AUSFTA and ACFTA:

<p>Excluded from the agreement (Article 15.1)</p>	<ul style="list-style-type: none"> • Non-contractual agreements or any form of assistance that a Party or a government enterprise provides, including grants, loans, equity infusions, fiscal incentives, subsidies, guarantees, cooperative agreements, and sponsorship arrangements • Procurement of goods and services by a Party from its own entities and provision of goods or services by or between a procuring entity of a Party and a regional or local government of that Party • Purchases funded by international grants, loans, or other assistance, where the provision of such assistance is subject to conditions inconsistent with Chapter 15 • Purchases funded by grants and sponsorship payments from persons not listed in Annex 15-A • Procurement for the direct purpose of providing foreign assistance • Procurement of research and development services • Procurement of goods and services (including construction) outside the territory of the procuring Party, for consumption outside the territory of the procuring Party • Acquisition of fiscal agency or depository services, liquidation and management services for regulated financial institutions, and sale and distribution services for government debt.
<p>Australia specific exclusions (Annex 15A)</p>	<ul style="list-style-type: none"> • Any form of preference to benefit small and medium enterprises • Measures to protect national treasures of artistic, historic or archaeological value • Measures for the health and welfare of Indigenous people • Measures for the economic and social advancement of Indigenous people • Plasma fractionation services
<p>Queensland specific exclusions (Annex 15A)</p>	<ul style="list-style-type: none"> • Health and welfare services • Education services • Government advertising • Motor vehicles
<p>Exceptions (Article 15.12)</p>	<ul style="list-style-type: none"> • Measures necessary to protect public morals, order and safety • Measures necessary to protect human, animal or plant life or health (including environmental measures necessary to protect human, animal or plant life or health) • Measures necessary to protect intellectual property • Measures relating to the goods or services of handicapped persons, of philanthropic or not for profit institutions, or of prison labour

Schedule D – Other relevant policies or instruments, by administering agency

Department of Employment, Economic Development and Innovation

- Indigenous Employment Policy for Queensland Government Building and Construction Contracts
- Government Building and Construction Contracts Structured Training Policy
- Local Industry Policy

Department of Infrastructure and Planning

- Project Assurance Framework

Department of Justice and Attorney-General

- Employment and outwork obligations (textile clothing and footwear suppliers) code of practice
- Relevant industrial relations and workplace health and safety policies

Department of Transport and Main Roads

- Main Roads Project Delivery System

Department of Public Works

- Capital Works Management Framework
- Government Employee Housing Management Framework
- Information and Communication Technology (ICT) Purchasing Framework
- Relevant information standards, including IS13 ICT Procurement, incorporating the Government Information Technology Conditions
- Maintenance Management Framework
- Quality Assurance Policy
- ICT SME Participation Scheme (jointly administered with the Department of Employment, Economic Development and Innovation)

Schedule E – Additional contract details to be disclosed for contracts of \$10 million and over

In accordance with clause 9.2 *Disclosure of procurement results*, affected agencies are required to disclose additional contract details for contracts and standing offer arrangements with a value of \$10 million and over, on the QGCPO eTender website within 60 days of contract date. Information to be published includes:

Invitation details

- Invitation to Offer document reference
- Number of offers sought
- Evaluation criteria and weightings

Contract overview

- Contract reference
- Form of contract
- Deliverables
- Contract milestones
- Contract performance management

Reasons for non-disclosure

- Reasons for non-disclosure of procurement results.

Schedule F – Government Owned Corporations covered by the Policy

The Policy applies to the following Government Owned Corporations:

Industry Sector Government Owned Corporations

Energy

- CS Energy Ltd
- ENERGEX Ltd
- Ergon Energy Corporation Limited
- Powerlink Queensland
- Stanwell Corporation Ltd
- Tarong Energy Corporation Ltd

Transport

- QR Limited
- Far North Queensland Ports Corporation Limited
- Gladstone Ports Corporation Limited
- North Queensland Bulk Ports Corporation Limited
- Port of Brisbane Corporation Limited
- Port of Townsville Limited

Other

- Queensland Investment Corporation
- SunWater

Schedule G – Budget sector agencies for the purposes of the State Procurement Policy

For the purposes of this Policy, the following agencies are considered to be budget sector agencies:

- Department of Communities
- Department of Community Safety
- Department of Education and Training
- Department of Employment, Economic Development and Innovation
- Department of Environment and Resource Management
- Department of Health
- Department of Infrastructure and Planning
- Department of Justice and Attorney-General
- Department of Police
- Department of Public Works
- Department of the Premier and Cabinet
- Department of Transport and Main Roads
- Treasury Department
- Electoral Commission Queensland
- Office of the Governor
- Public Service Commission
- Queensland Audit Office
- Queensland Ombudsman
- Queensland Parliamentary Service.

Key policy concepts

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Introduction

This document provides information to assist agencies to understand the foundation and operational concepts related to meeting the objectives of Queensland Government procurement.

Foundation concepts:

- Advancing priorities of the Government
- Value for money
- Probity and accountability for outcomes.

Operational concept:

- Sustainable procurement.

Foundation Concept 1 – Advancing priorities of the Government

Overview

The objectives of the State Procurement Policy include advancing the priorities of the Government.

Examples of outcomes

In pursuing the objective of advancing priorities of the Government, the State's procurement activities:

- help develop Queensland's regions and competitive local suppliers
- contribute to a sustainable future
- support fairness in employee conditions
- contribute to improved workforce skills and training among Queensland Government procurement practitioners.

Using procurement to advance priorities of the Government

By analysing their procurement patterns, suppliers and supply markets, agencies can identify opportunities for advancing priorities of the Government.

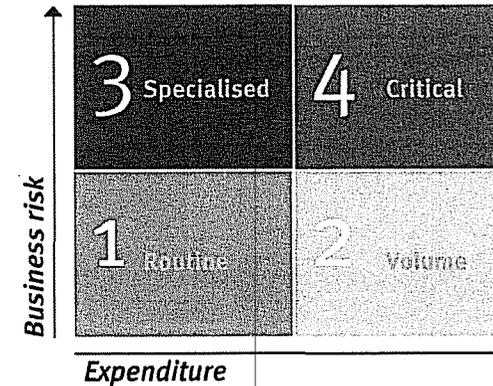
This analysis requires agencies to understand the nature of their procurement. Two major factors influence the nature of government procurement:

(a) the "degree of business risk" of goods and services which means:

- the degree to which the goods or services present risks or are critical to the agency
- the extent to which a competitive supply market for the goods or services exists.

(b) the expenditure for the goods and services.

- When the total expenditure of an agency on goods and services is analysed, an agency's procurement can be segmented into four categories:



Procurement of goods and services in categories 2, 3 and 4 are significant procurements and as such require a Significant Procurement Plan to be developed.

Different opportunities for advancing priorities of the Queensland Government

Different opportunities for advancing priorities of the Queensland Government arise in each of the four categories. Some of these opportunities are outlined in the table below.

Nature of procurement	Characteristics	Opportunities to advance priorities of the Queensland Government
<p>1. Routine Low degree of business risk and low expenditure</p>	<p>Goods and services in this category are usually very low value. These goods and services can be routinely purchased or purchased ad-hoc.</p> <p>They are generally goods and services for which demand cannot be aggregated to establish standing offers. The transaction costs associated with purchasing the item may be of greater cost than the items themselves. Generally there are competitive local supply markets for goods and services in this category even at the local level.</p>	<p>Devolve procurement decision making and associated budgets to the lowest practicable geographical level. This is the most effective and efficient way to buy goods and services in this category. This approach is likely to enhance employment in the local retail and services sectors.</p>
<p>2. Volume Low degree of business risk and high expenditure</p>	<p>Goods and services in this category are commonly used across the State, often in high volumes but with sometimes low value individual transactions. There are often whole-of-government or whole-of-agency arrangements for supply of these goods and services.</p> <p>Procurement strategies in this category aim to ensure that total costs, including the costs of the goods or services and transaction costs, are reduced. There may be a need to address environmental issues about disposal, waste management, recycling, handling or storage.</p>	<p>Ensure that supply arrangements include consideration of local access and/or distribution. This promotes employment in regional areas in distribution or service outlets. There are also some opportunities to promote use of electronic commerce that may have the benefit of advancing knowledge-intensive local industries.</p> <p>Identify markets which are becoming uncompetitive, or where monopolisation is occurring, and consider establishing supplier development management programs, possibly in collaboration with the Department of Employment, Economic Development and Innovation. There is potential to advance environmental priorities.</p>
<p>3. Specialised High degree of business risk and low expenditure</p>	<p>Goods and services in this category are usually highly specialised and there are often very few potential suppliers.</p> <p>Procurement strategies for securing supply in this category generally focus on reducing the agency's vulnerability in the market by actively identifying alternative sources of supply or changing the demand requirements of the agency.</p>	<p>In this category there are opportunities to leverage local industry development as part of a strategy to broaden potential sources of supply. This could be achieved for example, by consideration of those procurements where a set aside for small and medium enterprises could be used. There is the potential to enhance local employment and/or to develop local value adding or knowledge-intensive industries.</p>
<p>4. Critical High degree of business risk and high expenditure</p>	<p>Goods and services in this category are often a complex 'bundle' or 'package' of services and associated goods that are critical in the service delivery of the agency.</p> <p>Long-term relationships with suppliers are common. Supplier attitudes to the agency as a customer are often crucial to the value that the customer agency will derive from the delivery of the goods and/or services.</p>	<p>Careful consideration of the appropriate level of 'bundling' of services, or of project delivery methods, may identify opportunities to encourage the participation of local suppliers, especially those that are most likely to value the agency as a customer. This approach is likely to promote local employment opportunities as well as value adding and knowledge intensive industry development.</p>

For more information refer to www.qgcpcp.qld.gov.au

Foundation Concept 2 – Value for money

Overview

Ensuring value for money is one of the three objectives of the State Procurement Policy. Price is not the sole indicator of value.

Value for money is a way of comparing alternatives for the supply of goods and services. Assessing value for money includes consideration of a number of factors. These include the contribution to the advancement of priorities of the Government, cost-related factors such as whole-of-life and transaction costs as well as non-cost factors such as fitness for purpose, quality, service and support and sustainability considerations.

Examples of outcomes

In pursuing the objective of value for money:

- policies, processes and practices promote efficient and effective procurements, which can be measured
- the government achieves the best return and performance for money being spent.

Strategies for achieving value for money

The strategies that will realise best value for money will depend on the nature of the procurement.

Procurement by an agency falls into the four categories outlined in *Foundation Concept 1: Advancing priorities of the Government*. The implications for value for money in each of these categories are identified in the table at right.

Procurement in the three categories for which there is a high degree of business risk and/or the goods and services are high expenditure (significant procurements) will generally require a detailed analysis and evaluation of the factors contributing to value for money.

Nature of procurement	Implications for value for money
1. Routine Low degree of business risk and low expenditure	Secure value for money by minimising process related costs. The requirements for assessing value for money in this category are generally not onerous and are to be undertaken in accordance with the agency's procurement procedures.
2. Volume Low degree of business risk and high expenditure	Secure value for money by minimising process-related costs through effective electronic interfaces with suppliers and by negotiating price reductions based on volume sales.
3. Specialised High degree of business risk and low expenditure	Secure value for money by reducing exposure to limited sources of supply.
4. Critical High degree of business risk and high expenditure	Secure value for money primarily by effective supplier relationship management through which the value of technology, innovation and continuous improvement is achieved. Value for money results are likely to improve where costs of offering are considered and reduced. High-level procurement and contract management skills will improve value for money returns.

Assessing value for money

In assessing value for money, agencies must consider the following:

- contribution to the advancement of priorities of the Government
- non-cost factors such as fitness for purpose, quality service and support, and sustainability considerations
- cost-related factors including whole-of-life costs and transaction costs associated with acquisition, use, holding, maintenance and disposal.

The relative importance given to each of these elements when making a value for money decision will flow from the supply strategies developed as part of the agency's procurement planning process. These supply strategies may be developed for both individual procurements and for particular categories of procurement.

Contribution to advancing priorities of the Government

The State Procurement Policy requires agencies to undertake their procurement functions in a manner that supports and contributes to the achievement of priorities of the Government. These priorities define the Government's commitment to advance, through procurement, certain social, economic and environmental objectives.

In determining value for money, agencies must consider the contribution of their procurement to the advancement of the Government's priorities.

This will occur at different parts of the procurement process for different types of goods and services. For example:

- priorities of the Government may be addressed by the way in which agencies determine that whole categories of their procurement are to be undertaken. For example, by devolving all procurement and associated budgets to the lowest practicable geographical level for goods and services that are low expenditure and for which there is a low degree of business risk strengthens regional economies. The selection of supplier is then based on other value for money considerations.
- Initiating a supplier development program fosters certain supplier capabilities and encourages the entry of new suppliers, and thereby may advance priorities of the Government related to business and industry development. Invitations to Offer may be limited to participating suppliers who can then be selected on the basis of cost and non-cost factors alone.

- For significant procurements, careful consideration of specifications is a means of assisting the agency to advance priorities of the Government. For example, specifications may be written in a way that maximises local business and industry opportunities to supply. Evaluation can then be limited to other value for money considerations. In evaluating competing offers, including and weighting evaluation criteria related to priorities of the Government is a way to advance certain priorities through the procurement.
- Achieving value for money by establishing a supplier performance monitoring and management regime may also facilitate building the capability of local suppliers and thereby advance certain priorities of the Government.

Non-cost factors

Non-cost factors include:

- fitness for purpose
- technical and financial issues
- risk exposures
- the benefits to be obtained from the procurement
- availability of maintenance and support
- compliance with specifications where relevant
- sustainability considerations.

Cost-related factors

In assessing value it is necessary to determine all significant costs associated with the goods and/or services being procured.

Whole-of-life costs

These costs include the initial purchase cost as well as costs arising from holding, using, maintaining and disposing of the goods or services.

Transaction costs

It is necessary to recognise the transaction costs associated with purchases. Transaction costs include all costs internal to the agency arising from:

- establishing the need for the purchase
- planning for the purchase
- identifying sources of supply
- approaching the market to seek supply
- selecting suppliers
- ordering and processing payments
- managing relationships with suppliers including supplier performance monitoring and management.

For more information refer to www.qgcpc.qld.gov.au

Foundation Concept 3 – Probity and accountability for outcomes

Overview

The State Procurement Policy requires that Queensland Government agencies conduct their procurement activities with the utmost probity. Probity is the evidence of ethical behaviour in a particular process. The term probity means integrity, uprightness and honesty. Each agency is to ensure that its procurement is carried out in accordance with such obligations as may be placed upon it by the:

- *Financial Accountability Act 2009*
- *Financial and Performance Management Standard 2009*
- *Public Sector Ethics Act 1994*
- such other legislative or government policy obligations as may apply to the procurement activities of the agency.

Accountability is the obligation to account for the way particular duties have been performed. Accountability for outcomes in procurement is being able to explain how the procurement has achieved its anticipated outcomes. Accountability shows how the public interest has been protected in the expenditure of public funds. In the context of the State Procurement Policy, accountability means being able to demonstrate how an agency has achieved its procurement objectives in a manner consistent with the objectives of the Policy.

Examples of outcomes

In pursuing the objective of probity and accountability for outcomes:

- procurement decisions are documented and defensible
- there is a high degree of transparency with respect to procurement results
- procurement is conducted with the highest level of ethical practice
- accountable officers make better decisions using established procurement information systems
- Citizens are well informed about the impact of Government procurement

Objectives of probity and accountability in procurement

The broad objectives are to:

- provide accountability and transparency
- maintain public sector integrity
- ensure conformity to processes
- ensure that all offers are evaluated against the same specified criteria
- preserve public and supplier confidence in government processes
- minimise potential conflicts and the potential for litigation
- ensure the procurement activity provides the best outcome
- avoid the potential for misconduct, fraud and corruption.

Principles of probity and accountability in procurement

Queensland Government employees must comply with the following four inter-linked principles of probity and accountability in procurement:

- fairness and impartiality
- transparency of process
- confidentiality and security of information and materials
- effective management of conflicts of interest.

Probity and accountability considerations in agencies

Probity considerations should form an integral part of any procurement process. Among the key areas where probity must be incorporated into an agency's procurement systems, policies and procedures are the:

- procurement planning process
- internal organisation and decision making processes
- security and confidentiality arrangements
- communication with offerors
- offer evaluation and selection
- promoting a probity-oriented culture
- management of probity issues.

For more information refer to www.qgcpo.qld.gov.au

Operational Concept – Sustainable procurement

Overview

The Queensland Government is committed to protecting the environment and doing business with ethical and socially responsible suppliers.

As set out in clause 6 of the State Procurement Policy, agencies must integrate the principles and practices of sustainability into the procurement of goods, services and construction. Budget sector agencies should seek to progressively increase from year to year, the proportion of their procurement expenditure on goods, services and construction that demonstrate improved sustainability outcomes.

Sustainable procurement

Sustainable procurement means that when buying goods and services organisations will consider:

- strategies to avoid unnecessary consumption and manage demand
- minimising environmental impacts of the goods and services over the whole-of-life of the goods and services
- suppliers' socially responsible practices including compliance with legislative obligations to employees
- value for money over the whole-of-life of the goods and services, rather than just initial cost.

Agency procurement decisions should encompass the consideration of goods and services which have a lower impact on the environment and human health than competing goods and services from suppliers, and which are ethically and socially responsible in value for money considerations.

Elements of sustainable procurement

Goods and services that are regarded as achieving improved sustainability outcomes are those that have a reduced negative impact on the environment, and/or an improved social outcome, when considering the whole-of-life impacts of the good or service as compared to competing goods or services serving the same purpose.

Sustainability impacts that should be considered may include, but are not limited to:

- climate change
- energy
- water use and quality
- waste
- toxic substances, pollutants and emissions
- resource use and intensity, including natural landscapes and habitats
- social responsibility and ethical practices associated with the good or service.

These impacts should be considered from a whole-of-life perspective, including considering the sourcing of raw materials, manufacturing processes, packaging, distribution and transport, storage, operation and maintenance, disposal and potential for life extension through reuse or recycling.

In addition to sustainability impacts directly associated with the good or service, the sustainability credentials of the supplier organisation should also be considered to ensure that they are ethically, socially and environmentally responsible.

Setting targets

In order for budget sector agencies to increase the proportion of their procurement expenditure on goods and services that demonstrate improved sustainability outcomes, they are required to set, achieve, measure and report on sustainable procurement targets. The selection of targets should align with the agency's strategic and operational procurement objectives.

Budget sector agencies must set sustainable procurement targets across at least three significant procurement expenditure areas, and identify the level of benefits or outcomes that will be secured as a result.

These targets could be progressed through:

- product or service based initiatives, for example a target of 80 per cent of the total volume of the agency's cleaning products must be certified by a Type 1 ecolabel or 100 per cent of timber procured will be from a sustainably managed, legal source
- demand management initiatives, for example setting a target to extend the life of a product (such as vehicles and laptops) before requiring a replacement

- supplier oriented initiatives, for example setting targets with respect to requiring that all suppliers within an expenditure category have a certified Environmental Management System in place; requiring that all suppliers within the expenditure category are signatory to an agreed sustainability code of conduct or convention; or requiring that all suppliers within the expenditure category provide an independently verified Corporate Social Responsibility report.

Sustainable procurement targets should identify the specific expenditure category to which the targets relate, the sustainability outcomes being progressed as well as how benefits (performance against the outcome) will be measured and reported.

Targets should be regularly reviewed and progressively improved (as a minimum, annually).

To assist in integrating the practice of sustainability into the procurement of goods, services and construction, budget sector agencies may also choose to set targets relating to capability building that could be informed by and benchmarked against the Sustainable Procurement Roadmap available at www.qgcpcpo.qld.gov.au

Achieving targets

Budget sector agencies are required to meet targets set in their Corporate Procurement Plans within the specified timeframes by developing and applying an implementation strategy.

Measuring and reporting on targets

Budget sector agencies are required to report annually on progress against the sustainable procurement targets established in the previous year's Corporate Procurement Plan. Reporting should address the specific sustainability outcomes achieved, including measurement of these outcomes. For more information and sustainable procurement tools refer to the Queensland Government Chief Procurement Office website at www.qgcpcpo.qld.gov.au

For advice on how to comply with this operational concept contact the Queensland Government Chief Procurement Office on telephone 1800 631 991 or email betterprocurement@qgcpcpo.qld.gov.au.

**Queensland Government Chief Procurement Office
Department of Public Works**

Telephone: 1800 631 991 (toll free)

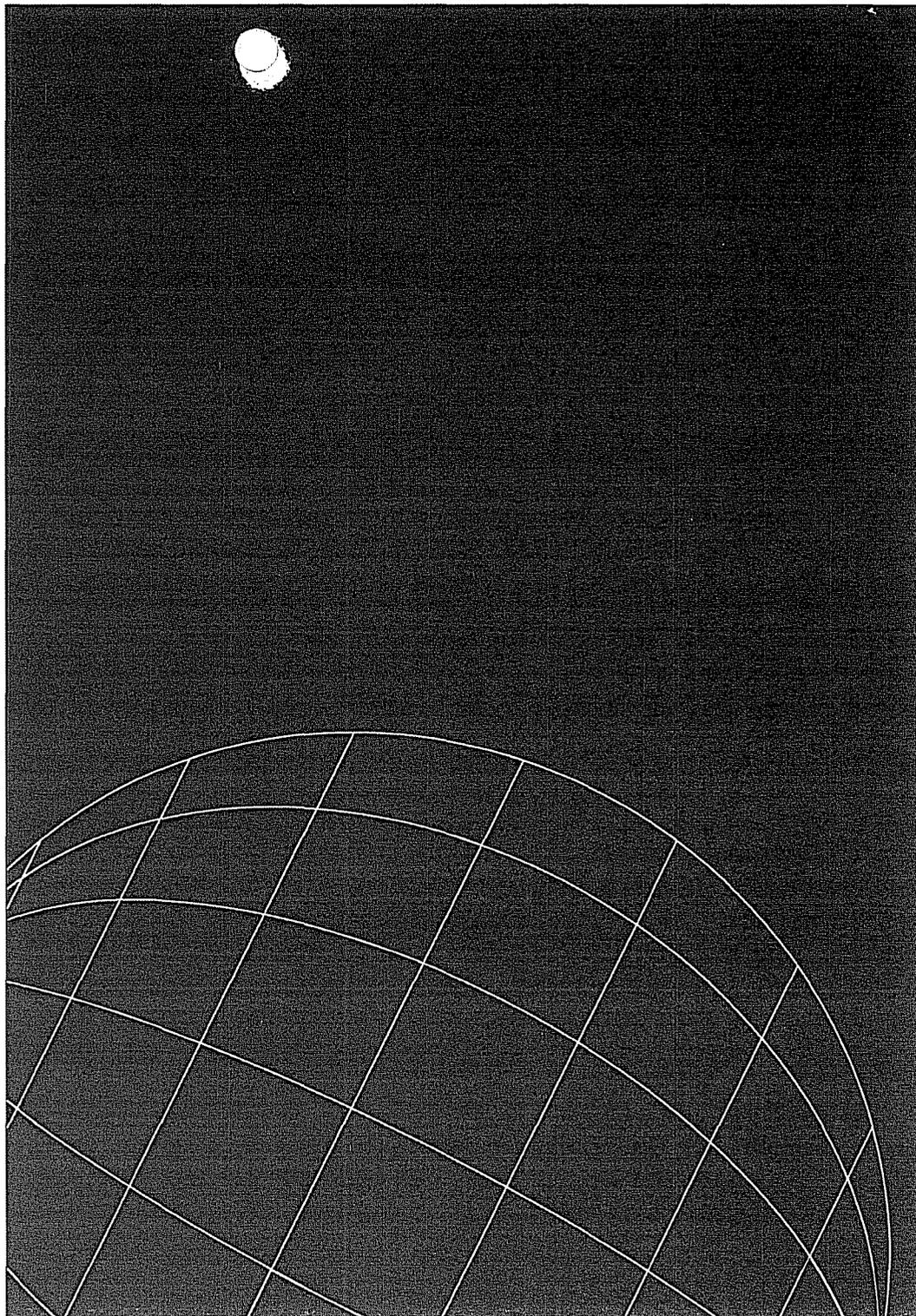
Facsimile: 07 3224 7921

Email: betterprocurement@qgcpo.qld.gov.au

Website: www.qgcpo.qld.gov.au

The State Procurement Policy can be accessed at www.qgcpo.qld.gov.au

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Ethics, Probity and Accountability in Procurement

Queensland Purchasing,
Department of Public Works
Crime and Misconduct Commission

CRIME AND
MISCONDUCT
COMMISSION



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Foreword

Ethics, Probity and Accountability in Procurement provides best practice guidance to assist Queensland Government agencies and employees in conducting procurement.

Queensland Government employees must apply the highest levels of ethical behaviour in all areas of their work. This is particularly important in procurement which involves the expenditure of public money and is subject to more than usual public scrutiny.

Probity means integrity, uprightness and honesty. Maintaining probity in procurement involves more than simply avoiding corrupt or dishonest conduct. It means ethical behaviour that upholds public values and ensures impartiality, accountability and transparency.

Transparency and accountability in procurement gives suppliers confidence to participate in the Government marketplace. An ethical culture minimises the cost of managing risks and enhances confidence in public administration.

Ensuring probity of action is part of every public official's duty, with the adoption of processes, practices and behaviour that enhance and promote public sector values and interests.

This guide, together with agency *Codes of Conduct* and the other resources available from the Crime and Misconduct Commission and Queensland Purchasing (Department of Public Works) is an essential reference for all Queensland Government employees who become involved in procurement



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Acknowledgements

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- Victorian Government Purchasing Board (Department of Treasury and Finance), *Probity Policy and Guidelines: Government Tendering Projects*, May 2001.
- New South Wales Independent Commission Against Corruption, *Probity and Probity Advising*, November 2005.
- Commonwealth Government, *Guidance on Ethics and Probity in Government Procurement (Financial Management Guidance No. 14)*, January 2005.

Feedback

Your feedback about this guide is valued. Please contact Michelle Lavery, Queensland Purchasing, on telephone (07) 3405 5125 or email michelle.lavery@qp.qld.gov.au

Ethics in procurement

Ethics are the moral principles or values that guide officials in all aspects of their work. Ethical behaviour encompasses the concepts of honesty, integrity, probity, diligence, fairness, trust and respect. Ethical behaviour includes avoiding conflicts of interest, and not making improper use of an individual's position.¹

Queensland public sector employees must comply with the:

- ethical obligations imposed by the *Public Sector Ethics Act 1994*; or
- ethical obligations imposed by the *Government Owned Corporations Act 1993*; and
- standards of conduct imposed by their agency's Code of Conduct.

The *Public Sector Ethics Act 1994* establishes the following fundamental ethical obligations.

- respect for the law and system of government;
- respect for persons;
- integrity;
- diligence; and
- economy and efficiency.

The standards of conduct applicable to employees are outlined in agency Codes of Conduct that set out standards of conduct consistent with the above ethics obligations. Queensland Government employees must be familiar with these standards and comply with them.

Ethical behaviour supports openness and accountability in procurement with the result that suppliers have confidence in participating in the Government marketplace. Ethical behaviour can reduce the cost of managing risks and enhance trust in public administration.

In practice...

Ethical decisions in the public sector

The Crime and Misconduct Commission (CMC) suggests that Queensland public sector employees ask themselves the following questions when making ethical decisions:

1. Is the action legal and consistent with Government policy?
2. Is the action in line with my agency's goals and Code of Conduct?
3. Do I think it's the right thing to do?
4. What will be the outcomes for: the agency, my colleagues, other parties and me?
5. Can I justify doing it?
6. What would happen if the action was publicly scrutinised?

¹ Commonwealth Government, 'Guidance on Ethics and Probity in Government Procurement' January 2005.

Probity in procurement

The State Purchasing Policy requires that Queensland Government agencies conduct their procurement activities with the utmost probity. Each agency is to ensure that its procurement is carried out in accordance with such obligations as may be placed upon it by the:

- *Financial Administration and Audit Act (Qld) 1977;*
- *Financial Management Standard (Qld) 1997;*
- *Public Sector Ethics Act (Qld) 1994;*
- the State Purchasing Policy; and
- such other legislative or Government policy obligations as may from time to time apply to the procurement activities of the agency.

Probity is the evidence of ethical behaviour in a particular process. The term probity means integrity, uprightness and honesty. For Queensland Government employees and agencies, maintaining probity involves more than simply avoiding corrupt or dishonest conduct. It involves applying public sector values such as impartiality, accountability and transparency. Ensuring probity in public sector activities is part of every public official's duty to adopt processes, practices and behaviour that enhance and promote public sector values and interests.

A procurement process that conforms to the expected standards of probity is one in which clear procedures that are consistent with Government policies and legislation are established, understood and followed from the outset. These procedures need to consider the legitimate interests of suppliers and ensure that all potential suppliers are treated equitably.

Probity principles should be integrated into all procurement planning, and should not be a separate 'bolt-on' consideration. Procurement must be conducted with probity in mind to enable purchasers and suppliers to deal with each other on the basis of mutual trust and respect and enable business to be conducted reasonably and with integrity. Achieving an ethical, transparent approach requires that the procurement rules be clear, open, well understood and applied equally to all parties to the process.²

The broad objectives of probity in procurement are to:

- provide accountability;
- maintain public sector integrity;
- ensure compliance with processes;
- ensure that all offers³ will be evaluated against the same criteria;
- preserve public and supplier confidence in Government processes;
- minimise potential conflicts and the potential for litigation;
- ensure the procurement activity provides the best outcome; and
- avoid the potential for misconduct, fraud and corruption.

Even the best probity processes do not guarantee that a project or activity will be immune from problems or criticism.⁴ Mistakes, delays and disputes can still arise despite the best efforts to ensure good management of probity risks. However, adopting best practice procurement procedures will minimise such situations and limit the potential adverse consequences.

² Commonwealth Government. 'Guidance on Ethics and Probity in Government Procurement'. January 2005.

³ 'Offer' means an offer submitted by an Offeror in response to an Invitation, including subsequent modifications. Also known as 'tender' or 'bid'.

⁴ New South Wales Independent Commission Against Corruption, 'Probity and Probity Advising', November 2005.

In practice...

Risks and consequences

Public sector employees have an obligation to act ethically and in the public interest at all times. There may be occasions where an officer may, through their actions or roles, be the subject of accusations of:

- **Fraud** - The false representation of facts with an intention to deceive or enable some person or organisation to gain an unfair advantage. This includes the falsification of documents and the certification as to the truthfulness of statements known to be wrong.
- **Theft** - Stealing or dishonest misappropriation of money or property.
- **Corruption** - Acceptance of any gift or consideration as an inducement or reward. Robust procedures and processes that demonstrate strong probity principles will minimise the potential for officers to be exposed to such risks and allegations.

Principles of probity in procurement

Queensland public sector employees must comply with the following four inter-linked principles of probity in procurement:

- fairness and impartiality;
- accountability and transparency of process;
- confidentiality and security of information and materials; and
- effective management of conflicts of interest.

Fairness and impartiality

Offerors⁵ often invest considerable time, effort and resources in preparing and submitting offers (especially for large contracts). In return, they are entitled to expect fair treatment at every stage of the procurement process.

If offerors consider that the process is not impartial and honest they may withhold valuable ideas or be deterred from offering for future Government contracts.

Any form of bias could jeopardise the integrity of the procurement.

There is a further risk that offerors who believe the process to be prejudiced or the outcomes tainted by bias will take legal or other action to redress the situation. Regardless of the results, this can cause delays and result in financial costs not anticipated in the budget.⁶

How is fairness and impartiality achieved?

The following attributes should be evident in the procurement process:

- Material should be available to all interested parties within the same time frame, and each offeror should have access to the same material (that is not commercial in confidence).

⁵ Offeror means a person, business, corporate or other entity who submits an Offer. Also known as 'tenderer' or 'bidder'.

⁶ New South Wales Independent Commission Against Corruption, 'Probity and Probity Advising', November 2005.

- Each offer must be given due consideration and be treated objectively with no conflicts of interest or bias towards certain offerors.
- All material communication with stakeholders should be carried out in the same timeframe and in the same substantive manner. The most appropriate mechanism should be selected according to what is being communicated, to whom, and the urgency of the communication.
- Additional information or clarification arising from individual offeror requests should be provided to all potential offerors so that they have the same information on which to offer.
- Where feasible, information should always be provided in writing, whether in hard copy or electronic form.
- Notifications to offerors should be provided in a timely fashion. For example, once the successful offeror has been appointed, all unsuccessful offerors should know the results as soon as possible. Agencies need to consider the most effective way of notifying offerors, taking into account postal delays, particularly if there are international offerors.
- Request for Offer documentation should clearly detail the conditions of offer, conditions of supply and evaluation criteria and be equally available to all interested parties. Well defined conditions of offer give suppliers a clear indication of requirements and prevent the unproductive use of resources through the lodgement of unsuitable or misdirected offers.
- Request for Offer documentation must clearly identify and separate the mandatory conditions from those evaluation criteria that are 'desirable' or 'optional'. The mandatory conditions should be well targeted, clearly measurable, and not excessive in number.
- Request for Offer documentation should list any 'desirable' criteria in order of relative importance to assist suppliers in structuring their offer.
- An extension notice to an offer closing date must be provided to all potential offerors in sufficient time to reach them before the originally published closing date and time.
- The adoption of selection criteria that do not selectively advantage or disadvantage a particular party and which are based on objective measures that meet the primary procurement needs.
- Weightings for the evaluation criteria must be documented during the planning/preparation stage, prior to offers being invited.
- Selection criteria and performance specifications must not be changed midstream unless all offerors are given an equal opportunity to revise their offers and approval for any changes is obtained at an appropriate level. If the changes are substantial then a recall of offers may be warranted.
- Decisions on the selection of suppliers must be made by independent and objective evaluation against the nominated evaluation criteria and supply conditions.
- Officers involved in the various procurement stages and processes should not be those who approve the spending of public money.⁷

⁷ Commonwealth Government. 'Guidance on Ethics and Probity in Government Procurement'. January 2005.

Hint – Managing innovation

A procurement activity may call for innovative solutions to fulfil a need. It is not necessary that all offerors deliver the same solution, but they must meet the mandatory selection requirements. For example, a Request for Offer may focus on the outcomes required without specifying the process. This enables offerors to submit innovative proposals.

Agencies should consider the best method for dealing with innovative solutions, including processes for combining innovation with mandatory elements. This approach may require:

- extra features to be evaluated separately; or
- a two-stage procurement process where expressions of interest can be sought to allow the supplier to focus on providing the best solution separately from price.

Accountability and transparency of process

Accountability and transparency are related concepts. Demonstrated accountability and transparency reduces the likelihood of unethical behaviour, reassures the community and instils confidence in all stakeholders concerning the integrity of decisions.

Transparency refers to the openness of a procurement activity to scrutiny by interested parties. It involves providing documented reasons for decisions and the provision of appropriate information to relevant stakeholders.⁸

Transparency also underpins the principle of open competition. The awarding of a contract should not be decided from a pre-registered list or from expressions of interest, unless this is part of a rigorous process of prequalification based on full information, predetermined specifications, market research and prior assessment no less demanding than competitive tendering.

In probity terms, opening an activity to scrutiny means scrutinising the process and not necessarily the specific contents of documentation. This has particular significance when dealing with matters involving commercial confidentiality (refer to 'Confidentiality and security of information and materials' on page 8).

What is accountability for outcomes?

Accountability and transparency are fundamental to the work of public sector organisations and public officials. *Accountability* is the obligation to account for the way particular duties have been performed. Accountability for outcomes in procurement is being able to explain how the procurement has achieved its anticipated outcomes.

Accountability shows how the public interest has been protected in the expenditure of public funds. In the context of the State Purchasing Policy, accountability means being able to demonstrate how an agency has achieved its procurement objectives in a manner consistent with the objectives of the Policy.

How is accountability and transparency achieved?

Accountability and transparency will be the outcome of a well-structured process that incorporates the following elements:

- Procurement activities and decisions that are open to reasonable scrutiny and are able to withstand a 'public defensibility' test in the context of fairness, equity and value for money.

⁸ New South Wales Independent Commission Against Corruption. 'Probity and Probity Advising'. November 2005.

- Arrangements that enable agencies and individual procurement officers to justify decisions made and actions taken in complying with:
 - legislative requirements including those established by the:
Financial Administration and Audit Act 1977;
Financial Management Standard 1997; and
Public Sector Ethics Act 1994.
 - the agency's Code of Conduct;
 - the State Purchasing Policy;
 - the agency's procurement procedures;
 - the agency's Corporate Procurement Plan; and
 - the identified requirements of the particular procurement exercise.
- Appropriate separation of functions and responsibilities.
- Timely response to a legitimate request for information.
- Compliance with relevant financial and other delegations.
- Appropriate management reporting and evaluation processes.
- Accurate record keeping with appropriate records being maintained throughout the procurement process. These should include evaluation criteria, weightings, decision-making processes and decisions made, and notes regarding communication with offerors. The records should provide sufficient information to enable internal audit, as well as external audit and other independent review functions. The type and detail of information recorded will depend on the complexity or sensitivity of the particular procurement issue.
- Development of 'Agency Purchasing Procedures' that incorporate and promote probity principles.
- Awareness training of all staff in general procurement procedures with specific training of officers who participate in procurement processes.
- Firm adherence to established procedures except for cases with clearly justifiable and well-documented reasons. These reasons should be approved at a senior level by those who have the appropriate delegations and who are not directly involved in the procurement process.
- The evaluation of offers, submissions, expressions of interests etc, by more than one person, including suitable internal and external experts to ensure sound and accountable decision-making.
- The appointment of a probity advisor who can provide advice about the integrity of the proposed process (refer to section 'Probity advisors and probity auditors') where deemed desirable for large, complex or controversial contracts.
- The use of documentation that will elicit the information necessary for proper evaluation of proposals under each of the selection criteria based on objective measures of performance.
- The evaluation of offers on a consistent basis, using predetermined criteria that are established and documented prior to calling for offers, and which are made available to all potential offerors.
- Implementation of measures to protect confidential information with no information released during the process that will selectively benefit or disadvantage particular offerors.
- Regular and systematic monitoring of the supplier's performance to determine whether requirements are being satisfied.
- An evaluation of outcomes and performance at the end of the contract taking into account the complexity, quality, duration, cost and any other key issues relating to the supply. Outcomes should be measured against the stated objectives.⁹

⁹ New South Wales Independent Commission Against Corruption, 'Probity and Probity Advising', November 2005.

Confidentiality and security of information and materials

The integrity of competitive procurement hinges on maintaining appropriate confidentiality that will protect information and give offerors the confidence to do business with Government. Confidentiality has many dimensions and confidentiality of submissions is particularly important prior to the awarding of the contract with information shared only on a 'need to know' basis.¹⁰

Confidential information may include designated or defined (and as agreed) elements of the supplier's proposal, specific intellectual property and offeror's pricing structures. Importantly, much of the information relating to the offer needs to be kept confidential up to the point where a contract is signed with the successful offeror.¹¹

How is confidentiality and security achieved?

A range of measures is available to ensure confidentiality and security, which should be commensurate with the size, complexity and risk of the procurement activity. The measures may include:

- Defined document management and control procedures including physical security of submissions (and related documents) and confidentiality of commercial information. The security procedures should be documented and staff kept fully informed.
- Establishing clear physical security measures for the handling of documents including use of the tender box or room; keeping a document register; providing secure storage and working areas; limiting the number of document copies; restricting access to controlled documents to authorised personnel; and ensuring strict movement controls on all offer-related documents.
- Implementing documented procedures for electronic security including information storage and communication processes. This should include controls over electronic delivery of submissions, and protection of data stored on networks, including segregation of hard drives storing confidential information from network resources, and the use of independent security passwords. Other security measures are transmitting documents as password protected files to prevent alterations and verification procedures to ensure correct transmission of emails and attachments to potential offerors.
- Obtaining specific advice from security experts or from a probity advisor (if appointed).
- Apart from the general obligations to maintain confidentiality during procurement, explicit provisions should be in place to cater for the handling of commercially sensitive material received from offerors. This may involve identifying specific information, protecting related materials and even contractual provisions covering the use and release of intellectual property.

In practice...

What should you do at a social event?

Personnel involved in a procurement process should avoid social events held by potential suppliers immediately prior to and during the process, or at any time when it might be seen as compromising the activity.

If social contact occurs, care must be taken to avoid any discussion about the procurement and if questioned directly, the person concerned should be advised that the matter cannot be discussed. Public officers are subject to their agency Code of Conduct and the *Public Sector Ethics Act*. A breach of confidentiality may involve misconduct liable for disciplinary action and the breach of public trust may also result in action being taken under the *Crime and Misconduct Act*.

¹⁰ Commonwealth Government. 'Guidance on Ethics and Probity in Government Procurement', January 2005.

¹¹ New South Wales Independent Commission Against Corruption. 'Probity and Probity Advising', November 2005

Effective management of conflicts of interest¹²

A conflict of interest involves a conflict between a public official's duty to serve the public interest, and the public official's private interests.

There are three types of conflict of interest to be aware of:

- An **actual** conflict of interest – where an officer is in a position to be influenced by their private interests when doing their job.
- A **perceived** conflict of interest – where an officer is in a position to **appear** to be influenced by their interests when doing their job.
- A **potential** conflict of interest – where an officer is in a position where they **may** be influenced **in the future**, by their private interests when doing their job.

A poorly-managed perceived conflict of interest can be just as damaging as a poorly-managed actual conflict of interest. Public sector officers must not only behave ethically, they must also be seen to behave ethically.

Private interests

The term 'private interests' includes not only the personal, professional or business interests that an officer may have, but also the personal, professional or business interests of the individuals or groups that the officer associates with. This might include relatives, friends or even rivals and enemies.

In other words, private interests are those interests that can bring either benefits or disadvantage to the officer, or to others whom the officer may wish to benefit or disadvantage.

Such interests can involve an actual or potential financial gain or loss and can involve property, shares, unpaid debts, or some form of gift or benefit – including a job opportunity or secondary employment.

Other private interests may not have a financial component, but could involve personal or family relationships or sporting, social or cultural activities that could influence an officer's judgement or decision.

Public duty to serve the public interest

The 'public interest' is the collective interest of the entire community – not the sum of individual interests or the interest of a particular group.

All public sector officers have a public duty to put the public interest above their own personal or private interests when carrying out their official duties. This principle applies to anyone engaged to deliver government programs and services, whether as a full- or part-time employee, casual or contract staff member, board member, consultant or volunteer.

When interests conflict

While conflicts of interest should be avoided wherever possible, conflicts often happen without anyone being at fault. Public officials are also individuals, and there will be occasions when an officer's own private interests may come into conflict with their public duty to put the public interest first.

Conflicts of interest are not wrong in themselves, but they should be properly identified and declared, and effectively and transparently managed.

It is when a conflict of interest has been ignored, improperly acted on, or has influenced actions or decision making, that the **conduct** (not the conflict itself) could be seen as misconduct, abuse of office or even corruption.

¹² This section is based upon the 'Managing Conflicts of Interest in the Public Sector Guidelines' (2004) jointly produced by the Crime and Misconduct Commission (Qld) and the Independent Commission Against Corruption (NSW), 2004.

The following are some examples of conflicts of interest. If an officer's public duty requires them to become involved in any decision or action regarding the matter, where the officer:

- owns property, the value of which may be altered by their agency's activities;
- has shares in a family business that offers for a contract with their agency;
- is offered a benefit in the course of carrying out their work-related duties;
- holds secondary employment with an organisation that is applying to the agency for a related consideration;
- has a strongly held personal conviction on an issue that is being considered by the agency; and/or
- orders goods for a private business and improperly accesses government procurement arrangements.

Managing conflicts of interest

Statement of Interests

All public officials and contractors involved in an agency's procurement activity should register a formal Statement of Interests with the agency concerned, prior to taking part in the procurement activity.

This Statement of Interests should identify any actual or potential conflicts of interest, and include private interests and associations such as real estate, shareholdings, company trusts, directorships, partnerships, investments, other assets, sources of income, gifts or hospitality, control over other assets, and liabilities.

In particular the Statement of Interests should also include any other private interests which may give rise to a conflict of interest, including relationships with organisations that may be potential suppliers, and relationships with people who have material interests in such organisations.

A Statement of Interests does not remove an officer's obligation to disclose a conflict of interest, or to take the appropriate action to resolve or manage a conflict of interest.

It is essential that any conflict of interest be addressed at the earliest stages of a procurement activity. There may be also times when an unforeseen conflict of interest arises during a procurement process.

As soon as the officer concerned becomes aware of a conflict of interest, they must register the conflict of interest and discuss it with their manager or supervisor to determine the most appropriate way of managing the situation. There are several management strategies available:

- **Register** – where details of the conflict of interest are declared and registered. (In low-risk situations this single strategy may be sufficient.)
- **Restrict** – where restrictions are placed on the officer's involvement in the matter.
- **Recruit** – where a disinterested third party is used to oversee part or all of the process that deals with the matter.
- **Remove** – where the officer chooses, or is requested, to be removed completely from the matter.
- **Relinquish** – where the officer relinquishes the private interest that is creating the conflict.
- **Resign** – where the officer resigns from their position with the agency. (This strategy should be considered only if the conflict of interest cannot be resolved in any other workable way.)

The procedures for managing conflicts of interest should be documented in the agency's Conflict of Interest Policy and Code of Conduct, and properly communicated to staff.

In addition, potential suppliers should be required to divulge all potential conflicts of interest at the time they offer to provide services. Failure to make adequate disclosure at any time may be grounds for later ending the contract.

The primary goal of managing conflicts of interest is to ensure that decisions are made – and are seen to be made – on proper grounds, for legitimate reasons, and without bias.

In practice...

Can a procurement officer attend a seminar provided by an offeror?

Attendance by a procurement officer at a public seminar offered by a potential supplier is unlikely to create a conflict of interest. However, the officer must not discuss confidential matters relating to the tender process, and must not use the tender process to obtain a discount on any registration fee. Officers directly involved in the tender process should inform the tender management team as well as their own manager, and gain approval for their attendance at the seminar, which should be fully documented.

Source: Commonwealth Government, Guidance on Ethics and Probity in Government Procurement (Financial Management Guidance No. 14), January 2005.

○ Probity in procurement at the agency level

Maintaining probity in procurement has implications for both agencies and individual employees, with a range of misconduct risks and potential opportunities for fraud and corruption arising during the various stages of procurement and delivery. Agencies must control and minimise these risks.

Probity considerations should form an integral part of any procurement process and not be a last minute concern. Among the key areas where probity must be incorporated into an agency's procurement systems, policies and procedures are the:

- procurement planning process;
- internal organisation and decision-making processes;
- security and confidentiality arrangements;
- communication with offerors;
- offer evaluation and selection;
- promoting a probity-oriented culture; and
- management of probity issues.

○ The procurement planning process

The procurement planning process must include strategies to ensure probity across the agency's procurement functions. Two core areas are:

1. Corporate procurement plans

The overall plan should:

- include probity as an objective;
- develop practical strategies for the achievement of probity;
- ensure regular review of relevant procedures and processes;
- promote an ethical culture; and
- promote a culture of fair dealing.

2. Significant purchase plans

These plans should:

- establish means of measuring the outcomes of the particular procurement activity;
- clearly establish who is responsible for different aspects of the procurement activity; and
- include sufficient information to enable the procurement activity and decision-making process to be scrutinised and/or audited.

Internal organisation and decision-making processes

A key element in best practice procurement is to clearly define who is responsible for the different decisions needed at various stages in the process. Agencies should have clearly documented procedures for:

- authorising the documents which set the framework for the offering process (including advertisements for Expressions of Interest, Requests for Offer, etc);
- evaluating offers, preparing recommendations and making decisions about shortlisting and offeror selection;
- managing liaison with offering parties including providing information;
- managing negotiations;
- consulting with agency procurement authorities and other parts of Government which are not directly involved in the management of the offering process but have an interest in its conduct and outcome; and
- resolving probity and process questions as they arise.¹³

Security and confidentiality arrangements

Suppliers need to be confident that commercially sensitive information will not be released to competitors or pass into the public domain as a consequence of the procurement process. Security concerns could deter suppliers from offering or reduce the detail and volume of information provided in support of offers, which would not be in the public interest.

Agencies should establish clear security procedures for handling offer-related documents (that is, offer documents produced by any stakeholders which may contain commercially sensitive information). In particular, the following practices should apply:

- all employees and advisors with access to offer-related information should sign an appropriate confidentiality agreement;
- documents which contain offer-related, commercially sensitive information should be stored at all times under secure conditions with access only by authorised persons holding a direct 'need to know' status;
- few copies of offer-related documents should be produced, and each copy should be numbered and tracked; and
- the security arrangements adopted by the project team should be subject to review by an appropriate person who is independent of the particular process, such as the agency's contracts or procurement manager, auditors or a probity advisor.¹⁴

Communication with offerors

There should be no discrimination between offerors in the provision of information. All offerors should have the same opportunities to access offer-related information provided by the agency. To facilitate equitable information delivery, agencies should establish sound internal processes for controlling and monitoring the flow of information to and from offerors before the offering process commences.

¹³ Victorian Government Purchasing Board (Department of Treasury and Finance). 'Probity Policy and Guidelines: Government Tendering Projects'. May 2001.

¹⁴ Victorian Government Purchasing Board (Department of Treasury and Finance). 'Probity Policy and Guidelines: Government Tendering Projects'. May 2001.

Contact points

Only a small number of officers should be authorised to deal directly with offerors. It may be appropriate to nominate a senior officer who can act as the main point of contact and who can authorise others to communicate with offerors if required (for example, extensive contact with offerors may be required during certain stages of the offer process).

Recording discussions

Discussions with offerors should be documented, including minutes of meetings and the content of telephone conversations.

Offer evaluation and selection

A well managed offering process provides consistency in the development and application of evaluation criteria. Offerors will not have confidence in a process where the evaluation criteria are poorly defined, inconsistently applied, or difficult to understand.

Evaluation criteria should be simply and clearly expressed to ensure the supply requirements are met. They should capture all the considerations the agency intends to take into account. It is vital that:

- evaluation criteria are applied objectively to all offers and offerors;
- the evaluation process is documented in advance, with a clear allocation of responsibility between those evaluating the offers, those charged with making recommendations on the selection of the successful or preferred offeror, and those responsible for making final decisions; and
- there is appropriate separation of functions and a hierarchy of analysis and approval to ensure that decisions are scrutinised rigorously and authorised at appropriately senior levels within the agency.

These evaluation, recommendation and decision stages should be comprehensively documented and linked explicitly to the evaluation criteria contained in the offer documentation.

Recommendations as to the successful offeror should be founded on the aggregation and comparative analysis of individual evaluation reports. Full records should be kept on file with a clear document trail which clearly demonstrates how and why specific recommendations were made and decisions taken.¹⁵

Promoting a probity-oriented culture

Having documented probity policies and procedures does not guarantee that agency employees and other personnel involved in procurement activities will understand or embrace them. Awareness and commitment will come from the active promotion of probity and ethics principles, in such a way that they become an integral part of day-to-day operations and decision-making.

The development of clearly worded guidance documents for use as reference material, and education through presentations, seminars and workshops can help to achieve this objective. The Crime and Misconduct Commission (www.cmc.qld.gov.au) provides a range of relevant resource materials and can offer specific assistance where a strategic need is identified.

Management of probity issues

During a procurement exercise, probity issues may arise which have not been anticipated in agency guidelines. If this occurs, the personnel involved should immediately bring the matter to the attention of an appropriate officer for advice and resolution.

¹⁵ Victorian Government Purchasing Board (Department of Treasury and Finance). 'Probity Policy and Guidelines: Government Tendering Projects', May 2001.

¹⁶ Victorian Government Purchasing Board (Department of Treasury and Finance). 'Probity Policy and Guidelines: Government Tendering Projects', May 2001.

Generally, employees should address any concern in the first instance to their supervisor and/or the head of the project team. Unless the initial probity concern is found to be groundless, the employee(s) involved should document the issue and record who was consulted and how the matter was resolved.¹⁶

Probity in procurement at the employee level

Procurement probity has implications for individual employees, since they could be exposed to a number of risks in dealing with suppliers whose business practices may differ from those of the public sector.

Agency personnel who are involved in procurement are likely to be confronted with situations posing an ethical dilemma. This can occur in any procurement exercise but may have greater impact, significance or be subject to greater scrutiny in procurement activities which are high value, high risk and/or contentious.

Regardless of the procurement value, the highest standards of ethical behaviour must always be exercised to ensure probity of the procurement process.

Managing the key areas of procurement risk

The main areas that give rise to procurement risk and probity concerns are:

- Gifts and benefits
- Consistency and continuity of process
- Communication with offerors
- Conditions of offer and deadlines
- Invitation to offer documentation
- Finalising the contract
- Briefing and debriefing sessions
- Documentation
- Conflict of interest
- Supplier probity

Gifts and benefits

Public officials involved in any aspect of a procurement process are strongly advised not to accept gifts or benefits, as they can be, or may be seen to be, a means of influence that can compromise or appear to compromise integrity and impartiality.

Potential suppliers should be made aware that agency officers (and consultants, advisors and sub-agents) must not solicit and generally may not accept a gift or benefit. If a gift is offered then acceptance must be under the principles contained in the Queensland Government Gift and Benefits Policy www.opsme.qld.gov.au/directives/gifts.htm and any relevant agency policy and Code of Conduct.

Government policy prohibits the offer or acceptance of a benefit if any of the following conditions apply:

- It is intended, or is likely, to cause the recipient or donor to act in a partial manner in the course of their duties; or
- The donor or a reasonable observer could infer that the recipient may be under an obligation to the donor; or
- It is not offered openly; or
- It is an offer of money or anything readily convertible to money; for example, shares.

Case Study

An agency annually purchased a considerable number of photocopiers. Offers were invited and following 'post offer negotiations' a contract was awarded to a supplier for a number of photocopiers. This supplier had not previously been a successful offeror and appeared to display no special attributes to warrant the contract.

Subsequent investigations revealed that the procurement officer was given holiday accommodation and benefits at a coastal resort. In addition a 'sponsorship donation' was made to a sporting organisation in which the officer's daughter was involved so she could apply for and be awarded a personal scholarship.

The procurement officer and supplier were charged and convicted. It was shown that the procurement officer's decision to award the contract was heavily influenced by the supplier's gifts.

Consistency and continuity of process

Application of the principles of competitive neutrality and equity requires that all offerors be given the same access to commercial information and the same guidance and instructions on the conduct of the offer process.

Offering procedures and evaluation processes should be applied consistently so as to prevent any actual or perceived discrimination. Consistency of this kind can best be maintained where clear procedures are documented in advance, where staff are fully briefed, and where there is a strong measure of continuity in the personnel who make up the procurement/project team and its advisors.¹⁷

Communication with offerors

Clear protocols need to be established for meetings with offerors to ensure a uniform approach that sends the same messages to all participants. Best practice procurement uses detailed meeting agendas and authorises particular procurement personnel to speak on specific subjects. Similarly, procedures should be in place to ensure that written communications with offerors are prepared and signed off at an appropriately senior level.

For more information, refer to the Queensland Government Marketplace website at www.qgm.qld.gov.au

Case Study

Records seized during the investigation of a complaint about unfair tendering practices showed e-mails between a departmental officer and the eventual successful offeror more than a month before the offer was publicly advertised.

A number of confidential matters were discussed that the incumbent contractor would have expected to be commercial in confidence and which were not made known to any other potential offerors. Misconduct charges were subsequently brought against the officer.

¹⁷ Victorian Government Purchasing Board (Department of Treasury and Finance), 'Probity Policy and Guidelines: Government Tendering Projects', May 2001.

Conditions of offer and deadlines

Adherence to established conditions of offer and closing deadlines is essential in maintaining the integrity of the procurement process. Offerors can be seen to obtain an unfair advantage if they are permitted to have more time to prepare their offer. Similarly, if offers are opened and distributed ahead of the closing date, there is the risk that details of those offers could be passed to other potential offerors.

Offers should be held securely until the nominated deadline for receipt has passed, after which they should be formally opened, recorded and referred to the evaluation panel for processing.

Invitation to offer documentation

Offer documentation including conditions of offer, conditions of supply, specification, and evaluation criteria should not be changed during the course of a procurement process, particularly if no likelihood of change has been indicated in the documentation. Minor changes may be foreshadowed by drafting Requests for Offer so as to allow for some flexibility in meeting agency requirements.

The underlying principle is that suppliers are entitled to submit proposals on the same supply and evaluation basis and require the same information on which to structure their offers. There should be no change in the Request for Offer requirements that can be perceived as favouring or disadvantaging a particular offeror or group of offerors.

However, on occasion, an agency may find it necessary for legitimate reasons to adjust the invitation documentation, including the evaluation criteria. This might occur in a staged offer process, or if indicative offers prompted a review of the basis on which the supply should be sought. It might also be necessary if external factors led to delays in preparing offer documents or providing key information to the market or if rapid technological change altered the competitive landscape.

Where changes are proposed, these should be authorised by appropriate senior agency staff following full consideration of all aspects. In some cases, it may be necessary to terminate the process and undertake a new procurement exercise. In any event, no significant change in the terms of the Request for Offer should be contemplated without first consulting the probity advisor/auditor (if appointed) and other qualified personnel for procedural and legal advice.

Finalising the contract

During the evaluation of offers, procurement staff are likely to be in frequent contact with members of the front-running offering teams. To prevent any risk of 'drifting into a contract' through discussions with an offeror, nothing must be communicated, explicitly or implicitly, to indicate where they stand or that they are successful until all relevant evaluation activities, sign-offs and approvals have been obtained.

Clear procedures for handling communications with offerors are therefore needed for all stages of the procurement process, as well as formalising the approval steps that are required in appointing the preferred or successful offeror. The Request for Offer also should specify exactly how and when the contract will be concluded.

Briefing and debriefing sessions

Briefing and debriefing sessions may be held at different times during the course of procurement. All such meetings should be conducted with appropriate notice and other arrangements to enable effective participation.

All offerors should be notified of the outcome at the same time the result of a procurement process is announced. They should be given the opportunity for a more detailed debrief. At all times the project team must avoid revealing information which may be seen to compromise the confidentiality or commercial interests of any stakeholder.

Documentation

Good record keeping is essential throughout the procurement process. The outcomes of key discussions, data and decisions must be documented and filed in a form which allows those undertaking subsequent reviews of the process to clearly understand how, why, when and by whom the key decisions were made.

For more information refer to the Queensland Government Marketplace website at www.qgm.qld.gov.au

Conflict of interest

Managing conflicts of interest is vital in any procurement activity and the ramifications are so significant that a separate section on *Effective management of conflicts of interest* has been provided in these guidelines on pages 9 to 11.

Supplier probity

A focus on internal probity issues should not overshadow the importance of external probity issues related to the business practices, past conduct and performance of offerors. Regardless of how well the procurement process is conducted, a contract should not be awarded to a firm which has a record of illegal or unethical activity. Depending on the significance of the contract, consideration should be given as to whether it would be appropriate to conduct probity checks on offerors.

Probity and financial capability is typically assessed through suitable prequalification exercises. The application of any probity conditions and potential vetting of offerors should be outlined in the Request for Offer.¹⁸

Case Study

A manager responsible for awarding contracts for training videos, television commercials, films and exhibitions developed a scheme, whereby the budget for a project would be worked out in conjunction with selected offerors. This usually included a 'kick back' of approximately 10% for the manager which was paid into a secret bank account. The tender award was then rotated between three colluding companies.

Investigations over a two year period revealed 'kick-back' payments of about \$140 000 from contracts worth \$1.5 million. Many standard tendering practices and internal controls including separation of functions were missing or non-operational. The manager and the directors of the three companies were convicted and jailed.

Probity advisors and probity auditors

For most procurement activities, procurement staff and evaluation teams can effectively manage probity issues. Where the activity may be complex, high value, sensitive, or offeror grievances are more likely, it may be beneficial to engage a probity advisor and/or a probity auditor.

Probity advisors and auditors should not be seen as a substitute for expert procurement officers managing a well planned process. An agency should routinely ensure it has personnel with the required skills and has the processes in place to ensure good practice so that probity advisors and auditors are used as an exception rather than as a rule.

However, when the use of probity auditors or probity advisors is contemplated, then this commitment should be made at an early stage in the procurement process.

¹⁸ Victorian Government Purchasing Board (Department of Treasury and Finance). 'Probity Policy and Guidelines: Government Tendering Projects', May 2001.

Probity advisor

A probity advisor is an individual or organisation engaged to observe, review and provide guidance on the probity framework and/or processes of a procurement project. Agencies use internal or external probity advisors to verify that the processes followed are consistent with best practice principles.

A probity advisor provides opinions and guidance on probity risks and issues that may arise during the process and confirms, in writing, whether the process is consistent with the requirements outlined in a probity plan as well as general probity fundamentals. If probity requirements are not being or have not been met, the advisor identifies the non-conformities and any reasons for these in a written report, and if necessary, suggests solutions and monitors their implementation.

A probity advisor's primary concern is the integrity of the procedures and processes adopted. That is, the focus is on the means, not the ends of the project. The advisory role is essentially preventive. For this reason, a probity advisor is usually engaged at an early stage to assist with project establishment and before any serious procurement integrity issue may develop.¹⁹

Probity auditor

A probity auditor has three main roles:

- to provide advice during a procurement process on probity-related issues, in order to establish procedures which meet recognised probity standards and ensure that any problems or questions are dealt with satisfactorily;
- to provide independent scrutiny of the procurement process to ensure that prescribed processes are actually adhered to; and
- to provide a report at the end of the process which records an independent professional view of the way in which the procurement process was managed, from a probity perspective.

A probity auditor cannot be expected to:

- protect against errors in decision making;
- comment on the commercial effectiveness of the project team in its negotiations with offerors;
- try to rescue a procurement process and remedy an already tainted process by being called in part way through the process.

Probity auditors are generally paid for their services by the agency which employs them. This relationship can create the appearance of divided loyalties, real or otherwise. Selecting auditors by rotation from a suitably prequalified panel can help to remove any perceptions of bias.

The underlying principle is to ensure that probity auditors and advisors are appropriately qualified and independent and that the same people or organisations are not used repeatedly.

What does probity auditing achieve?

Probity auditors and advisors do not transfer risk away from the agency. Management is still accountable, and the engagement of a probity auditor should be seen as a means of complementing existing sound processes.

The immediate task of the probity auditor is to assess whether the procurement/project team runs an open and fair process. Probity auditing is auditing for compliance. It does not check the effectiveness of the resulting contract.

¹⁹ New South Wales Independent Commission Against Corruption. 'Probity and Probity Advising'. November 2005.

Specifically the probity auditor needs to assess whether the project team:

- complied with legislation, policies and agency procedures on probity;
- adopted a sound set of processes enshrined in the probity plan;
- fulfilled the requirements of the probity plan; and
- acted within the limitations of prescribed procurement policies, rules and guidelines.

The probity auditor may:

- confirm the process is fair and nothing more needs to be done;
- advise when any errors or omissions occur; or
- as a last resort, recommend that the procurement process be terminated and rerun.²⁰

The difference between probity advising and auditing

The probity advisory function differs from the auditing function in a number of respects. The key emphasis in the advisory aspect of the role is on *how* a process complies (or can be made to comply) with a particular set of criteria, standards or principles. The auditing aspect of the role focuses on *whether* a process has complied with the set criteria, standards or principles.

In practice, most probity services offer a combination of both auditing and advisory elements. Usually, combining aspects of each function within a single engagement will not present difficulties, but the agency needs to be clear about the service it needs and which it has contracted.

As a general rule, agencies that wish to obtain a level of independent verification that the process followed is consistent with a particular standard or set of criteria should engage an audit-based service. Agencies that mainly require practical assistance in identifying and managing a range of probity-related risks should engage an advice-based service.

Some of the different characteristics of auditing and advising are listed in the following table.²¹

²⁰ Victorian Government Purchasing Board (Department of Treasury and Finance), 'Probity Policy and Guidelines: Government Tendering Projects', May 2001.

²¹ New South Wales Independent Commission Against Corruption, 'Probity and Probity Advising', November 2005.

Aspects of probity auditing and probity advising

Approach	Auditing	Advising
Timeframe	“Backward-looking” – primarily done after the fact.	“Forward-looking” – primarily done before the fact.
Opinion	Provides an audit opinion on compliance with an established guideline, standard or principle.	Provides both opinions and advice contemporaneously, to ensure that an established guideline, standard or principle is followed.
Independence	High degree of independence. Largely self-directing.	Independent, but as an advisor has a level of direct interest in the project. More likely to be under the direction of the client.
Service	Provides assurance services – finds discrepancies and monitors compliance.	Provides consulting services – anticipates and prevents lapses in probity. More likely to be involved in implementing solutions to probity problems.
Reporting	Generally reports to a senior manager or steering committee, above the project manager.	Mainly reports to and liaises with the project manager and/or project team. Less responsibility to external stakeholders.
Report format	Emphasis on formal, written reports.	Higher degree of verbal informal reporting. However, must still provide written reports.
Methodology	Adopts an audit methodology and adheres to audit conventions and professional standards.	Departs from strict audit methodology and is more likely to use own standards or approach.
Probity plan	Likely to be involved in verifying compliance with a probity plan or similar document, but not in its preparation.	Likely to be involved in overseeing the preparation of a probity plan or similar document.

The risk of any conflict in combining both audit and advisory roles in a single appointment is generally low, and can be tolerated and managed if the agency remains aware of the distinctions.

However, on very large or complex projects, it may be desirable to separate the audit and advisory functions through separate engagements (and from different organisations), one of which would perform the probity auditing function strictly at arm’s length from the project, while the other would perform the advisory role. This would be helpful on controversial projects where the independence of the audit function is seen to be particularly important.²²

²² New South Wales Independent Commission Against Corruption. ‘Probity and Probity Advising’. November 2005

Probity checklist

The following table lists a number of tasks, generally in chronological order, which can form the basis for a checklist or a probity plan. For high value or complex procurement activities, best practice would see the development of a suitable probity plan well prior to the commencement of the actual procurement process.

Probity checklist²³

Task	Documents
Planning	
<p>Check budget approval is obtained Prior to any communication with the market Approval of funds needs to be assured before commencing the project.</p>	<ul style="list-style-type: none"> minutes, memos etc verifying approval
<p>Ask for conflict of interest declarations Required at the outset of the procurement process, from all steering committee and procurement team members and any external personnel involved in the offer. Remind members of the Agency's Code of Conduct and other ethical and probity obligations. Members must also disclose any conflicts of interest arising during the procurement process.</p>	<ul style="list-style-type: none"> conflict of interest declarations minutes of meetings
<p>Obtain Confidentiality Agreements Required from all personnel involved in the procurement process.</p>	<ul style="list-style-type: none"> confidentiality statement
<p>Ascertain if a probity auditor or advisor is required</p>	
<p>Determine the procurement method (eg. select tender, public tender, negotiations with a single supplier)</p>	<ul style="list-style-type: none"> Significant Purchase Plan memo or minute
<p>Check procurement team members' credentials. They need to be properly authorised to represent stakeholders and be selected on the basis of their expertise. Where necessary, external expertise is to be engaged to ensure a full range of qualifications, skills and experience is available.</p>	<ul style="list-style-type: none"> Significant Purchase Plan minutes of meeting letter of nomination or similar
<p>Settle details of the Probity Plan if required</p>	<ul style="list-style-type: none"> probity plan document
<p>Check procurement team members are familiar with and have access to all relevant policies.</p>	<ul style="list-style-type: none"> copy of policies
<p>Ensure that all offerors have access to the same information Significant clarification or further detail is to be provided to all offerors equally. Telephone queries are handled by a single person, file notes are made of conversations, etc. No information should be provided for the benefit or detriment, of particular parties.</p>	<ul style="list-style-type: none"> list of procedures file notes record of all inquiries, and responses
<p>Set up confidentiality procedures Confidential information must be protected and only be available to those who need it.</p>	<ul style="list-style-type: none"> list of procedures

²³ Victorian Government Purchasing Board (Department of Treasury and Finance). 'Probity Policy and Guidelines: Government Tendering Projects'. May 2001.

Task

Documents

Set up proprietary information procedures

If offerors are required to offer on the basis of matters such as innovation, all ideas they consider proprietary must not be communicated to competitors. Information provided to one offeror must be conveyed to all offerors. The procurement team needs to establish ground rules to ensure that offerors have confidence in the process and the agency is not barred from sharing information which is commonly known. Categories of proprietary information should be defined early in the process and stated in the offer documentation.

- file notes
- list of procedures
- conditions of offer

Brief all staff involved

Confidentiality and security procedures need to be explained to all staff associated with procurement.

- briefing note to staff or minutes
- instruction
- record in minutes

Review probity at completion of *Planning* milestone

At this point, the procurement team should check that it has met all of the requirements of the probity checklist/plan.

Preparing a Request for Offer (RFO)

Settle invitation documents (RFO)

Invitation documents should be designed to elicit the information necessary for proper evaluation of each offer against the selection criteria.

Settle performance measures and targets and detail how the contractors' performance will be evaluated.

All legal issues, accountability and intellectual property restrictions are to be clearly set out.

Detail evaluation criteria, weightings and selection processes, state how late and non-conforming offers will be dealt with and request declarations of any offeror's conflicts of interest.

Include transition in and transition out arrangements.

- specification
- conditions of offer
- conditions of contract
- vendor response schedule
- timetable
- details of measures and targets arising out of Significant Purchase Plan

Review probity at completion of *Preparing a RFO* milestone

At this point, the procurement team should check that it has met all of the requirements of the probity checklist/plan.

- record in minutes

Invitation to offer

Set up process for receipt, recording and acknowledging offers

Ensure no offers are read prior to the close of the offer period.

- offers download list
- offer box register
- copy letters or mail merge file and address list
- acknowledging receipt

Check advertising arrangements

This includes press advertisements, registration on website etc.

- contact details
- website information
- press cuttings
- electronic offer registration list

Arrange offer briefing meetings

Record who attended. Prepare a summary report and post it on a website or make it available in hard copy.

- summary report
- record of attendees
- website report

Task	Documents
<p>Check offers are received according to Conditions of Offer</p> <p>Secure documents Ensure offerors' information is secure at all times.</p> <p>Review probity at completion of Invitation to offer stage milestone At this point, the procurement team should check that it has met all of the requirements of the probity checklist/plan.</p>	<ul style="list-style-type: none"> • offers register • procurement officer's report • list of procedures • record in minutes
<p>Evaluation of offers</p> <p>Notify offerors of any variations that may occur due to change of circumstances Criteria should never be altered to give advantage to any particular party and all offerors should have access to the same information. If there are changes, allow all offerors the same time and opportunity to re-submit amended offers.</p> <p>Assess offers as quickly as possible</p> <p>Ensure all offers are compared on the same basis Evaluation criteria are to be followed, and responses assessed against pre-determined criteria. Detail reasons for the choice of the preferred offeror, and ensure these reasons are clear and defensible. <i>Note: The evaluation criteria should be established and documented prior to calling for offers.</i></p> <p>Notify shortlisted offerors of interview Ensure same information has been provided to all offerors except matters specific to an individual offeror. Ensure that substantially the same time is allocated to each interview.</p> <p>Document interviews and post offer negotiations This is usually with short listed offerors only.</p> <p>Perform due diligence of short listed offerors This may include corporate information including ownership, litigation, directors' profiles, financial security and past history. Referee checking procedures should be substantially the same and confidentiality assured.</p> <p>Plan and document site visits (if conducted) An agenda should be prepared by the procurement team before the visit. A chairperson is to lead the visit and ensure that there is a record of the meeting.</p> <p>Brief Reference Group (if appropriate) Ensure stakeholders are advised of the likely outcome and that confidentiality and security are maintained.</p>	<ul style="list-style-type: none"> • minutes of meeting • copy letters or mail merge letter and address list • timetable, as amended • evaluation sheets • score sheets/comparative results • minutes of meetings • letters • agenda • interview questions • record of interviews • meeting agenda • file notes • offerors' confirming letters • referee checks • ASC records • commercial records • annual returns etc • meeting agenda • minutes • minutes • file notes

Task	Documents
<p>Review probity completion of <i>Evaluation</i> milestone At this point, the procurement team should check that it has met all of the requirements of the probity plan.</p>	<ul style="list-style-type: none"> record in minutes
<p>Recommendation</p>	
<p>Prepare Supplier Selection Report Prepare justification report consistent with reasons for selection and non-acceptance of offers.</p>	<ul style="list-style-type: none"> file notes minutes of meetings justification statement evaluation matrices evaluation report
<p>Review probity at completion of Supplier Selection Report Review process from a probity perspective. Obtain probity report from probity auditor, if one has been engaged.</p>	<ul style="list-style-type: none"> record in minutes probity auditor report
<p>Prepare Supplier Selection Report for delegated officer's approval</p>	<ul style="list-style-type: none"> memorandum Supplier Selection report
<p>Notify the successful offeror The advice should note that acceptance is subject to execution of the contract.</p>	<ul style="list-style-type: none"> letters
<p>Notify unsuccessful offerors their offers are not accepted</p>	<ul style="list-style-type: none"> letters
<p>Debrief unsuccessful offerors This should be done by the chairperson of the procurement team with at least one other team member. Minutes of the meetings should be taken.</p>	<ul style="list-style-type: none"> file notes of feedback sessions
<p>Settle transition arrangements</p>	<ul style="list-style-type: none"> transition plan contract management plan
<p>Store all documents Provide a complete and accurate record of how key functions and activities were carried out, in accordance with the <i>Financial Administration and Audit Act 1977</i>.</p>	<ul style="list-style-type: none"> file(s)

Where can I get more help?

Who can I talk to?

- *State Purchasing Policy* Hotline, telephone 1800 631 991 (toll free).
- Crime and Misconduct Commission, telephone 1800 061 611 (toll free) if you suspect official misconduct.
- Agency contracts manager or audit officer - for assistance with advice on probity and procurement process issues.

What can I read?

- Your Agency's *Code of Conduct*.
- Your Agency's Purchasing Procedures.
- Crime and Misconduct Commission website, www.cmc.qld.gov.au
- *Public Sector Ethics Act 1994*
- *Crime and Misconduct Act 2001*
- *Probity and Probity Advising*, NSW Independent Commission Against Corruption, November 2005, www.icac.nsw.gov.au

- *Managing Conflicts of Interest in the Public Sector - Guidelines*, Crime and Misconduct Commission and ICAC, 2006, www.cmc.qld.gov.au
- *Building Integrity in the Queensland Public Sector: A Handbook for Queensland Public Officials*. Queensland Integrity Commissioner, 2004, www.integrity.qld.gov.au



CRIME AND
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Queensland Purchasing

Better Purchasing Guide

Prequalifying suppliers

Published September 2003



**Queensland
Government**
Department of
Public Works

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Purpose of this Guide

The purpose of this Guide is to provide information about prequalification of suppliers for the Queensland Government.

Who should read this Guide?

All Queensland Government officers who are involved in **procurement**¹ should read this Guide. In particular, this Guide may assist senior officers who are responsible for developing and/or approving their **agency's**² procurement strategies for **significant purchases**³.

In addition, current and prospective suppliers of goods and services to the Queensland Government may also benefit from reading this Guide.

How should this Guide be used?

This Guide should be read in conjunction with the *State Purchasing Policy* and your department's "*Agency Purchasing Procedures*"⁴. There are also related Government policy frameworks with which officers involved in purchasing building construction and maintenance, civil construction and information technology and telecommunications should be familiar. These are:

- the Capital Works Management Framework and the Maintenance Management Framework administered by the Building Division of the Department of Public Works;
- the Queensland Code of Practice for the Building and Construction Industry jointly administered by the Department of Industrial Relations, the Department of Employment and Training, the Department of Main Roads and the Department of Public Works;
- the Government Building and Construction Contracts Structured Training Policy administered by the Department of Employment and Training;
- the Art Built-in Policy administered by Arts Queensland;
- the Quality Assurance Policy administered by the Department of Public Works; and
- Communication and Information Purchasing Framework administered by the Department of Innovation and Information Economy, Sport and Recreation Queensland.

In addition, officers involved in major projects valued at \$5 million and over, or that are of regional or strategic significance, must comply with the Local Industry Policy administered by the Department of State Development.

The following selection of the Better Purchasing Guides may also provide useful information:

- Managing and Monitoring Suppliers' Performance
- Developing and Managing Arrangements with Suppliers
- Analysing Supply Markets for Purchasing
- Planning for Significant Purchases
- Inviting Offers
- Evaluating Offers in Purchasing

¹ Procurement as defined in the State Purchasing Policy is the entire process by which all classes of resources (human, material, facilities and services) are obtained. This can include the functions of planning, design, standards determination, specification writing, selection of suppliers, financing, contract administration, disposals and other related functions.

² Agency - means a department or statutory body as those expressions are defined in the Financial Administration and Audit Act (Qld) 1977; and any Government Owned Corporation and its subsidiaries where the Shareholding Ministers have given notification pursuant to s.123 of the Government Owned Corporations Act 1993 as listed in Schedule D as published from time to time in the State Purchasing Policy by the Department of Public Works.

³ Significant purchases - are those goods and services that have been identified in the agency's Corporate Procurement Plan as being of high relative expenditure and/or for which supply is difficult to secure. Refer to page 7 for more information.

⁴ Agency Purchasing Procedures are agency specific procedures that set out how agencies are to undertake their purchasing activities in compliance with the State Purchasing Policy. These procedures were also known as "local instructions" or "local purchasing instructions".

Prequalification of suppliers can be a complex activity that requires expertise in the area

This Guide is intended only as a starting point to provide an overview of the main issues that need to be considered. It is not intended that this Guide replace expertise and other valuable resources that are required to produce successful outcomes for departments or agencies.

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The State Purchasing Policy

The *State Purchasing Policy* is an outcome focussed Policy. It provides flexibility for agencies to determine the most effective measures to achieve the desired outcome either at the level of the individual purchase or whole categories of goods/services.

The objectives of the *State Purchasing Policy* are to:

- **advance Government priorities** – These priorities define the Government’s commitment to advance, through its purchasing, certain social, economic and environmental objectives.
- **achieve value for money** – The concept of value for money is not restricted to price alone. The value for money assessment must include consideration of:
 - contribution to the advancement of Government priorities;
 - non-cost factors such as fitness for purpose, quality, service and support; and
 - cost related factors including whole-of-life costs and transaction costs associated with acquisition, use, holding, maintenance and disposal.
- **ensure probity and accountability for outcomes** – An agency must conduct its purchasing activities with the utmost probity. Some relevant probity and accountability requirements are set out in legislation.

It is intended that each agency should use its best endeavours to ensure that competitive local firms that comply with relevant legislation are given a full, fair and reasonable opportunity to supply the Queensland Government.

The *State Purchasing Policy* is available on the internet at www.qgm.qld.gov.au

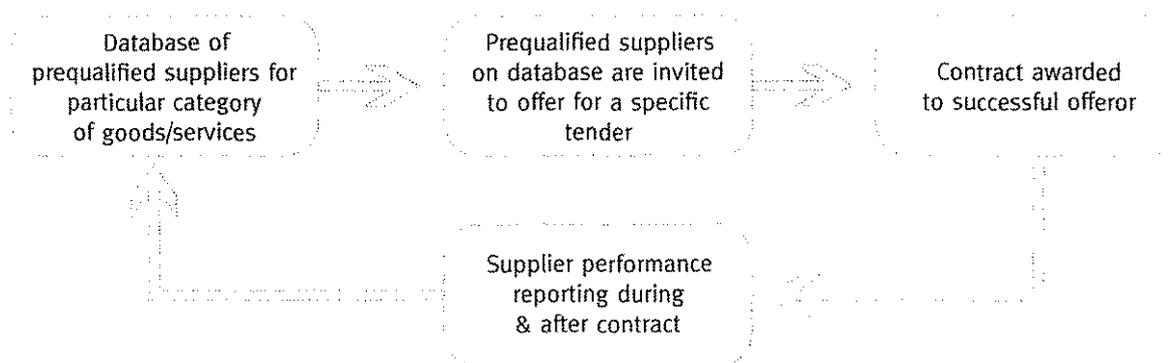
How does the *State Purchasing Policy* link to this guide?

The *State Purchasing Policy* requires Queensland Government purchasers to obtain value for money and to purchase from suppliers that can consistently meet their needs. This means that purchasers need to develop an intimate knowledge of their key supply markets and maintain a history of suppliers’ performance. Prequalifying suppliers can provide a pool of suppliers that have the potential to satisfy the purchaser’s needs or serve to identify suppliers for the purpose of inviting restricted offers.

What is ‘prequalification of suppliers’ ?

Prequalification is a method whereby suppliers of particular goods and/or services are assessed against pre-determined criteria and then only those suppliers who satisfy the prequalification criteria are invited to offer. Prequalification provides purchasers with added confidence that suppliers being invited to offer already have the capability to supply the goods and/or services. Prequalification does not necessarily eliminate the risk of contract failure, but, if well managed, is a method of reducing the risk and administrative burden created by repeated approaches to the market.

Suppliers that are successful in meeting the prequalification criteria are generally included on a database maintained by the purchaser. Prequalification of suppliers is a strategy best used when the buyer procures a particular type of good/service on a regular basis and the procurement tends to be complex and/or costly and/or there is a high degree of risk involved in the procurement. A good example within the Queensland Government is procuring construction services to build major works or roads.



The above diagram provides an overview of how a prequalification system fits within a tendering process where it has been determined as the most appropriate strategy for the procurement of a particular category of goods/services.

Potential suppliers are assessed against specific criteria established by the purchaser and if successful are placed on a prequalification database. When a specific need by the purchaser arises, the prequalified suppliers are invited to offer. The offers are evaluated by the purchaser according to the specific offer evaluation criteria and the successful offeror is awarded the contract. Performance reporting about suppliers is an integral part of any prequalification system and should be incorporated into the system. More information about the process of establishing a prequalification system is provided on page 16.

Why use prequalification of suppliers?

Prequalification is a useful method of gaining knowledge of specific groups of suppliers with the primary aim of minimising cost and risk for both purchasers (agencies) and suppliers. The cost to suppliers of preparing and submitting an offer and the cost to purchasers of managing the tendering process and evaluating offers can be expensive. Consequently, in specific circumstances, it is in the purchasers' and suppliers' interests to confine the invitation to offer to suppliers with a proven track record and that have a reasonable chance of winning the tender.

Other important reasons for prequalifying suppliers include:

- providing agencies with enhanced confidence in the ability of its suppliers to deliver satisfactory outcomes in terms of time, cost and quality;
- providing a framework for assessing and aligning contract risk with supplier risk in the supplier selection process;
- streamlining the process of selecting suppliers;
- providing objective, quantifiable data to support the decision-making process in the selection and subsequent performance monitoring of suppliers;
- setting clear and visible standards for performance by suppliers;
- differentiating suppliers as a basis for getting the best match between suppliers and Government contracts;
- encouraging the development and improvement through periodic review and adjustment of the prequalification criteria; and
- enhancing security of payment in the supply chain by early identification and appropriate management of suppliers who do not have adequate financial capacity.

What is the difference between prequalification and multi-staged procurement?

A multi-staged procurement process is useful in complex, high value or new areas where the purchaser needs to learn more about the goods/services or the market. This can involve the following stages:

- Stage 1: Expression of Interest (or Request for Information)** – aims to find out more about the market, the available goods/services and the capability of the industry to satisfy the need or solve the problem.
- Stage 2: Request for Proposals** – purchasers invite proposals from suppliers to solve a problem or provide goods/services.
- Stage 3: Short-listing Proposals** – purchasers identify those suppliers most capable of delivering the requirements.
- Stage 4: Best and Final Offer** - suppliers are invited to submit their final offer.

Multi-staged procurement is time-consuming and expensive for both the purchaser and suppliers and although there are some similarities between multi-stage procurement and prequalification, there are key differences. The following table compares multi-staged procurement to prequalification.

Prequalification of suppliers

A process which aims to qualify competitive suppliers in a particular industry that are capable of providing a specified category of goods/services potentially for a number of distinct transactions/contracts.

There is no specific tender in mind when suppliers are prequalified, but there is potential for suppliers to win a range of contracts.

There is the potential for prequalified suppliers to win many tenders over time; however, prequalified suppliers are not necessarily given any guarantee of work.

Eliminates those offerors from the process that do not meet the criteria.

Aims at reducing the costs of tendering by both the supplier and the purchaser.

Aims at minimising the risk of contract failure.

Multi-staged procurement

A staged tendering process which aims to select one supplier capable of providing specified goods/services for a specific contract.

There is a specific need identified by the purchaser when entering into this process.

Generally, there is only one supplier that will win the tender.

Eliminates those offerors from the process that do not meet the criteria at each stage.

Aims at reducing the costs of tendering by both the supplier and the purchaser.

Aims at minimising the risk of contract failure.

When should prequalification of suppliers be used?

The need for establishing a prequalification system requires careful consideration. It may be helpful to consider it in the framework of a business case where the qualitative and quantitative costs and benefits are weighed up for a particular market for a particular agency.

A number of factors need to be thoroughly examined in terms of weighing up the benefits against the costs. **Prequalification of suppliers is a beneficial strategy in only a small number of circumstances.** The following key issues are provided as a guide to assist research and analysis if agencies are considering establishing a prequalification system. The *State Purchasing Policy* (refer to 3.1 Procurement Planning) requires that procurement planning (including the need to establish prequalification systems) must be based on an analysis of the agency's purchasing patterns and supply markets. Your agency's Corporate Procurement Plan may be useful in this respect as well as the Better Purchasing Guide entitled *Analysing Supply Markets for Purchasing*.

1. Types of goods/services

Generally, the types of goods/services appropriate for establishing prequalification systems are complex in nature and often involve a significant element of service. For example, construction of major works or roads involves supply of goods (concrete, steel, gravel or asphalt, etc.) and the supply of a range of complex building related services including engineering, architecture, project management, surveying, etc. In addition, such goods/services are most likely to be categorised by agencies as **significant purchases**.

Hint – Significant purchases

Significant purchases are those goods/services that have been identified in an agency's **Corporate Procurement Plan** as being of *high relative expenditure* and/or *difficult to secure supply*. Relative expenditure of goods/services means their cost relative to the total purchasing expenditure of an agency. The difficulty of securing supply of goods/services means (a) the degree to which the goods/services being purchased present risks or are critical to the agency; as well as (b) the extent to which a competitive supply market for the goods or services exists. If an agency has categorised goods/services as high relative expenditure and/or difficult to secure supply, they are required by the State Purchasing Policy to develop **Plans for Significant Purchases** (Refer to 3.1 Procurement Planning of the State Purchasing Policy). For more information, please refer to the *Planning for Significant Purchases* Better Purchasing Guide.

2. Market factors

Market factors can include:

- **market structure** – means the number, size and distribution of competitors in a market, ranging from 'perfect competition' (many suppliers with the same product) to a 'monopoly' (only one supplier). Prequalification is most useful when there is a large number of competitive suppliers in a particular market. Developing offers can be a costly exercise for suppliers and also costly for purchasers evaluating the offers, particularly when many suppliers submit offers. Prequalification may not be appropriate where there is a tendency for increasing industry concentration because if poorly managed, prequalification could exacerbate this tendency. The volatility of the market where suppliers may easily go out of business or be part of a takeover or merger with another company, is also an important factor to research when considering setting up a prequalification system.

- **competition** – identifying the way that suppliers compete in the market; for example, price, quality, service, brand image, etc. The level of competition will be greatly effected by the type and level of barriers to entry and exit in a particular market. In establishing a prequalification system, agencies must be careful not to create barriers to entry and restrict competition. In order to minimise a breach of Part IV of the TPA, when developing the prequalification criteria, ensure that they are not overly restrictive so the result is only a few prequalified suppliers.

Important! Trade Practices Act

Trade Practices Act implications when establishing a prequalification system will depend on the nature and scope of the particular market. If it is a wide market with many suppliers and many substitute goods/services then there is unlikely to be any affect on competition. However, if it is a narrow market with few suppliers then care needs to be taken in relation to the possibility of breaching Part IV of the TPA. Whether the market is considered wide or narrow will need to be the subject of thorough analysis. In addition, it is wise to seek legal advice to ensure that agencies establishing prequalification systems are not breaching the TPA.

To minimise the risk of breaching the TPA, provide all potential suppliers with the opportunity to apply for prequalification on a regular and ongoing basis so that all competitive local suppliers are given full, fair and reasonable opportunity to supply to the Queensland Government. This is also good practice as it ensures the agency keeps current on what's happening in the market. In addition, ensure that the prequalification criteria is **set** and **applied** uniformly and objectively by representatives of both the Government and industry groups.

- **supply chain** – A supply chain consists of all members involved in the process of creating a good/service from inputs through production, distribution and marketing to the end user. It may be necessary to determine the complexity and the efficiency of the supply chain. For example, it may be determined that suppliers in the chain are unreliable or poorly managed and the agency's suppliers may be highly dependent on other suppliers in the chain. To avoid problems the agency needs to be aware of such dependencies and manage them. Such information (if applicable) could be obtained through the prequalification application process.
- **substitute goods and services** – A thorough analysis of the market may reveal that there are substitute goods/services that may equally satisfy a purchaser's needs. This information is important when considering the development of the criteria for prequalification. Focussing on the outcome required from the purchase and not the process itself can open the market to a wider range of suppliers to be assessed for prequalification. The more capable the prequalified suppliers are the better the chances are to engender competition through the tender process, which can lead to a better outcome for the agency.
- **the agency's value as a customer** – It is important to consider the agency's value to suppliers within the market. Using prequalification as a strategy to approach the market assumes that the purchaser is a valued customer within a particular market. For suppliers to devote the time and effort of providing (sometimes significant) detail about their business when applying for prequalification, the agency needs to be perceived as an attractive and important customer. Attractiveness means how much an agency generates in revenue for a supplier; the reputation of the agency in its dealings; ease of managing an agency's account; potential growth of sales to the agency; potential to use the agency as a marketing platform; and the level at which the agency contributes to the development of the industry or specific businesses.
- **environmental factors** – Understanding the competitiveness and reliability of the relevant market may also involve gathering information about legal, political, cultural, economic or technological factors that affect the supply market or the ability to purchase. For example, there may be Australian Standards or, in the absence of an Australian Standard, an International Standard or Government policies that dictate the standard of quality that goods/services must reach before an agency is able to purchase.

3. Cost of the transaction

The cost of a procurement transaction means all the costs related to purchasing the good/service, except the actual cost of the good/service. This includes the costs (mainly human resource costs) involved in:

- establishing the need for the purchase;
- planning the purchase;
- identifying sources of supply;
- approaching the market to seek offers for supply;
- verifying statements in the offer documentation;
- evaluating offers;
- selecting suppliers;
- ordering and processing payments; and
- managing relationships with suppliers including supplier performance monitoring and management.

Where these costs are assessed as high and the type of purchase is frequent (see below), this may add to the case for establishing a prequalification system to achieve cost savings through reduction of repetitive agency activities.

4. Frequency of purchase

For an agency to go to the expense and effort of establishing a prequalification system, the requirement for the goods/services would need to be frequent enough for the benefits of the system to outweigh the costs. Even if the procurement of the good/service is high risk and very costly, the best procurement strategy may not involve prequalification.

Determining how often a good/service may be required can be worked out by checking the agency's past transactions. An estimate can be determined about the amount of transaction costs involved in each procurement and then a total over a period of time. For example, 'Good/Service A' has been purchased by Department of XYZ 10 times in the past 2 years and transaction costs are estimated at \$20,000 per procurement. This calculation can be compared against the estimated cost for establishing and maintaining a prequalification system over the same period of time given that prequalification is otherwise indicated.

5. Risk factors

Prequalification may be useful when dealing in markets with specialised suppliers where they could expose the purchaser to risk, through the supplier's financial viability or the quality of the outcome. Risk is generally increased when the purchaser is committing to an output that is delivered through the completion of a project rather than an off-the-shelf product.

The purchaser must weigh up these factors and consider the relative costs and benefits of establishing a prequalification mechanism rather than pursuing other procurement strategies.

Important!

Prequalification should be used to complement, not duplicate, Government business or occupational licensing. For example, there is limited value in having identical requirements for prequalification and licensing.

When should prequalification of suppliers not be used?

Prequalification is only beneficial in a small number of circumstances. Many suppliers do not need to be prequalified to supply the Government. When purchasing off-the-shelf goods/services where there are several sources of supply and the purchase is low risk, there is no advantage in establishing prequalification systems. In addition, if the purchase is once-off or infrequent, prequalification of suppliers adds no value and is not an appropriate procurement strategy.

The process of prequalifying suppliers can be resource intensive in terms of people and systems for its initial establishment and ongoing maintenance. Generally, it is only practical to establish a prequalification system where there is a continuing need by the purchaser which justifies the cost of setting up and maintaining the system. Due to its potential costs, impact on the agency and possible impact on a particular industry, the decision to establish a prequalification system should be supported by a solid and thoroughly scrutinised business case.

How is prequalification being used by the Queensland Government?

Department of Public Works – The Prequalification System (PQC)

The Department of Public Works, on behalf of the Queensland Government, administers a system of prequalification for contractors and consultants in the building construction industry known as the Prequalification System (PQC). Prequalification applies to all building industry contractors undertaking Queensland Government building work valued at more than \$250,000 and to all building industry consultants directly commissioned on Government building projects.

The supplier's capability to meet the Government's requirements is self-assessed against prequalification criteria including experience, people, business and systems, commitment to continuous improvement and, in the case of contractors, financial capacity. Based on these self-assessments being satisfactory to the Department of Public Works, consultants and contractors are assigned to one of four levels ranging from base level to leading edge practice for the services they provide even when compared globally with other leaders across diverse industry sectors. The various services associated with the procurement of Government building projects are correspondingly rated (service risk rating) according to their complexity and risk. Consultants and contractors must be appropriately registered on the PQC System and have a PQC level that matches or exceeds the PQC service risk rating to be eligible to submit proposals or tender for services associated with Government building projects.

The PQC System also incorporates performance assessment and reporting to verify the capabilities of prequalified consultants and contractors. The information is included in the PQC System as a basis for moderating PQC levels and/or increasing/decreasing opportunities of service providers as appropriate. The PQC System, including all associated guidelines and performance requirements, is reviewed and updated, as appropriate, every two years in consultation with industry groups and Queensland Government departments.

The outcomes sought by the PQC System in the procurement of Government buildings are:

- reduced costs for Government and industry suppliers;
- consistent, fair and transparent processes and systems;
- improved security of payment for building industry participants;
- facilitation of building industry development and long term sustainability;

- certainty of outcomes for government and industry suppliers;
- advancement of Government priorities;
- achievement of value for money; and
- probity and accountability for outcomes.

For more information about the PQC System

PQC Registrar, Industry Policy, Building Division, Department of Public Works

Telephone: 07-3224 5487, Toll free: 1800 072 62,

Email: pqcregistrar@publicworks.qld.gov.au

Website: www.build.qld.gov.au

Department of Main Roads – Major Works Prequalification System

The Department of Main Roads has implemented a system for prequalification of organisations which seek to tender for road transport infrastructure projects in order to minimise the risk of not meeting the project objectives. In general, tenders are only considered for Main Roads' Major Works using the Road Construction Contract document if the tenderer is currently prequalified at a level equal to or greater than the advertised project level for the works.

The main aims of the System are:

- to minimise risks to the Department of Main Roads in dealing with suppliers;
- to identify suitable tenderers for Main Roads' projects on non-price criteria;
- where appropriate to enable tenders for Main Roads' projects to be assessed on a 'price only' basis and to provide support for non-price assessment; and
- to expand on the principles of the State Purchasing Policy and best procurement practice with direct application to Main Roads' projects.

The criteria which construction organisations are assessed against for prequalification are:

- financial viability and have adequate financial capability for the size of contracts they tender for;
- relevant experience of applicant and key personnel in road and/or bridge works;
- effective management systems;
- proven capability to successfully manage projects, including assembly of project organisation and all resources, and relational interface with other parties; and
- expertise in special requirements for individual projects (for example, technical and/or community interface aspects).

For more information about the Main Roads Prequalification System

Ian S. Smith

Principal Manager (Contracts)

Contracts and Prequalification Services

Capability and Delivery Division

Department of Main Roads

Telephone: (07) 3834 2287

Email: ian.s.smith@mainroads.qld.gov.au

What criteria can be used in prequalification?

A critical component of the prequalification process is determining the criteria that purchasers need suppliers to satisfy in order to successfully complete contracts or supply the goods/services. The criteria need to facilitate reliable, valid and objective assessments of a supplier's capability. Depending on the market in which the goods/services are being purchased, the criteria may vary. The importance of each criterion can also vary, depending on the nature of the work or service required and the industry involved. This means that the information purchasers require from suppliers about each criterion will also vary. Some typical considerations for criteria are provided below.

They are intended as a general guide only and have been categorised into five broad groups:

1. **Technical capability and experience**
2. **Financial capability**
3. **Systems and managerial capability**
4. **People**
5. **Business/organisation factors**

The explicit information required about suppliers will need to be determined for the market sector in which they supply. The important question to answer through the process of developing criteria is: **What criteria will determine the success of suppliers to meet the purchaser's needs?**

Information about suppliers is usually elicited by a written application with a series of questions which the purchaser has developed for the express intention of prequalification. The application may be based on a self-assessment where the supplier completes the form and the purchaser accepts the responses without further verification. However, self assessment may not be appropriate in all circumstances. To adequately assess suppliers against each criterion, the purchaser may need to ask a number of questions.

The method for evaluating applicants against the criteria must also be established prior to distributing the applications. How will the applicant's responses be measured? What is the scale of responses for any particular question criteria? It may range from developmental stage to industry best practice. What are the mandatory criteria and what are the desirable criteria (if any)? Will weightings be assigned to the criteria? Also how will the various applicants be categorised (if applicable), for example by the type of particular goods/services they provide and the size (in dollar terms or level of complexity) of the contracts they are assessed as capable of undertaking.

The people involved in developing the criteria may include procurement/purchasing officers, finance officers, technical experts and others who may be involved in the procurement/project including end users. Knowledge about the supply market is essential when developing the criteria.

Any risks associated with Part IV of the TPA will be minimised where criteria is set and applied uniformly and objectively.

Hint - Prequalification criteria

The questions asked of suppliers should seek information relating to capability with respect to the **common elements** that would be specified in any tender that the supplier may be invited to offer. The actual invitation to offer for specific contracts will then have the project specific requirements.

1. Technical capability and experience

Suppliers need to be assessed according to their capability to successfully supply their goods/services to the purchaser on time, within budget and to the specified quality. This is best assessed by examining a supplier's **past and current performance** in similar types of contracts (that is, similar value, risk, and nature of the procurement).

Through the prequalification application determine the supplier's history starting with how long they have been in business and, in particular, how long have they been doing the type of work they are currently offering. In addition, finding out if the supplier has ever supplied to the Government previously, or if they intend to increase or decrease their current work scope could also be useful.

Questions about past performance could include a description of the job and its key outcomes, the name of the client organisation, the standard of the work, time management, value and size of the job.

Important!

The Cabinet Decision dated 28 May 2001 states that **past performance will be a relevant consideration in issuing contracts for major works**. The Department of Public Works and the Department of Main Roads have past performance as an important criteria in their prequalification frameworks against which suppliers are assessed. It is important to note that the Cabinet decision applies to all departments in the Queensland Government which undertake major works procurement. Assessing supplier's past performance is critical to establishing prequalification systems but also when using other types of procurement strategies, including once-off Request for Offer or multi-stage procurement.

Determining capability through past experience can be greatly assisted by doing referee checks with the supplier's past clients.

Questions about innovation and local industry development may also contribute to understanding an applicant's capability.

2. Financial capability

For high value and/or high risk procurement, suppliers should be assessed to determine their financial viability. This is particularly critical for large contracts like construction of major works and main roads. If high value contracts fail because of poor financial management by the supplier, there can be a number of significant negative impacts including time delays in completing major projects, non-payment of subcontractors and other suppliers, additional costs of engaging another supplier to complete the original contract, disruption in the community, and political impacts. Assessing a supplier's financial capacity provides the purchaser with a degree of confidence that their expectations can be met.

The level of detail required from the supplier will depend on the type of industry and the value and risk implications of potential contracts. For large value, high risk procurement like construction of major works and roads, a great amount of detail about a supplier's financial capacity is required.

For example, information may need to be sought about a supplier's assets and liabilities, profitability, availability of funds, etc. This information can be supplied by the applicant based on their own financial records. However, there may be a need for a more rigorous check to confirm the financial information supplied by the applicant.

3. Management systems capability

The level of confidence a purchaser has in a supplier is generally influenced by the purchaser's assessment of the likelihood that the supplier will still be in business to complete the job or for work in the future. The type and depth of systems and processes a business has in place can give an indication of the performance and potential of the business.

Questions in this criterion could be asked about quality management systems, compliance with specific legislation (for example, workplace health and safety), environmental management and technology to support such systems.

The Queensland Government's Quality Assurance Policy

When developing the criteria for prequalification, the level of quality assurance will need to be assessed in accordance with the Quality Assurance Policy approved by Cabinet. Because prequalification systems are generally set up for high risk purchases, QA requirements should be specified. The QA policy states:

"Government agencies shall not require quality assurance for purchases valued at less than \$10,000 except by Ministerial direction. For purchases valued at \$10,000 or more, Government agencies will examine the level of risk associated with that purchase and specify quality assurance requirements depending on the level of risk as follows:

Low risk No quality assurance requirement

Moderate risk Selected elements from a Quality System Standard or approved industry/professional systems or standards to be specified.

High risk Quality System Standard or approved industry/professional systems or standards to be specified.

Government agencies will help facilitate recognition of industry/professional systems and standards for the purposes of this policy."

Queensland Purchasing maintains a listing of acceptable quality assurance systems and standards. The listing includes:

- Quality System Standards;
- quality assurance based product certification schemes;
- industry association quality assurance systems or Standards;
- industry specific quality assurance systems or Standards; and
- professional association accreditations.

For more information, please refer to *The Queensland Government's Quality Assurance Policy* Better Purchasing Guide or contact the QA Hotline on telephone 1800 628 901 (toll free).

4. People

Criteria relating to the supplier's human resources are often important. Relevant information could include:

- the number of employees and managers;
- the ratio of temporary to permanent employees; and
- the organisational structure and position descriptions.

Similarly, the stability of the workforce could affect a contract:

- What is the average length of service?
- What is the supplier's industrial relations record?
- What workplace health and safety systems are in place and what is the company's record?

Importantly, determine the experience and qualifications of key people and what training and development is provided for employees. In addition, brief CVs of key staff members may be useful.

5. Business/organisational factors

Questions about the way a supplier conducts its business can provide important information about its capability.

- What is the supplier's resource availability and current commitments and workload?
- What continuous improvement practices are in place?
- How does the supplier demonstrate its commitment to client satisfaction?
- How does the supplier demonstrate its safety and environmental responsibilities?
- How does the supplier fit into the overall supply chain?
- Has the supplier articulated a business plan strategy?

In addition, there may be industry specific matters to consider, including:

- registration to a board/professional body;
- insurances (for example, professional indemnity insurance);
- industry standards; and
- best practice (for example, a particular project management method).

Keep in mind that an application for prequalification does not include the project or procurement specific requirements that would need to be included in the Request for Offer/Proposal stage.

National Prequalification Criteria Framework for construction industry contractors

The Australian Procurement and Construction Council (APCC) has developed a national framework for prequalification of construction industry contractors to facilitate a consistent approach by government member jurisdictions to doing business with industry and promote industry development.

The national framework incorporates eleven prequalification criteria. Jurisdictions agreed to base any prequalification process they may develop for these suppliers on all or part of these criteria, namely:

- 1 Technical capability – includes past performance on previous projects
- 2 Financial capacity
- 3 Quality management
- 4 Occupational health and safety and rehabilitation
- 5 Compliance with code of practice
- 6 Human resource management (including skill formation)
- 7 Commitment to client satisfaction
- 8 Co-operative contracting and partnering
- 9 Management of environment issues
- 10 Management of continuous improvement
- 11 Compliance with legislative requirements

The Department of Public Works, which represents the Queensland Government on the APCC, has developed the whole-of-Government Prequalification System for building industry contractors and consultants in line with these APCC guidelines.

Source: 'National Prequalification Criteria Framework', Australian Procurement and Construction Ministerial Council, Queensland 1998; website: www.apcc.gov.au

What is the process of prequalifying suppliers?

This section provides broad guidance about the key steps that agencies may consider if establishing a prequalification system.

Step 1: Identify and justify the need for the goods/services

As a first step, the agency needs to identify that there is a genuine need for the goods/services. This is achieved through procurement planning and involves:

- specifying the objectives to be achieved;
- identifying the goods and services needed; and
- understanding the supply market and suppliers.

Step 2: Determine the most suitable procurement strategy

Identify the appropriate buying strategy to deliver:

- on the Government's priorities;
- value for money; and
- probity and accountability.

For 'significant purchases', which are those goods and services of a **high relative expenditure and/or are difficult to secure supply**, individual procurement plans must be developed. These plans will identify the type of arrangement and relationship to be established with the supplier. It is highly likely that the types of good/services that would need to be procured through establishing a prequalification system would be 'significant purchases'. Developing plans for a significant purchase is required by the State Purchasing Policy and it must be consistent with the agency's corporate procurement plan. There are six key activities involved in developing plans for significant purchases:

- Activity 1: Identifying the total expenditure the goods/services and the degree of 'difficulty of securing supply' is necessary to determine to what category the goods and services belong.
- Activity 2: Establish purchasing objectives for the significant purchase which need to be consistent with the Corporate Procurement Plan.
- Activity 3: Information gathering consists of collecting and analysing two types of information:
1. **Demand analysis** – defining or refining the agency's requirement which considers whether the good/service is necessary and if the specification accurately reflects the demand.
 2. **Supply market analysis** – a technique used to identify market characteristics for specific goods/services and provides information that assists procurement planning.
- Activity 4: Identify and evaluate potential purchasing strategies, based on the information gathered in the previous step.
- Activity 5: Identify the preferred purchasing strategy, which involves planning an approach to the market. This involves selecting the purchasing method, which in this case is establishing a prequalification system. Essentially, a business case needs to be developed which shows how the prequalification system to approach the market is the most effective by comparing it to other methods of approaching the market.
- Activity 6: Specifying performance measures which involves identifying performance indicators and measures that determine if the purchasing objectives were met. In the context of setting up a prequalification system this activity may need to occur at the invitation to offer stage where project specific performance measures will need to be specified.

Please refer to the *Planning for Significant Purchases* Better Purchasing Guide for more information.

Step 3: Develop the prequalification framework including criteria and procedures

Planning is a key activity prior to setting up a prequalification system. Consideration by appropriately qualified and experienced people needs to be given to the issues of developing the prequalification framework. The following list includes some of the issues that need to be considered in the planning stage:

- Will there be various categories of goods/services within the one prequalification system?
- How will suppliers be differentiated according to their capability (for example, a prequalification rating)?
- How will suppliers be categorised so they are best matched to the specific type of procurement (for example, the PQC's supplier level is matched to job level)?
- What criteria will best determine a supplier's capability to deliver outcomes to the Queensland Government?
- How will the criteria be assessed?
- Where will information about prequalified suppliers be stored?
- What measures are in place to protect the security and confidentiality of the data?
- How will the information be maintained so that it is accurate, current and user-friendly?
- How will the use of the prequalification system be communicated to other users within the agency or across the Queensland Government?
- How will suppliers be targeted to apply for prequalification?
- How will supplier performance be managed on an ongoing basis?
- What documentation needs to be developed for users of the system including the staff who are responsible for managing and maintaining the system, Government officers who would use the system, and suppliers that want to apply to be listed on the system?

A set of prequalification criteria needs to be developed which represent the agency's requirements of the supplier to successfully complete contracts or supply goods/services. Some examples of criteria include the supplier's technical, financial, management systems and business capability and past performance. For more detail about criteria refer to the section "What criteria should be considered?" pages 11 to 15.

Hint – Consultation

Consulting with the relevant industry association could be helpful in the planning stage of developing the prequalification system and providing input into the development of criteria.

In addition, policies, procedures and roles need to be developed and documented about the prequalification system. Because of the commitment of resources and possible impacts on supplier markets, the establishment of a prequalification system will most likely require formal endorsement from senior management within the agency.

Step 4: Develop the application for suppliers to respond

When developing the application, specific questions that aim to determine the applicant's capability according to each criterion need to be developed. It is also important at this stage to work out how responses will be measured and what makes up a "good" response as opposed to a "poor" response (what kind of scale will be used?). What are the mandatory requirements that a supplier must meet to be included on a prequalification list and what are the desirable or highly desirable requirements? How will these be weighted to reflect their relative importance? Mandatory requirements should be stated clearly upfront to potential applicants. Also, determine the conditions under which applicants are included onto the prequalification list or excluded and why. Arrangements for providing feedback to unsuccessful applicants should also be outlined.

Ensure that you provide the format for suppliers to respond to the application, that is, a standard form that suppliers must complete.

Hint – Approaching the market

Once the application form has been developed and tested (to ensure it is clear and workable), there needs to be a plan as to how the market will be approached. Research conducted into the market, through the plan for significant purchase process will help determine the approach.

Step 5: Assessing respondents

This step involves evaluating the responses and selecting those suppliers that are capable of the type of work required. Giving proper consideration to this stage before it occurs will facilitate the actual assessment (see above step 4). Consider including the appropriate people on the evaluation team. A multi-disciplinary team is probably best. Also consider what other assessments will be made about applicants; for example, financial checks, use of an external auditor, referee checks.

In the culling process those respondents that don't meet the mandatory requirements are immediately rejected. The remaining respondents are assessed on the basis of the responses to the questions in the application, as well as any other pre-determined information including past performance on contracts of a similar type, risk and value. Once the decision has been made about which applicants will satisfy the prequalification requirements each is advised in writing of their and of the prospects of being invited to offer for future contracts. Unsuccessful applicants should be provided with a debriefing.

There is likely to be a significant amount of information to be recorded in making assessments about applicants, so some consideration about how to manage this data should be given in the planning stage.

Step 6: Managing and maintaining prequalification system

Consideration must be given about how information about prequalified suppliers will be maintained and how it will be best used when it is time to invite offers. How will the prequalification system work? Will all suppliers on the list be invited to offer for a specific contract or will there be various categories where only those with the matched capability to a particular contract will be invited?

Due to the amount of detailed information collected from the application process and the continuing data maintenance, collating the data into a central database. Such data should facilitate:

- decision-making - for example, which suppliers will be invited to tender for particular contracts (that is, the "matching" process);
- maintenance of information – ensuring that the most current information that has been provided about a particular supplier is held;
- reporting – which suppliers have been invited for what contracts, which supplier was successful and performance reporting; and
- managing the tender process.

Thought should be given to precisely what kind of database should be established including the particular functions required to suit your particular needs.

Important! Changes to suppliers

Changes are likely to occur with the information that the suppliers originally provided when they were initially prequalified. Some of these changes could be significant enough to affect a supplier's capability, for example change of ownership of the company, the loss or gain of key staff, financial changes, etc. To ensure that the prequalification database has accurate and current information on which to make decisions, advise suppliers that it is their responsibility to promptly notify changes to the officers managing the prequalification system.

A supplier's prequalification status is not permanent; for example, it can move to different categories of prequalification, move up or down rankings, or be removed. Additional suppliers can be prequalified at any time if they are assessed as capable. There is still a need for departments/agencies to test the market for new and innovative suppliers and to maintain an awareness of technological advancement and product enhancement.

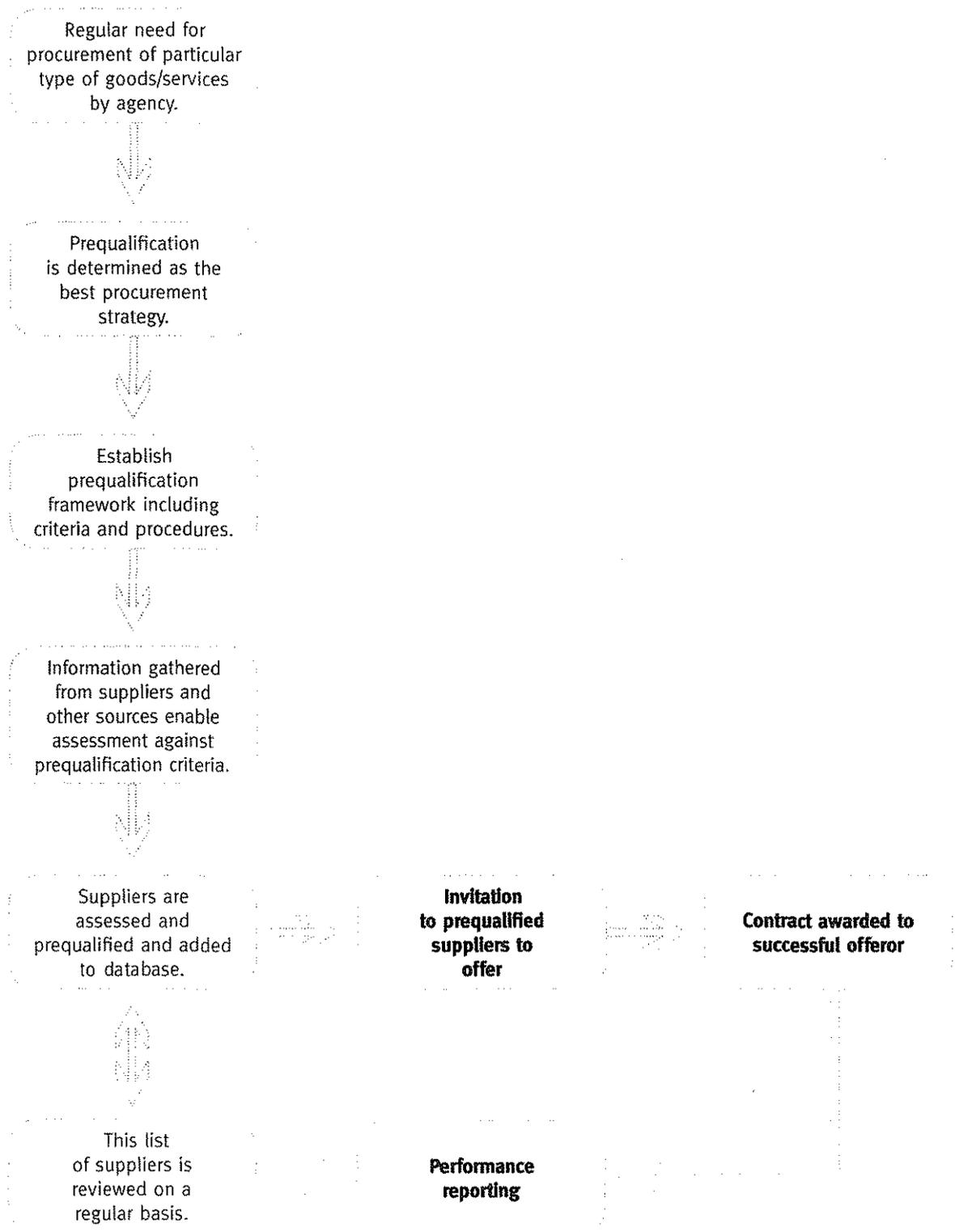
Prequalified suppliers should be requested to reapply on a regular basis; depending on the industry, this may be once every year or two.

Performance reporting

Ensuring that regular reporting about suppliers' performance during particular contracts (not just at the end of the contract) is critical to the integrity of the prequalification system. It is important that end users/clients of suppliers' goods/services provide feedback about the supplier's performance so that this can be maintained within the prequalification system. Performance reporting should also be designed to assess performance against the contractual and prequalification conditions, be designed to engender two-way communication and to overcome problems as they arise. In the case of poor performance, options include counselling the supplier, downgrading the supplier's status on the list, or removing the supplier from the prequalification list. These last two options should only be considered after appropriate performance management action has been taken. Also refer to the Better Purchasing Guide entitled Managing and Monitoring Suppliers' Performance.

Evaluating the prequalification system

Ensure that the prequalification system that has been established is efficient and effective on a continuing basis by reviewing it. Review the original business case or plan for significant purchase for setting it up, review the market, the prequalification criteria, application form, approach to market, evaluation methodology and rationale. You may want to consider requesting feedback from suppliers which are listed on the prequalification system and clients/end users and other stakeholders of the system to help improve the system.



Hint – TPA

Reviewing the prequalification system on a regular basis will help minimise risks associated with Part IV of the TPA.

What's next? How does prequalification link to the tendering process?

'Prequalification of suppliers' is a method whereby suppliers of particular goods and/or services are assessed against pre-determined criteria and then only those suppliers who satisfy the prequalification criteria are invited to offer. The particular procedures about how many prequalified suppliers will be approached for any invitation to offer will also need to be considered; for example, public advertisement (specifying prequalification as a prerequisite) or particular prequalified suppliers selected to submit an offer. Once this has been decided, the standard tendering procedures within the purchasing agency should be followed. While a prequalification system aims to minimise the risk to the purchaser of contract failure, the tendering process including the development of the specification criteria and the evaluation of offers must be rigorous. Evaluators need to be satisfied with all the information the supplier provides when considering awarding the contract.

Where can I get more help?

Who can I talk to?

- State Purchasing Policy Hotline, telephone 1800 631 991 (toll free).
- Advice about prequalifying suppliers for Government building projects:
 - PQC System and PQC Registration
 - PQC Registrar - Department of Public Works, GPO Box 2457, Brisbane, Qld, 4001,
PQC Infoline 1800 072 621., telephone (07) 3224 5241, fax (07) 3224 5498,
E-mail PQCRegistrar@publicworks.qld.gov.au
 - Tendering and selection process
 - Manager, Asset Management Advisory Branch, Building Division, Department of Public Works,
GPO Box 2457, Brisbane, Qld, 4001. Telephone (07) 3224 4377, fax (07) 3224 4754.

What can I read?

- Your department's "Agency Purchasing Procedures".
- PQC System and PQC Registration - website www.build.qld.gov.au
- The Better Purchasing Guides support the State Purchasing Policy by providing information about current best practice procurement in the Queensland Government. Refer to the back cover of this Guide for a list of titles. The State Purchasing Policy and the Better Purchasing Guides are available at www.qgm.qld.gov.au.

How can I improve my purchasing skills?

Queensland Purchasing provides the following services to assist departments and agencies to address their skills requirements:

Training and development advice - provided to assist departments/agencies to meet both individual and organisational needs for training and professional development.

Training course brokerage - there is a number of purchasing training courses, seminars and educational programs available.

Completion and assessment of endorsed courses will assist officers to gain purchasing certification from levels 1 to 8. For more information about purchasing certification, please contact Queensland Purchasing on telephone 1800 631 991.

*Your comments about this Guide
are valued and will be considered.
Please provide your comments to
betterpurchasing@qp.qld.gov.au*

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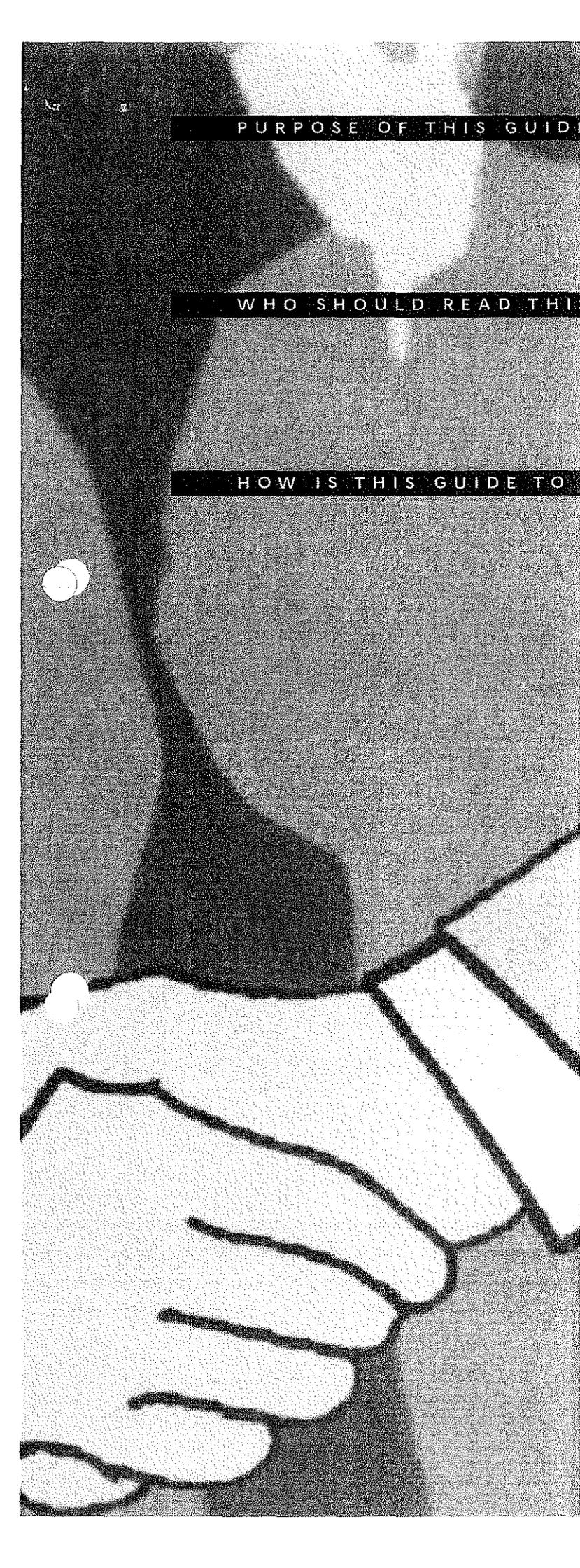
Engaging and Managing Consultants

BETTER PURCHASING GUIDE

Queensland
Government
Department of
Public Works

*better purchasing,
better outcomes*

15 FEBRUARY 2011



PURPOSE OF THIS GUIDE

This Guide provides information about the key issues associated with engaging and managing consultants for the Queensland Government.

WHO SHOULD READ THIS GUIDE?

All Queensland Government officers who become involved in engaging, managing or evaluating consultants should read this Guide.

HOW IS THIS GUIDE TO BE USED?

This Guide should be read in conjunction with the *State Purchasing Policy*, your department's "*Agency Purchasing Procedures*" and any guidelines your department/agency² may have produced about engaging consultants and contractors. The following selection of *Better Purchasing Guides* may also provide useful information:

- *Value for Money*
- *Probity and Accountability in Purchasing*
- *Developing Specifications for Purchasing*
- *Developing and Managing Arrangements with Suppliers*
- *Evaluating Offers in Purchasing*
- *Prequalifying Suppliers*
- *The Queensland Government's Quality Assurance Policy*

Engaging and managing consultants are often complex activities that require expertise. This Guide is intended only as a starting point to provide an overview of the main issues that need to be considered in engaging and managing consultants. It is not intended that this Guide replace expertise and other valuable resources that are required to produce successful outcomes for your department or agency.

¹ "Agency Purchasing Procedures" - are agency specific procedures that set out how agencies are to undertake their purchasing activities in compliance with the *State Purchasing Policy*. These procedures are also referred to as "local instructions" or "local purchasing instructions".

² "Agency" means a department or a statutory body as those expressions are defined in the *Financial Administration and Audit Act 1977 (Qld)* and any government owned corporation and its subsidiaries where the Shareholding Ministers have given notification pursuant to s. 123 of the *Government Owned Corporations Act 1993* as listed in Schedule D of the *State Purchasing Policy* as published from time to time by the Department of Public Works.

The new State Purchasing Policy

The new *State Purchasing Policy* is an outcome focussed Policy. It provides flexibility for departments/agencies to determine the most effective measures to achieve the desired outcome either at the level of the individual purchase or whole categories of goods/services.

The objectives of the *State Purchasing Policy* are to:

- **advance Government priorities** - These priorities define the Government's commitment to advance, through its purchasing, certain social, economic and environmental objectives.
- **achieve value for money** - The concept of value for money is not restricted to price alone. The value for money assessment must include consideration of:
 - contribution to the advancement of Government priorities;
 - non-cost factors such as fitness for purpose, quality, service and support; and
 - cost related factors including whole-of-life costs and transaction costs associated with acquisition, use, holding, maintenance and disposal.
- **ensure probity and accountability for outcomes** - A department/agency must conduct its purchasing activities with the utmost probity. Some relevant probity and accountability requirements are set out in legislation.

It is intended that each department/agency should use its best endeavours to ensure that competitive local firms that comply with relevant legislation are given a full, fair and reasonable opportunity to supply the Queensland Government.

The new *State Purchasing Policy* can be found on the internet at <http://www.qgm.qld.gov.au>

How does the State Purchasing Policy link to this Guide?

Engaging consultants is a purchasing activity that must comply with the *State Purchasing Policy*.

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Definition of a consultant

A consultant, which may be an individual or an organisation, provides expert advice with recommendations to a department/agency as the basis for making a decision or taking a certain course of action.

Characteristics of a consultant

The key characteristics of a consultant include:

- generally an engagement for a fixed period of time at an agreed rate of payment;
- work which is not directly supervised by the department/agency;
- independent research/investigation is conducted; and
- the provision of expert advice with recommendations in the form of a written report or an intellectual product.

hint The difference between a consultant and an operational contractor

Sometimes the distinction between a consultant and an operational contractor can be difficult to make. It is **extremely important** to work out this distinction and decide what type of labour to engage because this decision affects the type of engagement to be used; the nature and extent of taxation obligations that apply and the rates payable for services. Generally, a consultant should be used to develop a new concept or process which has no precedent, and where the department/agency requires critical judgement, whereas a contractor implements or assists with an existing process under supervision to deliver a known outcome.

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Examples of consultancy services include:

- providing expert advice on technical and professional matters;
- carrying out research projects, attitudinal surveys, feasibility studies and fact finding investigations where recommendations are made;
- developing and designing a benchmarking framework/process and standards; and
- providing advice in the development of policy and strategic planning issues.

Examples of operational contractors - professional services include:

- key note speakers, workshop facilitators, trainers, presenters;
- information technology programmers, analysts and system support staff;
- market researchers, organisations compiling statistical data where no recommendation will be made;
- built environment design and production undertaken by architects and engineers;
- valuation services on land, buildings and other departmental assets or potential assets;
- legal advice where an opinion is given but no recommendation is made;
- building and construction contractors (capital works);
- design, conceptual design services provided by creative design houses, public relations companies etc;
- general financial, legal and taxation services that provide ongoing advice on day to day issues; and
- financial audit activities and Workplace Health and Safety audits.

Examples of **operational contractors - non-professional services** include:

- non-government trade service providers (for example, plumbers, carpenters, electricians, painters);
- non-government cleaning services;
- casual office services including administrative assistants, keyboard operators, receptionists; and
- temporary staff sourced from staffing agencies including those on a Queensland Purchasing standing offer arrangement.

hint When a "consultant" is not a consultant

Just because a supplier of services may refer to themselves as a "consultant" this does not mean that they will be defined as such for the Queensland Government's purposes.

hint Building consultants and operational contractors and the Capital Works Management Framework

The Capital Works Management Framework provides a whole-of-government approach to the planning and procurement of building work. When engaging and managing building consultants and/or operational contractors the Capital Works Management Framework and supporting guidelines should be used. The framework can be accessed at http://www.build.qld.gov.au/p_sam/cwmf.htm

Six steps for engaging and managing consultants

STEP 1 - IDENTIFY AND DEMONSTRATE THE NEED FOR A CONSULTANT

STEP 2 - SPECIFY WHAT IS REQUIRED FROM THE CONSULTANT

STEP 3 - SELECT THE CONSULTANT

- inviting offers and evaluating offers

STEP 4 - ENGAGE AND MANAGE THE CONSULTANT

- Standard Conditions of a Consultancy Contract

STEP 5 - EVALUATE THE RESULTS

- evaluating the consultant's performance

STEP 6 - RECORD AND REPORT

hint Before beginning the process of engaging a consultant, think about the project or problem carefully so that you are clear about what you are asking the consultant to do.

hint Inviting and selecting building project consultants and/or operational contractors

The Queensland Government requires building industry consultants and/or operational contractors to be pre-qualified. Refer to the guideline 'Consultant Invitation and Selection Process for Building Projects' which forms part of the prequalification system. This document and other information concerning prequalification can be accessed at http://www.build.qld.gov.au/p_sam/pqc_site/intro.htm

ROLES & RESPONSIBILITIES

AUTHORISED (OR DELEGATED) OFFICER

- is responsible for approving the engagement of a consultant prior to the calling of offers. The authorised officer must be satisfied that the invitation covers a discrete project and does not bind the department/agency to further commitment to the selected consultant for additional work outside that being considered;
- is responsible for approving expenditure and be satisfied that the project work has not been artificially "split" to enable the total project to be kept below specific department/agency expenditure approval levels; and
- signs the Standard Conditions of a Consultancy Contract (see page 10).

hint It is **strongly recommended** that you involve (or obtain advice from) officers who are experienced in purchasing the services of or engaging consultancies, particularly if they are 'high relative expenditure' or 'difficult to secure supply'³. Do this as early as possible in the process.

PROJECT MANAGER

- is the authorised (or delegated) officer's agent and must be formally appointed by the authorised (or delegated) officer;
- needs to possess sufficient knowledge about the work the consultant is doing to be able to judge if the work is satisfactory;
- needs to be aware of his or her role and responsibilities in the process of engaging and managing the consultant; and
- is responsible for the management and review of the consultant, including:
 - > monitoring the performance of the consultant to ensure that the requirements of the *specification*⁵ are met;
 - > supervising the project;
 - > liaising with the consultant about the project; and
 - > dealing with unsatisfactory performance.

hint Assess the risks at the beginning of the project to determine how to manage them. Risks may be managed, for example, through the specification, terms and conditions of the contract, and management of the contract.

³ "High relative expenditure" - of the goods and services means their cost relative to the total purchasing expenditure of an agency.

⁴ "Difficult to secure supply" - of goods and services means the degree to which the goods or services being purchased present risks or are critical to the agency, as well as the extent to which a competitive supply market for the goods or services exists.

⁵ "Specification" - In a purchasing context, a specification can be defined as a statement of needs. It defines what the purchaser wishes to buy and, consequently, what the supplier is required to provide.

Step 1: Identify and demonstrate the need for a consultant

When the need for using a consultant is identified, a strong argument for engaging the consultant needs to be made before the process begins.

Before engaging a consultant, the possibility of seconding Queensland Government public sector employees for the project should first be considered. Consultants should not be engaged if the relevant expertise is available, at the required time, within the Queensland public sector. It is also a good idea to investigate whether suitable Commonwealth or Local Government employees could be seconded before seeking out consultants. Consultants may cost more to use than seconding public servants so it is essential that the additional cost is fully justified.

Typical reasons for engaging a consultant include:

- the work is essential and the skills and expertise are not available within the public sector;
- the experience of private organisations/industry is required; and/or
- there is a need for an independent opinion.

An authorised (or delegated) officer needs to select a project manager as early in the process as possible. The project manager needs to have a thorough knowledge of the requirements of the project and be responsible for the management and review of the performance of the consultant.

It is also the project manager's responsibility to ensure that the expertise to carry out the project is not readily available from within the public sector.

It is extremely important to accurately identify whether a person should be employed within the department/agency as an operational contractor (professional or non-professional) or temporary employee, or as a consultant. There is a number of important legal issues that are affected by this distinction, including:

- taxation law requirements;
- liability to superannuation guarantee charge payments; and
- exposure to WorkCover legislation.

If you are not sure if the services require consultants or operational contractors, contact your department's purchasing/procurement area.

It is important to determine if the department/agency regards the engagement of any consultants as a significant purchase. A significant purchase is a good or service that has been identified in the department's/agency's *Corporate Procurement Plan*⁶ as being of high relative expenditure and/or for which supply is difficult to secure. For more information refer to the *"Planning for Significant Purchases" Guide* and *"Corporate Procurement Planning" Guide*.

⁶ *"Corporate Procurement Plan"* - sets out the objectives to be achieved through the agency's purchasing activities consistent with the objectives of the State Purchasing Policy; how the agency will meet its specified objectives; and mechanisms through which the achievement of the agency's purchasing objectives will be measured.

hint Intellectual property

Intellectual property is defined as the rights arising from original creative intellectual activity. The State of Queensland should own the intellectual property, especially if it is integral to the operation of the State's activities. In some circumstances, the State will be deemed to own the intellectual property that is created by others "by or under the direction or control of" the State. Legal advice should be sought on this issue. It is usual in the Standard Conditions of a Consultancy Contract for the State of Queensland to own intellectual property, unless the appropriate clauses are activated in the schedule. The State of Queensland should own the intellectual property, especially if it has commercial value. If others, including the consultant, want to use the intellectual property, the department/agency could license its use in appropriate circumstances. Joint ownership of intellectual property between the consultant and the State of Queensland is also possible in some circumstances, but seek legal advice first. The idea is to strike a fair deal for both parties, but importantly, to protect the interests of the State of Queensland. For more information, refer to "Intellectual Property in Purchasing" Guide.

Step 2: Specify what is required from the consultant

It is critical that a clear specification is developed, so that both the department/agency and the consultant know precisely what is expected of each party. The specification serves as a planning and control mechanism for the project. It is also a standard against which to measure whether the consultant has achieved the required results. The specification should include a copy of the Standard Conditions of a Consultancy Contract. If help is required to formulate a clear specification, seek advice from people with relevant skills in the area. Also refer to the "Developing Specifications for Purchasing" Guide.

INSURANCE FOR CONSULTANTS

The Schedule 1, which forms part of the Standard Conditions of a Consultancy Contract, leaves provision for insurance requirements.

A risk assessment will help to determine which types of insurance are required for the consultant and how much (dollar value). The types of insurance that may be required include:

- **professional indemnity insurance** - requirements will vary across departments/agencies, so check the "Agency Purchasing Procedures";
- **public liability insurance** - needed if the consultant is located on Queensland Government premises; and
- **WorkCover** - required only if the consultant has employees.

The consultant is required to pay the premiums. Ensure that the consultant has the appropriate insurance for the job prior to work starting.

hint Criteria for selecting the consultant

The selection criteria should reflect whether the consultant can deliver the project outcomes. Consider:

- conformance to the specification;
- the merits of their proposal;
- capabilities and experience of the consultant; and
- price.

WHAT TO INCLUDE IN THE SPECIFICATION

The content of the specification will depend on the complexity of the project. The following should be included as **minimum criteria**.

- Purpose of the consultancy - state outcomes that are specific and measurable.
- The scope of the project.
- Timeframes for work to be achieved, including milestones with defined outcomes and service standards.
- Resources to be allocated to the project. For example, equipment, departmental staff support.
- Key personnel - see the following "Hint".
- Essential requirements that are to be satisfied to achieve a successful outcome.
- Desirable requirements. The following requirements are considered relevant, but these may need to be expanded depending on the nature of the consultancy:
 - > experience in work of a similar nature;
 - > track record in similar work - obtained from internal and external sources;
 - > technical skills - the credentials of key personnel, systems;
 - > management skills - organisation, quality system;
 - > method - how the project is to be tackled;
 - > time performance - the ability to complete the project on time;
 - > quality assurance - specify the appropriate level of quality assurance required of the consultant. Refer to the "*The Queensland Government's Quality Assurance Policy*" Guide;
 - > reporting requirements expected from the consultant - the format, the quality and number of copies.
 - > requirement for costing the consultancy when tendering. For example, hourly or daily rates and breakdowns of consultant overheads;
 - > intellectual property;
 - > termination of the contract;
 - > payment of fees; and
 - > selection criteria for evaluating the offers.

hint Key personnel

The consultant may be required to perform the consultancy services using specified personnel. Key personnel are the persons whose names are included in the consultant's offer or who are subsequently appointed with the department's/agency's written consent.

Step 3: Select the consultant

The primary aim of the process is to obtain the most appropriate skills and expertise for the consultancy at the best value for money while adhering to the *State Purchasing Policy's* objectives.

The strategies to be used in approaching markets are developed from the procurement planning and supply market analysis processes.

A number of factors will impact on how many consultants will be approached in a particular purchasing exercise, in what manner the department/agency will go to the market and the form of the arrangement that is intended to be established. These factors include:

- the nature and complexity of the consultancy;
- the availability of the services required and the characteristics of the market;
- the importance of the consultancy to the department/agency;
- any action the department/agency may want to take to develop or influence the market;
- the cost of the consultancy;
- the processing costs associated with the purchase;
- taking a particular course of action to advance Government priorities (for example, maximising the local economic impact of spending at the regional/district level by engaging local consultants, especially those that employ people in the region);
- the internal systems in place to control and manage the department/agency's purchasing expenditure; and
- probity and accountability considerations (for example, engaging a process that is fair to all participants).

hint Invitations to consultants

When invitations are requested, consultants will often contact Government officers to clarify issues. It is critical to provide consistent responses in writing, so that different information is not provided to different offerors, which may give one offeror an unfair advantage in the process. All potential offerors should be given copies of the information that is provided to each of the consultants.

Consultants should be given adequate time to prepare an offer - a minimum of about three weeks (depending on the complexity of the job) is recommended. Consultants should be aware that their offers could be the subject of Freedom of Information applications. If there is sensitive material contained in the offer, then consultants should mark their offers with "Commercial in Confidence". When opening offers, ensure that there are at least two officers present and that one officer is independent of the evaluation process.

hint For high relative expenditure, high risk or complex consultancies, a selection panel should be established to prepare the specification and evaluate offers.

EVALUATING OFFERS

For high value consultancies or those that are highly complex, it is good practice to have a panel of officers, with relevant knowledge, to evaluate the offers. Where possible it is desirable to include an officer who has experience in the purchasing process on the panel.

In selecting the consultant, ensure that maximum value for money for the department/agency is obtained. The main aim is to ensure that the consultant can do the job to the standards required by the department/agency. This may not always mean accepting the lowest priced offer.

Proposals from consultants should be assessed against pre-determined selection criteria. The selection criteria should have been clearly stated in the specification document. Weightings should be assigned to each selection criteria, but are not usually published in an invitation to offer.

hint

Refer to the "Evaluating Offers in Purchasing" Guide. Seek advice from others with experience in the type of consultancy you require - within your department/agency and from other departments/agencies. Check out the consultant's reputation - ask for relevant and current referees, look closely at past experience, ask for examples of previous relevant work.

hint

Assessing the capability of the consultant

One of the selection criteria you should consider when evaluating offers is the capability of the consultant. Look at:

- the consultant's track record in similar work;
- the proposed method (how the project is to be tackled);
- the consultant's understanding of the outcomes, task and associated organisational and environmental issues;
- the consultant's experience and qualifications;
- the availability of staff with the required skills; and
- the consultant's capacity to complete the project on time (and previous record at meeting deadlines).

hint

Consultants who are providing professional services are often members of institutes/societies (for example, financial advisors, organisational psychologists). While membership of a professional organisation may not be mandatory, it could be a desirable criterion for particular professions or for certain projects.

The evaluation process must be documented and capable of withstanding scrutiny. This documentation should clearly demonstrate how the successful offeror was selected. Keep in mind that such documentation is open to audit scrutiny and 'Freedom of Information' requests.

The project manager should complete a report on the recommended consultant which clearly indicates the reasons for selection. An officer with the appropriate financial delegation must approve the recommendation.

All documentation must be kept for audit purposes, record and other purposes in accordance with the *Financial Management Standard 1997* and the *Libraries and Archives Act 1998*.

hint

Consulting Engineers of Australia (ACEA) provide guidelines for evaluating proposals that have been received in respect to invitations for consultants. The Qualification Based Selection process is the preferred method by the ACEA for selecting services provided by consulting engineers. Qualification Based Selection has also gained the endorsement of the New South Wales Independent Commission Against Corruption (ICAC), which has worked closely with the ACEA to ensure that the "probity perspective" has been adequately addressed in this process. However, a number of agencies have found the Value Selection Process most appropriate for selection in a variety of their consultancy projects. The most appropriate method of selection therefore remains with the department/agency selecting the consultant(s).

Value Selection Process is a weighted point score system that allows both price and non-price attributes to be taken into account in the selection of the most appropriate consultant. It is particularly suited to those situations where public accountability or other circumstances lead to a requirement for competitive selection.

Qualification Based Selection process focuses on helping clients find the best qualified people for their project and then helps negotiate a fair price for the appropriate level of service. Qualification Based Selection process follows three steps:

- 1 Selection of the consultant.
- 2 Definition of the project/job.
- 3 Appointment of the consultant.

Step 4: Engage and manage the consultant

Using consultants to assist the department/agency to achieve its objectives does not mean that the department/agency relinquishes its responsibility for successful completion of projects. Effective management of consultants, evaluation and reporting of their work is essential.

The Standard Conditions of a Consultancy Contract

A critical part of managing any consultancy is the contract. The *Standard Conditions of a Consultancy Contract* is a standard form of contract developed to assist departments/agencies in contracting for consultancies and must be used wherever possible. Guidelines for the completion of a Standard Conditions of a Consultancy Contract and a copy of the Standard Conditions of a Consultancy Contract are provided at <http://www.qgm.qld.gov.au>.

hint *Variations to the Contract*

Variations are changes to what was originally specified in the Standard Conditions of a Consultancy Contract. The most common variation is that the consultant needs more time to complete the work. Before signing the Contract, a strategy should be developed to deal with variations, if they arise. Variations must be agreed to by both parties in writing before they occur. **It is important to seek legal advice if you intend varying the terms of the Standard Conditions of a Consultancy Contract.**

All consultancies, regardless of the value, require a written contract between the parties that is signed and dated. This may be in the form of a simple "Letter of Acceptance" or a purchase order for low relative expenditure and low risk consultancies. The letter should clearly define the requirements and obligations of both parties.

Managing the consultancy

It is important to remember that the process does not end with the signing of the Contract. Consultancies need to be monitored to ensure that satisfactory outcomes are being achieved on time and within the budget. Typical measures to ensure effective management of consultants include:

- appointing a project manager (or in some cases a steering committee) with a clearly defined responsibility for the management of the consultant;
- maintaining adequate records;
- clearly defining performance standards expected of consultants;
- specifying the requirements for reports and meetings with the consultant;
- developing procedures for dealing with:
 - > a consultant's unsatisfactory performance;
 - > variations in cost and time; and
 - > assessing the work and performance of the consultant at regular intervals.

Communication between the project manager and consultant(s) needs to be effective and regular to make sure that the project is on track and that the department/agency is getting what has been asked for.

For high relative expenditure/complex consultancies, project management meetings are part of the role of the steering committee. Keep documentation of all communications on file.

hint

The consultant should not be appointed as a manager of a project. This is the role of an internal officer who has been chosen as the project manager or another suitably qualified officer to ensure the department's/agency's interests are protected.

hint *Payment of fees to consultants*

It is not good practice to make advance payments to consultants. It is **strongly recommended** that payments be staged and linked to milestones in the project and evaluated by the project manager. The milestones should represent quantifiable achievements (for example, a draft report or a final report). Retain the bulk of the total fee for when the job has been completed and evaluated as satisfactory by the project manager.

Avoid paying an hourly rate without a performance timeframe - set the price, wherever possible. For example, a maximum of 200 hours at \$50 per hour.

Don't pay simply because an invoice is received. Payment is dependent on the project manager being satisfied that the work has been done to the standard specified in the contract. In cases where work is not satisfactory, seek legal advice before payment.

Step 5: Evaluate the results

Evaluate the consultant's performance

The project manager needs to complete a written report that evaluates the consultant's performance. The evaluation of the consultant's performance should be completed before final payment to the consultant to ensure that all elements of the specification have been met. This is achieved by comparing the results to the objectives set out in the specification. Performance is assessed as satisfactory only when the outcomes that are detailed in the specification are achieved. Performance criteria should be documented in the specification, so that the project manager knows how to measure performance and so that the consultant will know what to expect. Any adverse performance assessments of consultants should be drawn to their attention and their responses should also be included in performance assessment documentation.

hint

An effective working relationship between the project manager and the consultant should be developed and maintained to facilitate the success of the project.

hint

A common complaint is that consultancies often tend to unnecessarily extend for long periods of time. There is a need for regular checks on outcomes, which should have been clearly defined in the specification and the contract.

Step 6: Record and report

All performance reports on consultants should be in writing and kept on a central register within the department/agency. These evaluations can then be used when considering the consultant for future work and to assist other officers or departments/agencies when considering the consultant for similar projects.

hint

Keep a central register within the department/agency of prequalified consultants with proven track records, especially for departments/agencies that are regularly using certain types of consultants.

Annual expenditure on consultancies must be recorded as per the Financial Management Standard 1997.

hint

Where departments/agencies have a regular need to engage consultants of various types it is often sensible to consider the establishment of registers of prequalified and/or preferred suppliers (consultants). The register of prequalified suppliers should be updated regularly to make sure that all new providers of the services have had the opportunity to become prequalified and provide the services. For more information about prequalification refer to the "Prequalifying Suppliers" Guide.

Engaging public servants and Crown employees

The department/agency must ensure all officers hired adhere to either the department's/agency's Code of Conduct (refer to *Public Sector Ethics Act 1994*) or "Code of Conduct for Officers of the Queensland Public Service" approved by the Governor in Council (Office of Public Service Merit and Equity Directive 9/96 "Code of Conduct"). Likewise, conflicts of interest by consultants should be guarded against at all stages.

Using former public servants and Crown employees

Former public servants or Crown employees may offer themselves as consultants. However, if a former public servant or Crown employee is re-engaged as a consultant during the period of their severance benefit, part of the severance benefit may need to be repaid. (Refer to *Directive 1/98 Voluntary Early Retirement* and *Directive 2/98 Retrenchment* issued by the Office of Public Service Merit and Equity, available at <http://www.opsme.qld.gov.au>).

Engaging commercialised units in Government and/or employees of tertiary institutions

Certain commercialised units in Government or tertiary institutions that provide consultancy services to Government may be required to demonstrate their competitive neutrality when competing against offerors from the private sector. (Refer to the *National Competition Policy* issued by Queensland Treasury, available at <http://www.treasury.qld.gov.au>).

Engaging commercialised units in Government

Where uncertainty exists concerning the nature and extent of commercialisation of the individual/company/public sector organisation offering to provide consultancy services, the organisation should be requested by the department/agency to confirm their competitive neutrality.

Engaging employees of tertiary institutions

In dealing with consultants from the tertiary education sector, agencies should, in the first instance, deal with the relevant commercial arms of the universities and colleges. This practice promotes ethical and fair dealings and has the support of the university Vice-Chancellors and Institutes of TAFE in Queensland. This process provides assurance that relevant professional indemnity, public liability insurance and intellectual property coverage are provided/protected in the consultancy.

Note: If tertiary education staff members state that they are private consultants, then the above provisions for engagement of employees of commercial units in Government apply.

Questions and answers

Q: If internal departmental officers are capable and qualified to do the required job, but not available due to other work commitments, should external consultants be hired?

A: Reassess the work priorities of internal departmental officers. Can their existing work be deferred or can the project ('consultancy') be deferred? Are other public service staff available? If not, seek external consultants on the basis of no readily available staff.

Q: What if there is only one consultant who can do the job? (For example, a well-known academic who leads in a particular field).

A: This is a sole invitation process, where just the one particular consultant is invited to offer. You will still need to seek a full offer from the prospective consultant. It is not good practice to advise the sole offeror that they are the only consultant offering. You must submit a written justification for sole supplier situation to your authorised officer for approval.

Q: During the offer period can I give out additional information or clarify any issues to prospective consultants, if they request it?

A: Yes, but if you provide additional information to one consultant, you must advise all other consultants of the same information in writing.

Q: When is it necessary for the consultant to have professional indemnity insurance?

A: You will need to assess the risks involved in the project. If it is determined that the department/agency may be exposed to risks of a professional nature resulting from the engagement of a consultant, then you will require the consultant to have professional indemnity insurance. *

Q: How is the amount of professional indemnity insurance determined?

A: The nature of the consultancy determines the degree of risk to which the department/agency is exposed. A risk assessment should determine the estimated value of loss which may be incurred and the most probable time for the loss to become apparent. Although a consultant may complete the project, risks may be identified or materialise after the project has been completed. If this is the case, then you must ensure that the consultant takes out professional indemnity insurance to fully cover the risk period. You will also need to check your department's/agency's requirements. Most insist on a minimum amount of insurance. *

Q: When is it necessary for the consultant to have public liability insurance?

A: When the consultant is performing work on Queensland Government premises or if Queensland Government officers are working on the consultant's premises or when there is a risk of innocent persons receiving injury. *

Q: How is the amount of public liability insurance determined?

A: A risk assessment will determine the estimated value of loss. *

Q: What should I do if the consultant seems to be on the wrong track?

A: Check to see if your specification is clear and that the consultant understands it. You can negotiate with or counsel the consultant to ensure that they have a full understanding of the requirements. Another option is that you can terminate the agreement in circumstances, for example, where the consultant is repeatedly unwilling or unable to deliver, according to the specification.

Q: What should I do if the consultant keeps asking for time extensions?

A: Check the contract to determine if the milestones are fair and reasonable and that the consultant is on track with the project. Ask the consultant to document the reasons for the time extensions. Consider any cost implications and any associated problems that may be caused by the project's outcomes being delayed. If the extensions are warranted, document the new time lines and milestones and amend the contract.

* See *Guidelines for Using the Standard Conditions of a Consultancy Contract* at <http://www.qgm.qld.gov.au>

Q: What should I do if I think the consultant is not performing?

A: Talk to the consultant and find out why. If the response is not satisfactory advise the consultant in writing and give them a specific period (for example, two weeks) to justify why the contract should not be terminated.

Q: What action needs to be taken if the bill for the consultant's work is more than the fee specified in the contract?

A: Point out to the consultant the agreed fees in the original contract. The consultant should not be performing additional work without prior approval from the project manager. Seek a full explanation from the consultant. If there is no valid reason provided, then only the fee specified in the contract should be paid. If there is a valid reason for the additional fee, seek approval from the authorised officer.

Where can I get more help?

WHO CAN I TALK TO?

- Officers in your department/agency who have experience in engaging and managing consultants;
- Procurement/purchasing officers;
- Officers from the Building Division in the Department of Public Works who have expertise in the engaging and managing building consultants and/or operational contractors;
- Legal officers; and
- State Purchasing Policy Hotline, telephone 1800 631 991 (toll free).

WHAT CAN I READ?

- "Standard Conditions of a Consultancy Contract" at <http://www.qgm.qld.gov.au>.
- "Guidelines for Using the Standard Conditions of a Consultancy Contract" at <http://www.qgm.qld.gov.au>.
- Your department's "Agency Purchasing Procedures".
- "Using Consultants - a guide for project managers" produced by Office of Public Service Merit and Equity available on Govnet under "GovInfo", then "Purchasing".
- Information about the Queensland Government's Capital Works Management Framework and Prequalification system is available on the Internet at <http://www.build.qld.gov.au>.
- The Better Purchasing Guides support the State Purchasing Policy by providing information about current best practice procurement in the Queensland Government. Refer to the back cover of this Guide for a list of titles. The State Purchasing Policy and the Better Purchasing Guides are available at <http://www.qgm.qld.gov.au> or they can be purchased by contacting Goprint on telephone (07) 3246 3399 or 1800 679 778.

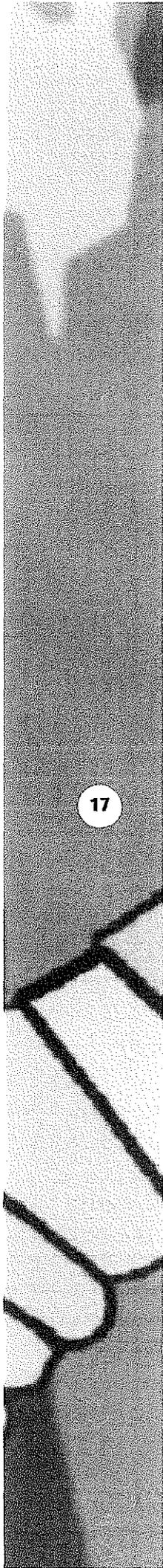
HOW CAN I IMPROVE MY PURCHASING SKILLS?

Queensland Purchasing provides the following services to assist departments/agencies to address their skills requirements:

Training and development advice - provided to assist departments/agencies to meet both individual and organisational needs for training and professional development.

Training course brokerage - there is a number of purchasing training courses, seminars and educational programs available. Training courses in the certification program specifically address the engagement of consultants.

Completion and assessment of endorsed courses will assist officers to gain purchasing certification from levels 1 to 8. For more information about purchasing certification, please contact Queensland Purchasing on telephone 1800 631 991 (toll free).



Other topics in the "Better Purchasing Guides" series include:

Advancing Government Priorities through Purchasing

Value for Money

Probity and Accountability in Purchasing

Corporate Procurement Planning

Planning for Significant Purchases

Developing "Agency Purchasing Procedures"

Analysing Supply Markets for Purchasing

Developing Specifications for Purchasing

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Developing and Managing Arrangements with Suppliers

Negotiation in Purchasing

Engaging and Managing Consultants

Prequalifying Suppliers

Managing and Monitoring Suppliers' Performance

Industrial Issues in Supplier Selection and Management

Environmentally Friendly Purchasing

*Purchasing Communication and Information
Goods and Services*

*Conduct of Sample Surveys by Queensland
Government Agencies*

Leasing in the Queensland Public Sector

Intellectual Property in Purchasing

Managing Complaints about Purchasing

Developing Skills for Purchasing

*The "10% Training Policy" for Queensland Government
Building and Construction Contracts*

*How to do Business with the Queensland Government
(Suppliers' Guide)*

*How to do Business with the Queensland Government
(Regional Suppliers' Guide)*

Disposal of Government Plant and Equipment

The Queensland Government's Quality Assurance Policy

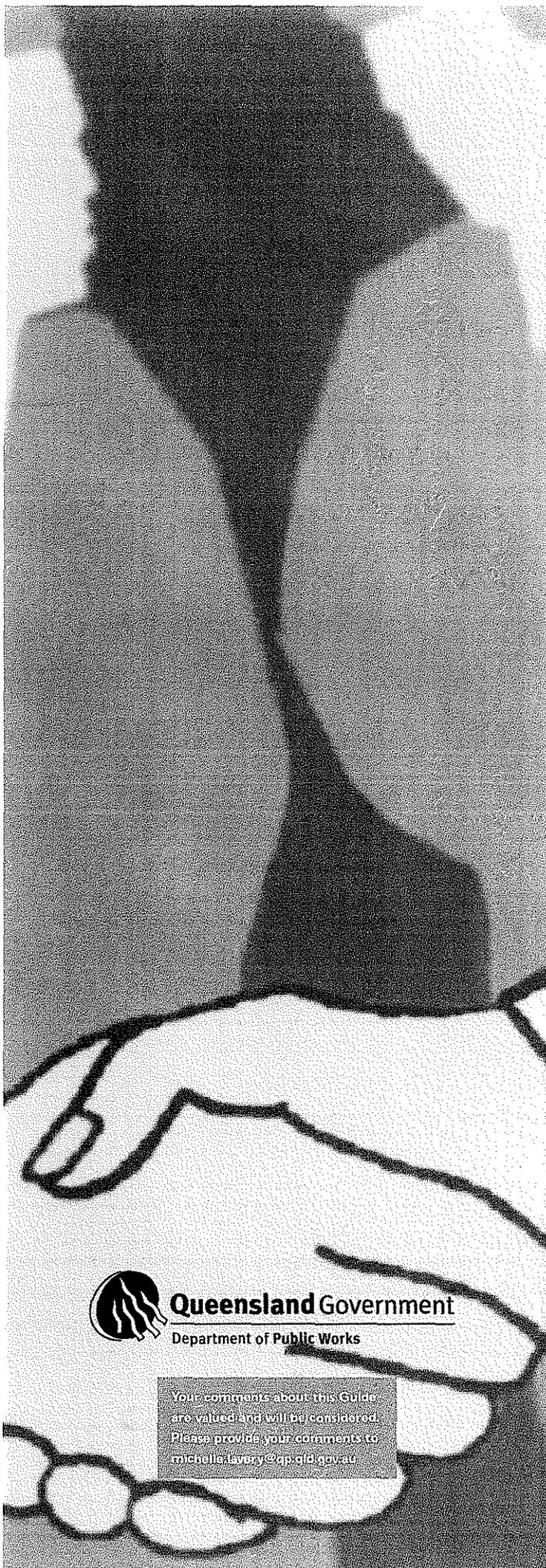
All Guides are available at

<http://www.qgm.qld.gov.au> or

from Queensland Purchasing

on telephone 1800 631 991.

Printed on Australian made paper



Queensland Government

Department of Public Works

Your comments about this Guide
are valued and will be considered.
Please provide your comments to
michelle.lavery@qp.qld.gov.au

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How to...

APPOINT AND
MANAGE A DESIGN
CONSULTANCY
FOR A SPORT OR
RECREATION FACILITY



A GUIDE FOR SPORT AND RECREATION FACILITY PLANNERS

June 1996



C O N S U L T A N C Y

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Project co-ordination by Geof Whyte & Associates for the Ministry of Sport and Recreation,
Western Australian Government

C O N S U L T A N C Y

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C O N S U L T A N C Y

Executive Summary

The appointment of a design consultant is the final step in the facility planning process. It follows the:

- Strategic plan or needs assessment;
- Feasibility study;
- Management plan; and
- Project design brief.

These processes are fully explained in the relevant "How To..." Kits published by the Ministry of Sport and Recreation (see Section 4).

Before appointing a design consultant, it is important to prepare a comprehensive project design brief. This will reflect the needs and aspirations of potential users and management and helps prospective design consultants to prepare submissions.

Appointing and managing a design consultancy has some key elements:

- Determining the need for a design consultant.
- Preparation of the Consultant's Brief.
- Evaluation of submissions.
- Engagement of the selected Consultant(s).
- Managing the Consultancy.
- Project evaluation.

Fees should not be the sole factor in choosing a design consultancy. A good consultant can save money - both in capital and operating costs - in the design and delivery of a facility. As projects become more sophisticated, consequences of poor decisions can have significant ramifications.

Consultants are used to ensure the project is completed on time, within budget, to the standards required, and at minimal risk to the client.

To appoint a design consultancy, your organisation has to have properly agreed and constituted powers to engage in contracts for construction. This is for the protection of individual members of your organisation. Consultants will carry the risk for your organisation on technical, probity and accountability issues relating to the project through their own Professional Indemnity insurance.

C O N S U L T A N C Y

1.0 Introduction

When planning and designing a sport or recreation facility, it is often the case that all the skills required are not available within the client organisation.

There is a range of specialist tasks to bring a project to a successful conclusion. Input and advice may be needed from some or all of the following disciplines:

- Project Management;
- Architecture / Landscape Architecture;
- Numerous Engineering Disciplines;
- Cost Planning / Quantity Surveying; and
- Environmental Planning.

Large projects may need a Cost Planner / Quantity Surveyor to be appointed at the “feasibility study” stage. However, design consultants are not usually appointed until the decision is taken to proceed.

Appointing and managing a design consultancy is no different from assessing and appointing a new staff member.

- The need for the position has to be justified.
- A Duty Statement, with the duties and responsibilities of the position, is prepared.
- A salary package is assessed.
- Selection criteria are set.
- The position is advertised.
- Appointment is made after interviewing and evaluating applicants; and
- The appointed person is responsible to a nominated supervisor or manager.

Evaluating submissions, making an appointment and then managing the consultancy can be an intimidating task.

C O N S U L T A N C Y

This "How To..." Kit provides guidelines to assist you in appointing the most appropriate consultants to design your facility.

The kit is written with the appointment of a design consultant for a large, complex project in mind. The project management structure will require the consultant to report to a Project Co-ordinator and a Project Control Group. Although there are other ways to set up the project management structure (Figure 2), this option reflects the entire appointment process.

The kit is part of a series of "How to... Kits" published by the Ministry of Sport and Recreation which deal with facility planning. Others include:

- *How to Undertake a Feasibility Study for a Proposed Sport or Recreation Facility* (1995).
- *How to Develop a Management Plan for your Facility* (1995).
- *How to Prepare a Project Design Brief for a Sport or Recreation Facility* (1995).

These resources are designed to assist local government bodies, sporting associations, sport and recreation clubs and other relevant agencies in the planning, design and management of sport and recreation facilities. The kit *How to Prepare a Project Design Brief for a Sport or Recreation Facility* is especially relevant.

Planning and designing a sport or recreation facility can be a long and sometimes difficult task. Staff at the Ministry of Sport and Recreation are available to assist you with information and support.

C O N S U L T A N C Y

2.0 The Facility Planning Process

The appointment of a design consultant takes place in the **Design** phase of the facility planning process as illustrated:

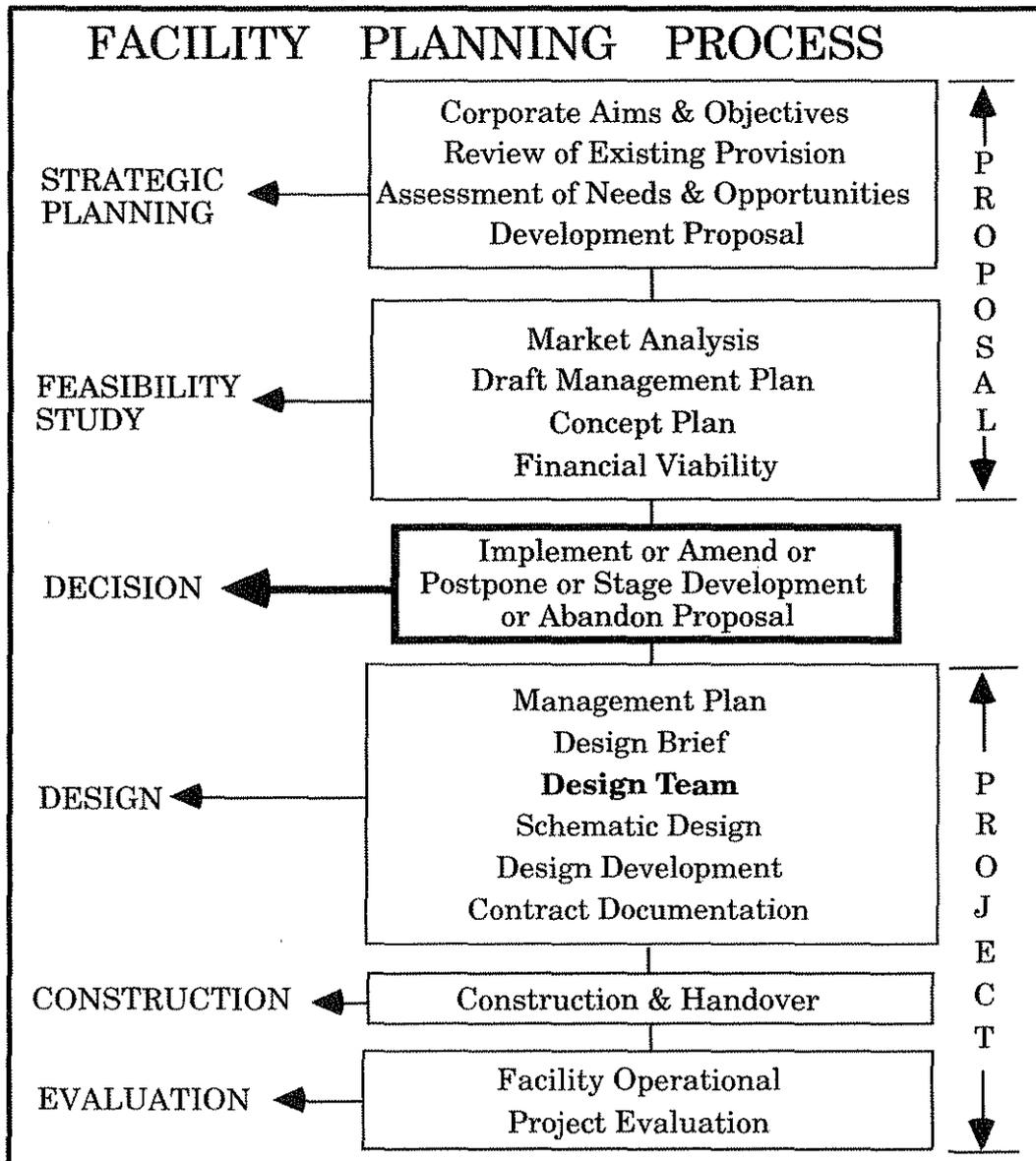


Figure 1: The Facility Planning Process.

It is important that a comprehensive project design brief be prepared before engaging a design consultant.

C O N S U L T A N C Y

3.0 *The Process of Appointing a Design Consultancy*

The process of appointing a design consultant is summarised as:



C O N S U L T A N C Y

3.1 DETERMINING THE NEED TO APPOINT A CONSULTANT

At the outset, evaluate resources within your organisation to see which skills, expertise and technology are available. You can then determine the extent and type of external skills required.

Your organisation should have the properly agreed and constituted powers to engage in contracts for construction in order to protect the individual members of your organisation.

Having decided that “in-house” resources are not adequate, decide on the most effective method of appointment. Generally, the options are:

- **Project Manager.** A professionally qualified person who is a member, or eligible for membership, of the WA Project Managers' Association (WAPMA). The Project Manager is responsible for the scope, time, cost, quality and risk of the project. He or she can engage a prime consultant or even secondary consultants, and manage their contracts, to ensure a single point of instruction and responsibility.
- **Prime Consultant.** Depending on the technical nature of the project, this may be an Architect or Engineer, who acts as the link between you and the secondary technical consultants. This person may engage secondary consultants and be responsible for their output.
- **Consultants.** These are appointed on an individual basis with the Client co-ordinating their activities and outputs. This method is usually adopted only for quite small projects.
- **Design and Construct.** An agreement with an organisation which provides both design and building services. This are known as a “package deal” or “a turn key project”.

The most common project management structures for small, medium and large projects are outlined in Figure 2.

C O N S U L T A N C Y

THE PROJECT MANAGEMENT STRUCTURE

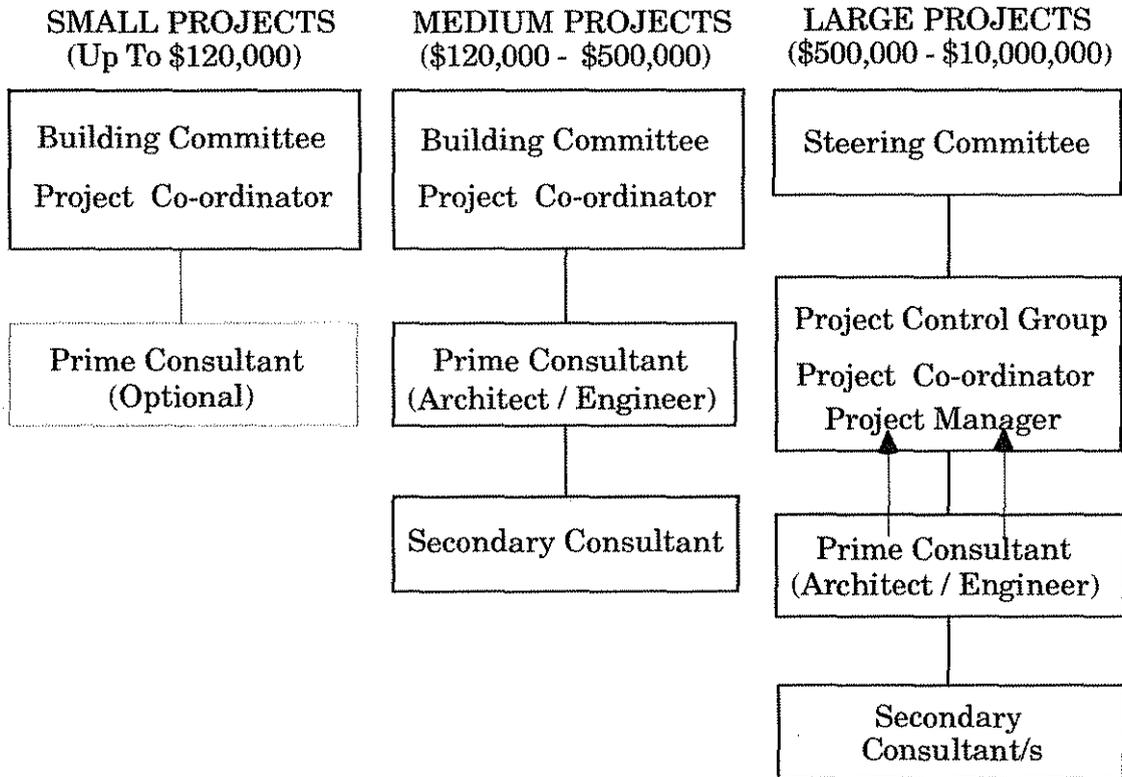


Figure 2: The Project Management Structure.

No matter which method is used, always retain control of the project and the consultancy: You can do this by:

- Appointing a Project Co-ordinator – one person from within your organisation who will be responsible for delivering the project.
- Acknowledging that the appointment of a consultant does not lessen your responsibility for a successful outcome.

(National Local Government Productivity Council, P.12).

C O N S U L T A N C Y

3.2 PREPARATION OF THE CONSULTANTS BRIEF

Once you have decided the type of external consultant(s) and the way the appointment will be structured, compile a Consultant's Brief. This will develop all the documentation relating to the scope of services, program of works, terms and conditions of engagement, selection criteria and any other pertinent information.

3.2.1 SCOPE OF SERVICES

Make the design consultant fully aware of your requirements through a clear and comprehensive scope of services that will enable the consultant(s) to:

- Adequately assess the time and resources needed; and,
- Submit a detailed and accurate submission.

The scope of services should include information on the client, management of the consultancy, the project and the range of consultant services required.

The Client

Provide the Consultant with a pen picture of your organisation so they can get a "feel" for it. Such things as:

- Full name and address.
- A general overview of the organisation's purpose.
- An outline of the organisational structure, especially any committee structures which will be involved in the reporting process.
- An indication of skills and resources which are available within your organisation.

Management of the Consultancy

Provide the consultant with a clear understanding of how the consultancy will be managed, the lines of communication, an outline of responsibilities and authorities, and the desired level of community or user group involvement. Include:

- The name, title and extent of authority of the person you have appointed to manage the project. This may be an "in house" officer or an external appointment.
- The person to whom the Consultant will report.
- The membership, extent of authority and proposed meeting frequency of the Project Control Group.
- The extent of community and user group consultation.

C O N S U L T A N C Y

The project is to meet community needs, and there should be appropriate consultation to ensure the project's objectives are being met. Community "ownership" of the facility and its services and programs will encourage proper consultation, which is essential during the Schematic Design stage.

The Project

The Consultant must be fully aware of the extent of the project. You need to provide:

- (i) An outline of the professional services sought. For example:
"Architectural and appropriate specialised consulting services are required for the schematic design, design development, detail design, contract documentation and contract administration for the development and delivery of (project description)".
- (ii) Complete details of the project. This information is contained in the Project Design Brief, which is prepared following the acceptance of the Feasibility Study.

Scope of Consultant Services

Outline the particular services that the consultant(s) will provide. The scope of services will include: schematic design, contract documentation, contract administration and other general matters.

Schematic Design

This work translates the requirements of the project design brief into a preliminary design format.

It enables a formal review of the potential outcomes; a more detailed cost analysis and further community and user group consultation.

Any technical problems are generally resolved at this point.

The outcomes of the schematic design phase include:

- Finalise the design brief.
- Finalise the project budget.
- Complete the community and user group consultation process.
- Resolve any technical and design alternative issues.
- Obtain all relevant preliminary approvals.

C O N S U L T A N C Y

The documentation will include:

- Comprehensive architectural brief and site report.
- Detailed site survey.
- Site plan showing contours, roadworks, paving, drainage and indicative landscaping.
- Floor plans.
- Elevations and sections.
- Roof plan.
- Coloured perspectives.
- Preliminary schedule of materials and finishes (with samples where practical).
- Building Service Report indicating basic type, extent of service, costed options and operating costs.

To assist with community consultation the following will be needed:

- Coloured set of plans, elevations and sections.
- Coloured set of perspectives.
- A detailed cost plan will be required from the Cost Planner / Quantity Surveyor.

Contract Documentation

This will involve:

Preparation of detailed working drawings, specifications and contract documentation. Nominate the type of contract to be used.

The outcomes will include:

- Preparation of all drawings and specifications
- Complete contract documentation approved by legal advisers.
- Ensuring budget parameters are met.
- Obtaining all final statutory approvals.

C O N S U L T A N C Y

The documentation includes:

- Final Plans and specifications for calling of tenders.
- Draft Contract documentation as approved by Client's legal adviser
- Advertisement inviting tenders
- The Cost

A Planner / Quantity Surveyor should prepare a pre-tender report and any adjustments to be made to meet the approved budget to be effected by the Principal Consultant.

Note: If the project exceeds \$2 000 000, consider having the Cost Planner / Quantity Surveyor prepare an abridged Bill of Quantities or Schedule of Rates.

If the project is in excess of \$4 000 000, a full Bill of Quantities may be more appropriate to control cost variation.

General Matters

Any general conditions which are to apply should be included in the scope of services.

The documentation could include:

- Limitations on the Consultant's authority to approve variations without the client's **prior** written authority.
- Your retained right to appoint secondary consultants and nominate working relationships.
- The Prime Consultant is responsible for:
 - (1) The integration, co-ordination, performance and delivery of service of all consultants.
 - (2) The design of the project within the approved budget.
 - (3) Liaising and co-ordinating with the appointed Cost Planner / Quantity Surveyor.
- The Prime Consultant should obtain your approval at the completion of the following stages **before** starting the next stage:
 - Schematic Design
 - Design Development
 - Documentation (prior to calling tenders)
 - Receipt of tenders (prior to letting a contract)
 - Variation approval limitations.
- The Prime Consultant should obtain all approvals necessary for the project.

3.2.2 CONDITIONS OF ENGAGEMENT

The Conditions of Engagement are similar to terms and conditions of employment for an employee.

Most professional associations to which consultants belong have standard or guideline agreements which cover the services they provide. If you use a standard agreement, it should be checked by your legal adviser to ensure it is in line with your requirements. Alternatively, your legal adviser can prepare a form of agreement and include this in the consultancy brief. This way, all interested consultants will be aware of their contractual arrangements.

Standards Australia has prepared documentation relating to the appointment of consultants. These are:

AS-4121 - 1994 Code of Ethics and Procedures for the Selection of Consultants

AS 4122 [Int.] - 1993 General Conditions for Engagement of Consultants

The specific issues that you need to address in the conditions of engagement include:

- **Ownership and Copyright**
State whether the ownership and copyright of the outcomes of the consultancy rest with you, or retained by the consultant.
- **Secondary Consultants**
A design team usually appoints several consultants to ensure the outcomes of the Project Design Brief are met. State who will be responsible for those consultants, and the arrangements for payment of fees.
- **Fees and Charges**
Fees can be expressed in several ways. The most common are:

Lump Sum: A lump sum fee is a single charge for the work. It covers all costs and disbursements, such as travel and accommodation, postage, telephone and fax costs, all plans, drawings and other documents required, all reports and any other costs.

Hourly Rate: An hourly rate is quoted to carry out the work. The final cost is determined by the amount of time spent on the project by the consultant. All other costs and disbursements are additional to the fee.

Scale Fees (Commission): A fee is charged, based on a percentage of the gross Cost of the Works. All costs and disbursement are additional.

C O N S U L T A N C Y

Decide how you want to pay the consultants and seek submissions on that basis. When preparing the overall project budget, the Cost Planner provides an assessment of fees on which you can measure proposals received. From a management point of view, the most acceptable method of payment would be a lump sum.

Note that fees should not be the sole determinant in selecting a consultant. A consultant should be selected on consideration of all the selection criteria.

3.2.3. SELECTION CRITERIA

Consultants should be informed of the criteria for submissions. You want to appoint the consultant who is the best equipped in terms of experience, quality of work and empathy with the project.

The selection criteria may include:

- Demonstrated experience in the type of project being undertaken;
- Quality of previous work of a similar nature;
- Qualifications and experience of staff;
- Process proposed to manage and deliver the project;
- Ability to meet project timetable;
- Ability to reduce capital costs without effecting standards and management requirements; and
- Demonstrated understanding of the issues.

3.2.4 INFORMATION REQUIRED IN THE SUBMISSION

List the information the consultant is to include in the submission, such as:

- Addressing each of the selection criteria.
- Listing at least three referees.

3.2.5 FORMAT OF THE SUBMISSION

Prepare a format for the submission so you can compare submissions on an “apples and apples” basis.

A sample format is included in Australian Standard AS 4122 – ‘General Conditions For The Engagement Of Consultants’; Annexure Part A. This form can be modified for your needs.

C O N S U L T A N C Y

3.3 EVALUATION OF CONSULTANTS

Evaluate and appoint a consultant to meet your regulatory and policy requirements. The objectives of the project should be reflected in the selection criteria.

For larger projects, it is appropriate for the Project Control Group to interview short-listed applicants and recommended an appointment. Alternative methods of selection will be governed by your organisation's policies and procedures.

The recommendation report should include:

- Selection criteria and weighted scores for each criterion.
- Summary of submissions.
- Assessment of conformity with the brief.
- Summary of how submissions were sought.
- Detailed assessment of the recommended applicant.

Standards Australia has published the following information which may be useful in the evaluation process:

AS 4121 (1994) Code of Ethics and Procedures for the Selection of Consultants. This is excellent guide to the overall process.

AS 4122 (1994) General Conditions for Engagement of Consultants.

AS 4120 (1994) Code of Tendering.

An example of an Evaluation Worksheet is contained on the following page.

C O N S U L T A N C Y

EVALUATION WORKSHEET

- Example -

Selection Criteria	Level of Importance %	Consultant 1	Consultant 2	Consultant 3
EXPERIENCE What previous experience in a similar type of project has been demonstrated by the applicant?				
What is the reaction from the applicant's nominated referees?				
What are the qualifications and experience of the consultant's staff, especially those having day to day control of the project?				
Has the applicant met the time criteria for previous projects? (Determined from Referee's)				
PROPOSAL Was all required information submitted?				
PROJECT Has the applicant demonstrated a clear understanding of the brief?				
Are there any conditions attached to the submission which are at odds with the brief?				
METHODOLOGY Do the processes proposed by the applicant meet with the requirements of the brief?				
Has the applicant raised any concerns about meeting the key target dates that have been established?				
FEES Is the fee submission made in accordance with the terms of the consultancy brief?				
Do the fees fall within the budget parameters?				
GENERAL How well will the applicant work with the Project Management Team?				

The importance of each criterion is assessed on a project-by-project basis and represented in percentage terms. Assessment can be made on a points basis, with the recommendation being on the highest level of overall acceptability.

C O N S U L T A N C Y

3.4 ENGAGEMENT

The appointment is confirmed by both parties signing the Form of Agreement, included in the Consultancy Brief. It's best to do this with a legal adviser.

3.5 MANAGING THE CONSULTANCY

The consultancy should be effectively managed to ensure that objectives are met, changes evaluated and approved, disputes resolved speedily, and an appropriate reporting system established.

The management tasks for major projects are primarily the responsibility of the project control group. The composition of this group is established at the "Scope of Services" stage and included in the Consultant's Brief. The group's terms of reference should include:

- Frequency, location and time of meetings;
- Taking, recording and distributing of minutes;
- Reference procedures to internal groups for progressive approvals, and the procedure for those groups to "sign off" each stage;
- Reference procedures for community consultation and review by user groups;
- Method of recording instructions to the Prime Consultant;
- Procedure for the approval or otherwise of contract variations (both to the consultancy and the resultant construction contract);
- Financial management procedures;
- Cost planning procedures;
- Reporting frequency and method to client; and
- Dispute resolution procedures.

The extent of authority of the design team should be clearly established as unnecessary delays in the process can affect the final cost.

3.6 PROJECT EVALUATION

At the end of the project, determine whether objectives have been met. Lessons learned can be noted for future projects.

The assessment should examine the following issues, and include a brief report on each. Reasons for not meeting an objective should be recorded and recommendations made to assist in future projects.

The Project

- Were the original functional objectives met?
- Were the design objectives met?
- Were time targets met?
- Was the budget met?

Project Management

- Were Project Control Group meetings held regularly?
- Was general internal administration adequate?
- Were progress and other payments met on time?
- Were user and other groups adequately consulted?
- Were internal processes for approval and review adequate especially with respect to time?
- Were decisions taken in a timely manner without effecting the project timetable?
- Were time, cost and quality objectives met?

Consultants

- Were the requirements of the brief met?
- Were necessary statutory approvals obtained on time?
- Were time schedules met?
- Were reporting requirements complied with?
- Were fee budgets met?
- Was the standard of reporting and other documentation satisfactory?
- Was the level of supervision of the project adequate?
- Was the level of contract administration satisfactory?
- Was the number and cost of variations satisfactory?
- Was there adequate liaison and co-ordination of secondary consultants?
- Was the level of communication satisfactory?
- Would you engage the consultant again?

C O N S U L T A N C Y

Public and User Group Consultation

- Comment on the processes involved.
- What feedback was obtained?

NOTE: Project evaluation reports should be worded with care, particularly in regard to:

- Evaluation of consultants' work being based on fact and not feeling;
- Avoiding emotive evaluation; and
- Ensuring that confidentiality is maintained.

Litigation may be considered when a consultant believes a reputation has been damaged by defamatory comments.

C O N S U L T A N C Y

4.0 Further Reading

National Local Government Productivity Council, 1993
Achieving Value for Money From Consultants in Local Government

Hillary Commission for Sport, Fitness and Leisure and Queensland Department of Tourism, Sport and Racing, 1994.
Getting it Right – A Guide to Planning and Developing Sport and Recreation Facilities.

Standards Australia and Construction Industry Development Authority.
AS 4120 – 1994 Code of Tendering
AS 4121 – 1994 Code of Ethics and Procedures for the Selection of Consultants.
AS 4122 (Int.) – 1993 General Conditions for Engagement of Consultants

Western Australian Municipal Association
General Conditions of Contract for the Appointment of a Consultant

Royal Australian Institute of Architects
PN 17G/1 Client and Architect Agreement
PN 17G/2 Scope of Architects Services
PN 17G/4 “Short Form” Client and Architect Agreement
PN 63 Project Management
PN 71 Alternative Methods of Procurement of Buildings
PN 82 The Building Maintenance Manual
You and Your Architect

Association of Consulting Engineers Australia
Register of Consulting Engineers Practising in Western Australia
Value Selection. ACEA Guidelines on Quality-based Selection of Consulting Engineers
What is a Consulting Engineer?
Guide to Consulting Engineering Services
Guideline Terms of Agreement between Client and Consulting Engineer for Professional Services.

Ministry of Sport and Recreation
Sport and Recreation Facility Provision – A Guide Document for Community Groups 1995
How to... Develop a Management Plan For Your Facility, 1995.
How to... Undertake A Feasibility Study For A Proposed Sport or Recreation Facility, 1995.
How to... Prepare A Project Design Brief for a Sport or Recreation Facility, 1995.

Thomas J Ucko, (Available from Small Business Development Corporation)
Selecting and Working With Consultants... A Guide for Clients

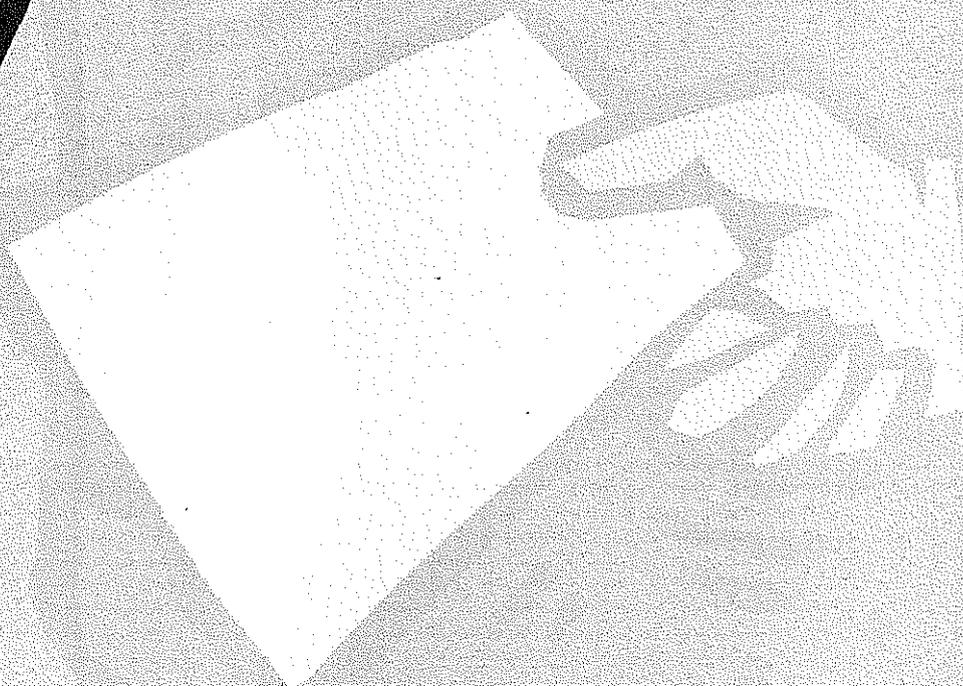
5.0 References

Achieving Value for Money from Consultants in Local Government. (1993). National Local Government Productivity Council.

Glossary of Building Terms. (1994). Standards Australia.

Queensland Purchasing

Inviting Offers



BETTER PURCHASING GUIDE



**Queensland
Government**

Department of
Public Works

*better purchasing,
better outcomes*

Published April 2001

PURPOSE OF THIS GUIDE

The purpose of this Guide is to provide information about inviting offers from suppliers. Many Queensland Government departments/agencies¹ already have a process and standard documentation in place to invite offers. This Guide is to assist those departments/agencies that need to develop effective, or improve existing, processes and documentation.

WHO SHOULD READ THIS GUIDE?

All Queensland Government officers involved in inviting offers, particularly those officers involved in developing procedures and documentation for inviting offers, should read this Guide.

HOW IS THIS GUIDE TO BE USED?

This Guide should be read in conjunction with the *State Purchasing Policy* and your department's *"Agency Purchasing Procedures"*². There are also other related Government policy frameworks with which officers involved in purchasing building construction and maintenance, civil and information technology and telecommunications should be familiar. These are:

- the Capital Works Management Framework and the Maintenance Management Framework administered by the Building Division of the Department of Public Works;
- the Government Building and Construction Contracts Structured Training Policy administered by the Department of Employment and Training;
- the Art Built-in Policy administered by Arts Queensland;
- the Quality Assurance Policy administered by the Department of Public Works; and
- Communication and Information Purchasing Framework administered by the Department of Innovation and Information Economy, Sport and Recreation Queensland.

In addition, officers involved in major projects valued at \$5 million and over, or that are of regional or strategic significance, must comply with the Local Industry Policy administered by the Department of State Development.

The following selection of *Better Purchasing Guides* may also provide useful information.

- *Probity and Accountability in Purchasing*
- *Developing Specifications for Purchasing*
- *Developing and Managing Arrangements with Suppliers*
- *Evaluating Offers in Purchasing*
- *Developing "Agency Purchasing Procedures"*

¹ "Agency" means a department or a statutory body as those expressions are defined in the *Financial Administration and Audit Act 1977(Qld)*; and any government owned corporation and its subsidiaries where the *Shareholding Ministers* have given notification pursuant to s.123 of the *Government Owned Corporations Act 1993* as listed in *Schedule D* as published from time to time in the *State Purchasing Policy* by the Department of Public Works.

² "Agency Purchasing Procedures" are agency specific procedures that set out how agencies are to undertake their purchasing activities in compliance with the *State Purchasing Policy*. These procedures are also referred to as "local instructions" or "local purchasing instructions".

This Guide is intended only as a starting point to provide an overview of the main issues that departments and agencies need to consider when developing its procedures and documentation for inviting offers from suppliers. It is not intended that this Guide replace expertise and other valuable resources that are required to produce successful outcomes for departments and agencies.

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The new State Purchasing Policy

The new *State Purchasing Policy* is an outcome focussed Policy. It provides flexibility for departments/agencies to determine the most effective measures to achieve the desired outcome either at the level of the individual purchase or whole categories of goods/services.

The objectives of the *State Purchasing Policy* are to:

- **advance Government priorities** - These priorities define the Government's commitment to advance, through its purchasing, certain social, economic and environmental objectives.
- **achieve value for money** - The concept of value for money is not restricted to price alone. The value for money assessment must include consideration of:
 - contribution to the advancement of Government priorities;
 - non-cost factors such as fitness for purpose, quality, service and support; and
 - cost related factors including whole-of-life costs and transaction costs associated with acquisition, use, holding, maintenance and disposal.
- **ensure probity and accountability for outcomes** - A department/agency must conduct its purchasing activities with the utmost probity. Some relevant probity and accountability requirements are set out in legislation.

It is intended that each department/agency should use its best endeavours to ensure that competitive local firms that comply with relevant legislation are given a full, fair and reasonable opportunity to supply the Queensland Government.

The new *State Purchasing Policy* can be found on the internet at <http://www.qgm.qld.gov.au>

How does the State Purchasing Policy link to this Guide?

This Guide outlines the main issues involved in inviting offers. An effective invitation process will support the three objectives of the *State Purchasing Policy*.

What does 'inviting offers' mean?

Inviting offers is the process where the department/agency informs suppliers of its procurement requirements by "inviting" suppliers to advise whether they are able to meet those requirements. Once the department/agency has received responses from suppliers that have been invited to offer, the successful offeror can then be determined.

There are many expressions used both within Government and the private sector which relate to the process of inviting offers. Some of these include:

- Request for a quote;
- 'Request for Information' (RFI) or 'Expression of Interest' - generally used to request information from suppliers in order to shortlist potential suppliers before seeking offers. Usually the information sought is high-level and specific;
- 'Request for Offer' (RFO) or 'Invitation to Offer' - usually used to obtain bids for clearly defined and specific requirements;
- 'Request for a Proposal' - usually seeks a solution to a problem or process; and
- 'Request for Tender' - this is similar to an RFO. The construction industry often uses this term.

There are also different terms for the word 'offer'. These include 'tender', 'quote/quotation' and 'bid'. Whatever the term used, the process of "inviting offers" is an important step in the procurement of goods and services and must be performed in accordance with the objectives of the *State Purchasing Policy*.

hint - Staged procurement

In complex procurement activities where the purchaser needs to learn more about the goods/services or the market, it may be helpful to use a multi-stage procurement process.

- Stage 1: A 'Request for Information' (or 'Expression of Interest') is issued to find out more about the goods/services, the market and the capability of industry to satisfy the procurement need.
- Stage 2: A 'Request for Offer' (or 'Invitation to Offer' or 'Request for Proposal' or 'Request for Tender') is issued requesting industry to submit an offer for goods and/or services or propose a solution.
- Stage 3: Best and final offer - the most promising of the offerors from stage 2 are invited to submit their final offer.

This three stage process is time consuming and expensive for all parties and would only be used for goods and services categorised as "high relative expenditure and for which supply is difficult to secure".

Where a formal 'invitation to offer' process has been selected for the purchase, documentation usually consists of the following.

Cover sheet - provides basic information about the offer.

Standard Conditions of Offer - the terms upon which the department/agency is inviting offers.

Standard Conditions of Contract - the terms and conditions upon which the department/agency is prepared to contract.

Specification - a statement of needs. It defines what the purchaser wishes to buy and, consequently, what the supplier is required to provide.

Schedule of Prices - a standard format included in the invitation documentation for offerors to include multiple pricing information for a range of products, if applicable.

Schedule of Particulars - a proforma of questions prepared by the department/agency on all aspects of requirements, both technical and commercial, which is completed by the offerors.

Complex procurement may contain more documentation as appropriate.

Where a department/agency is inviting offers from building contractors or consultants, reference needs to be made to the Capital Works Management Framework and the Maintenance Management Framework published by the Department of Public Works. In particular, refer to the guidelines entitled "Building Industry Contractor Tendering and Selection Process" and "Consultant Invitation and Selection Process for Building Projects" available at <http://www.build.qld.gov.au/industry/induspgc/induspgc.htm>. For hardcopies contact the Manager, Capital Works Procurement Branch, Building Division on telephone (07) 3224 4377, fax (07) 3225 8105 or email CWMF@publicworks.qld.gov.au

Inviting offers is not restricted to complex or expensive purchases by departments/agencies. It may also be appropriate for the more simple, day-to-day purchases.

hint

Standard Conditions of Offer and Standard Conditions of Contract for the purchase of goods and/or services are available for departments/agencies to use at <http://www.qgm.qld.gov.au>.

There are also Standard Conditions of Supply for establishing standing offer arrangements.

How to issue invitations to suppliers

hint

Offers should not be sought without a firm intention to continue, subject to a satisfactory offer being received. It can be expensive for suppliers to develop offers and if it is perceived that there is a lack of commitment from the department/agency, competition will be reduced (suppliers may refrain from dealing with departments/agencies at all) and value for money will be more difficult to obtain.

Inviting offers can be formal (for example, in writing) or informal (for example, by telephone). The manner in which a department/agency invites offers from suppliers will depend on the nature of the goods and services being purchased. Two major factors influence the nature of Government purchasing:

(a) the "difficulty of securing supply" of goods and services which means:

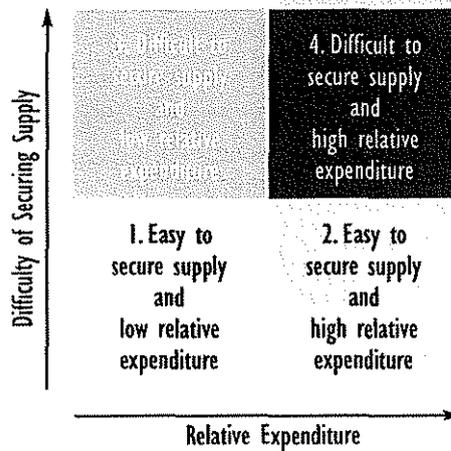
- the degree to which the goods or services being purchased present risks or are critical to the department/agency; as well as
- the extent to which a competitive supply market for the goods or services exists; and

(b) the relative expenditure for the goods and services - which means their cost relative to the total purchasing expenditure of a department/agency.

When the total expenditure of a department/agency on goods and services is analysed, a department's/agency's purchasing can be segmented into four categories:

1. Goods and services with a low degree of difficulty in securing supply and a low expenditure relative to total procurement spend. These items collectively make up a relatively small proportion of the total expenditure on purchased items.
2. Goods and services with a low degree of difficulty in securing supply and a high expenditure relative to total procurement spend. These items collectively make up about a quarter of the total expenditure on purchased items.
3. Goods and services with a high degree of difficulty in securing supply and a low expenditure relative to total procurement spend. These items collectively make up a very small proportion of the total expenditure on purchased items.
4. Goods and services with a high degree of difficulty in securing supply and a high expenditure relative to total procurement spend. These items can collectively make up over half of the total expenditure on purchased items.

These categories are shown in the following diagram.



Goods and services that are low relative expenditure and for which supply is easy to secure may only require quotes to be obtained over the telephone from one or more suppliers (refer to your Agency Purchasing Procedures). Goods and services that are high relative expenditure and/or for which supply is difficult to secure will more likely require a formal invitation such as a 'Request for Offer/Tender' or 'Invitation to Offer/Tender'. Inviting offers for goods and/or services in categories 2, 3 and 4 is discussed on page 6.

Important

When inviting offers, most departments/agencies have procedures in place for officers to follow. Contact your purchasing/procurement area to find out if your department/agency has a formal process in place that you must follow.

Inviting offers where supply is easy to secure and expenditure is relatively low

Goods and services in this category are usually very low value and are purchased routinely or ad hoc. Generally there are competitive supply markets even at the local level. In accordance with the *State Purchasing Policy*, for goods and services in this category, purchasing decision-making and associated budgets must be devolved to the lowest practical geographical level.

For some purchases, it may only be necessary to invite offers by telephoning one or more suppliers to ask for a verbal quotation. For other purchases, it may be necessary to obtain the quotes in writing (for example, email or fax). However, officers must comply with the objectives of the *State Purchasing Policy* and their own "Agency Purchasing Procedures".

SOME TIPS FOR OBTAINING TELEPHONE/VERBAL QUOTATIONS

- Before speaking to suppliers have a clear, written statement of the requirements and any questions to ask. In this way, the same consistent information will be sought from suppliers and the goods and services offered can be properly compared.
- Officers need to clearly identify themselves and their department/agency.
- Obtain the name of the supplier's salesperson with whom the officer is speaking and request a Government price and any applicable trade or settlement discounts for the goods or services required.
- Other details such as method and time for delivery should be obtained as well as any packing or freight charges involved.
- Information obtained should be recorded on a requisition form and it is also good practice for the officer to request a supplier to send a facsimile confirming details of the quote.
- Prospective suppliers should be made aware of the evaluation criteria used to compare offers.
- When officers have obtained pricing (including GST) and all other necessary details from suppliers, it is then appropriate to decide from which supplier to purchase the goods and/or services.
- Once a decision has been made, after taking all relevant factors into account, the order containing the necessary details can then be placed with the successful supplier.
- Record the reasons for selecting a particular supplier and leave an audit trail.

hint

Remember that the use of verbal/telephone quotations does not change the requirement for good purchasing practices. The only thing different is that you are writing down the details of the offer rather than the supplier writing it. Your objective is still to get the right item, in the right quantity, with the right quality, at the right time and the right price.

Important

Be careful when talking to suppliers that you do not inadvertently make a verbal promise to purchase from them if you are only obtaining quotes.

Inviting offers for significant purchases

"Significant purchases" are purchases of goods and services that have been identified in the department's/agency's corporate procurement plan as being of high relative expenditure and/or for which supply is difficult to secure. (categories 2, 3 and 4)

Plans for significant purchases, which departments/agencies are required to develop under the *State Purchasing Policy*, include the method for approaching the market for a particular good or service (or group of goods/services). This method will determine how an invitation will be issued and the extent of the invitation process. Written invitations and responses from suppliers are often more appropriate when inviting offers for significant purchases.

The following matters should be considered in invitations for offer.

IDENTITY OF THE DEPARTMENT/AGENCY

All invitations to suppliers should clearly indicate the department/agency that is inviting offers, a contact name and telephone number.

It is preferable for invitation documents to be issued on letterhead stationery clearly showing the name and location of the department/agency inviting the offer. The following is a suggested opening clause.

"The (name of the department/agency) invites offers for the supply of (broad description of the goods or services required) in accordance with the terms and conditions stated in this document and any attachments".

SPECIFICATION FOR THE REQUIREMENT

The specifications must be included in the invitation documentation. Refer to the *Better Purchasing Guide* entitled "*Developing Specifications for Purchasing*" for more information.

FORMAT REQUIREMENTS OF OFFERS

It needs to be made clear in the invitation documentation whether the department/agency will consider offers in any format other than the agency standard format for offers as enclosed with the invitation. Generally, it is not acceptable, and in these circumstances a clause similar to the following should be included:

"Offers must be completed in the format contained in "Attachment #". If offers do not comply with the format contained in Attachment #, they will not be accepted."

Specifying a standard format for offers facilitates comparisons between them, especially where there are a number of variables that must be compared between offers.

TERMS AND CONDITIONS

It is important to clearly explain the terms and conditions upon which the department/agency is inviting the offer. Problems can occur (sometimes leading to the invitation process being seriously compromised) where there are misunderstandings about the nature of the invitation process.

As a first step, the department/agency should make very clear the terms upon which the offers are being invited. For example:

- What is the procedure for lodging of offers?
- Will the department/agency reserve the right to accept part, non-complying or innovative offers?
- How will the successful supplier be chosen?
- Will there be post-offer negotiations and then a letter of acceptance issued?
- What will be the nature and extent of feedback to unsuccessful offerors?

The way for departments/agencies to clarify the terms upon which they are inviting offers is to issue the invitation with a set of standard conditions of offer. A sample of the **Standard Conditions of Offer** for Queensland Government departments/agencies to use is available on the internet at www.qgm.qld.gov.au. Some departments/agencies may already have developed their own standard documentation applicable to their procurement activities and officers should contact their purchasing/procurement section for advice.

Once the invitation process has concluded and the successful supplier has been chosen, the department/agency will need to formalise, in a binding and written contract, the terms upon which the goods and services will be supplied. It is good practice to include the department's/agency's **Standard Conditions of Contract** in the invitation documentation. This makes clear to all prospective suppliers, at the earliest possible stage, the terms and conditions upon which the department/agency is prepared to contract.

A sample of the **Standard Conditions of Contract** that are available for Queensland Government agencies to use is available on the internet at www.qgm.qld.gov.au. Again, some departments/agencies have developed their own set of standard contractual terms and conditions and officers will need to contact their purchasing/procurement section for advice.

Departments/agencies may choose to include special conditions of offer and special conditions of contract.

Where the contract documentation to be used is not a standard Government contract or if a standard contract has been changed, legal advice should be sought.

Important

It is critical to be completely familiar with both the **Standard Conditions of Offer** and the **Standard Conditions of Contract**. Sometimes, there is confusion about when to use "Conditions of Offer" (sometimes called "Offer Conditions") and when to use "Conditions of Contract" (sometimes called "Condition of Supply" or "Supply Conditions").

Conditions of Offer are the terms and conditions which regulate how the department/agency will receive and deal with offers from prospective offerors (for example, procedure for lodgment, evaluation criteria). They govern the pre-contractual relationship between the parties. In other words, there is usually no contract or agreement between the offeror and the department/agency at this stage (though departments/agencies will still be obliged to act according to the terms specified in the **Conditions of Offer**).

Conditions of Contract are the terms and conditions of the formal contract or agreement between the successful

offeror and the department/agency, once both parties have accepted the offer, and indicated their intention to be bound to a contract.

Where the department/agency has issued the Conditions of Contract with the invitation document, the offeror will have notice of the terms of the contract or agreement which the department/agency is prepared to enter. When the successful offeror is chosen, both the offeror and the department should give their agreement to the Conditions of Contract.

Caution: Some departments/agencies seek to conclude their contracts with offerors by issuing a letter of acceptance. If such an approach is adopted, great care should be taken to ensure that the offeror who intends to be bound to the Conditions of Contract by acknowledging its agreement with the terms in writing.

Example: Department X issues an invitation for the supply of office furniture. It attaches to the invitation documentation the Standard Conditions of Contract and asks offerors to complete a form to confirm they will enter into a contract with Department X on those terms. O-Furn My Ltd responds to the invitation but indicates in its response that it wishes to contract under its own terms and conditions. Department X issues a letter of acceptance to O-Furn My Ltd advising them that they are the successful offeror and that O-Furn is now in a contract with the Department governed by the Standard Conditions of Contract.

Problem: What are the terms of the contract? Are they the Standard Conditions of Contract or O-Furn's own terms?

Answer: This is unclear and, arguably, there is no contract (that is, no invitation by the parties to be mutually bound by agreed terms) until the parties both agree on the terms and conditions which govern their arrangement. As a minimum, O-Furn should be asked to countersign a copy of the letter of acceptance indicating O-Furn's agreement with the terms of the offer.

NON-CONFORMING OFFERS

It is essential that all invitations for a particular purchase be made on the same basis so as to allow for a fair and relatively straightforward evaluation of the suppliers' offers/responses. However, it is common for suppliers to specify terms and conditions in their offer documents which do not reflect the requirements of the invitation. Consideration must therefore be given as to whether offers that do not fully conform to the department's/agency's specified terms and conditions will be accepted for evaluation.

The department/agency has a choice as to whether to accept a non-complying offer. If the department/agency elects not to accept non-complying offers, a statement similar to the following must be included in the invitation document:

"The terms and conditions of the offer must be in accordance with the requirements of (the title of the relevant attachment number or other reference). Any offer which alters or qualifies these requirements in any material respect will constitute a non-conforming offer and therefore will not be accepted."

If the department/agency wishes to reserve its rights to accept a non-conforming offer, it should include in the invitation document an appropriate clause.

hint - GST The invitation to offer should require the supplier to state in its offer documentation whether the prices quoted include Goods and Services Tax.

MEDIUM OF THE OFFER

The invitation should specify whether an offer may be lodged in hard-copy form (that is, paper format) or in electronic form. If the department/agency is prepared to accept offers lodged in electronic format, the department/agency may wish to specify in the invitation whether a hard-copy form of some (which should be specified) or all parts of the offer should also be lodged. In addition, simple requirements like the number of copies that are required must also be stated in the invitation.

hint

Queensland Purchasing provides a service on its website at www.qgm.qld.gov.au for departments/agencies to electronically advertise invitations to offer.

An invitation should also state whether the department/agency is prepared to accept offers by facsimile. Before a department/agency decides it is prepared to accept offers by facsimile, it should assess whether the department/agency is capable of managing any associated problems (for example, lack of security and confidentiality, poor transmission which may affect the print quality etc.)

DATE, TIME, ADDRESS AND LOCATION OF LODGEMENT

The closing time and date for receipt of offers must be prominently displayed on the invitation document, together with the actual location of the offer box for suppliers who wish to "hand-deliver" their offers. Offers should not be accepted after the closing time and date, unless there are exceptional circumstances and the integrity of the process has not been compromised. If extensions of closing time are given, all offerors must receive the same extension.

A secure system that ensures confidentiality of suppliers' information needs to be set up for receiving the offers. There should be one central location for receiving offers for each purchase.

BEST AND FINAL OFFER

When an invitation specifies "Best and Final Offer" it means that the procurement process has involved several stages and the suppliers are invited to submit their final offer. If an invitation is part of a multi-staged procurement process, the invitation should state whether suppliers have the option of specifying a best and final offer prior to the completion of the final stage of the procurement process.

EVALUATION CRITERIA

The invitation should specify the evaluation criteria to be used by the department/agency in assessing which supplier is to be awarded the contract. Examples of criteria include whether the offer complies with "mandatory requirements" or "desirable aspects", quality warranties, after-sale service and support, whole-of-life costing, fitness for purpose and quality assurance requirements. For more information, refer to the *"Evaluating Offers in Purchasing" Better Purchasing Guide*.

SCHEDULE OF PRICES

A Schedule of Prices is a standard format included in the invitation documentation for offerors to include multiple pricing information for a range of products, if applicable.

SCHEDULE OF PARTICULARS

A Schedule of Particulars is a proforma of questions prepared by the department/agency on all aspects of the requirements, both technical and commercial. It is completed by the offeror as part of the offer and allows for easier comparison by the department/agency of offers received. The schedule should be as long as is necessary to gather all the information on commercial considerations, functionality/performance and technical aspects of a supplier's offer.

hint

All offerors need to be given the same information and in sufficient time to be able to respond effectively. The timeframe will depend on the complexity of the purchase.

Standing offer arrangements

When a standing offer arrangement (SOA) is being established, certain terms and conditions governing the SOA need to be made clear (some of these are stated in the Standard Conditions of Supply available on the internet at www.qgm.qld.gov.au).

It is important that suppliers are made aware, for example, that a SOA does not give rise to an obligation to purchase from the supplier. It is merely an opportunity or offer from the supplier to make its products or services available for purchase for a certain period of time, on certain pre-agreed terms and conditions. A department/agency purchaser is not obliged to place orders under the SOA, unless that has been specifically agreed between the parties.

10

What is the difference between a contract and a standing offer arrangement?

A contract is a legally binding agreement (that is, an offer by one party which is accepted by the other), for consideration (that is, some kind of payment), entered into by parties which intend it to give rise to legal rights and obligations between them.

A standing offer arrangement is not a contract. It is an offer by the supplier to provide goods or services on certain pre-agreed terms and conditions. However, until a department/agency places a particular order under a standing offer arrangement, the elements of a contract do not exist. Once the department/agency accepts the supplier's offer by placing an order under the pre-agreed terms and conditions, a contract (having all the elements discussed above) is formed.

Ethical dealings with offerors

It is important that all officers treat all suppliers equally when inviting offers so that the best commercial arrangement on the best terms and conditions can be made for the department/agency. The purchasing practices of Queensland Government agencies are subject to public scrutiny and all officers must act ethically, honestly and with fairness to all participants. For more information, refer to the *"Probity and Accountability in Purchasing" Better Purchasing Guide*.

The following pointers will give some guidance to officers as to what is expected of them as part of the inviting offers process:

- provide invitations to potential suppliers;
- do not communicate with only one potential supplier (if one supplier seeks clarification, the information given should be made available to all suppliers that have requested offer documentations as promptly as possible);
- apply the evaluation criteria that are published in the invitation (don't change the evaluation criteria, or if you must, notify all potential suppliers within plenty of time prior to the closing date of the invitations);
- do not change any of your requirements without notifying all suppliers that have requested offer documentation and giving them the opportunity to respond to the changed requirements;
- treat all offers confidentially; and
- act impartially (if the purchasing process places an officer in a position of conflict, the officer should seek their manager's instructions before continuing).

Officers should never:

- change requirements or criteria without advising all suppliers of the changes (in some circumstances, the changes to the specification or the department's/agency's requirements may be so fundamental that fairness dictates that the invitation process should be started again);
- reveal or discuss the contents of one potential supplier's offer to another potential supplier;
- indicate to a potential supplier that its offer is likely to be accepted or rejected before any formal decision has been made by the department/agency;
- extend the final date for receipt of offers for one or several potential suppliers without extending the date for all potential suppliers;
- accept gifts or other favours from potential suppliers who intend or who have lodged offers; and
- enter into anti-competitive arrangements with suppliers that have the purpose or effect of substantially lessening competition in the market.

hint

It is good practice to take notes of any discussions with prospective suppliers. If you are unsure about responding to a potential supplier's request for information or advice, seek advice from your manager as to the appropriate and ethical manner of responding to the potential supplier.

Where can I get more help?

WHO CAN I TALK TO?

- Purchasing/procurement officers and contract managers.
- *State Purchasing Policy* Hotline, telephone 1800 631 991 (toll free).
- Legal officers.

WHAT CAN I READ?

- Your department's "Agency Purchasing Procedures".
- The *Better Purchasing Guides* support the *State Purchasing Policy* by providing information about current best practice procurement in the Queensland Government. Refer to the back cover of this guide for a list of titles. The *State Purchasing Policy* and the *Better Purchasing Guides* are available at <http://www.qgm.qld.gov.au> or they can be purchased by contacting Copprint on telephone (07) 3246 3399 or 1800 679 778.
- The "Standard Conditions of Offer" and "Standard Conditions of Contract" are also available at <http://www.qgm.qld.gov.au>.

HOW CAN I IMPROVE MY PURCHASING SKILLS?

Queensland Purchasing provides the following services to assist departments/departments/agencies to address their skills requirements:

Training and development advice - provided to assist departments/departments/agencies to meet both individual and organisational needs for training and professional development.

Training course brokerage - there is a number of purchasing training courses, seminars and educational programs available.

Completion and assessment of endorsed courses will assist officers to gain purchasing certification from levels 1 to 8. For more information about purchasing certification contact Queensland Purchasing on telephone 1800 631 991 (toll free).

Other topics in the "Better Purchasing Guides" series include:

Advancing Government Priorities through Purchasing Value for Money

Probity and Accountability in Purchasing

Corporate Procurement Planning

Planning for Significant Purchases

Developing "Agency Purchasing Procedures"

Analysing Supply Markets for Purchasing

Developing Specifications for Purchasing

Inviting Offers

Evaluating Offers in Purchasing

Developing and Managing Arrangements with Suppliers

Negotiation in Purchasing

Engaging and Managing Consultants

Prequalifying Suppliers

Managing and Monitoring Suppliers' Performance

Industrial Issues in Supplier Selection and Management

Environmentally Friendly Purchasing

Purchasing Communication and Information Goods and Services

Conduct of Sample Surveys by Queensland Government Agencies

Leasing in the Queensland Public Sector

Intellectual Property in Purchasing

Managing Complaints about Purchasing

Developing Skills for Purchasing

The "10% Training Policy" for Queensland Government Building and Construction Contracts

How to do Business with the Queensland Government (Suppliers' Guide)

How to do Business with the Queensland Government (Regional Suppliers' Guide)

Disposal of Government Plant and Equipment

The Queensland Government's Quality Assurance Policy

All Guides are available at
<http://www.qgm.qld.gov.au> or
from Queensland Purchasing
on telephone 1800 631 991.



Queensland Government

Department of Public Works

Your comments about this Guide are valued and will be considered. Please provide your comments to michelle.lavery@qp.qld.gov.au

Capital Works Management Framework

Procurement Strategy and Contract Selection



The suite of *Capital Works Management Framework* documents is available online (www.works.qld.gov.au):

- The *Capital Works Management Framework* policy document describes the capital works management process and contains the policy requirements.
- *Guidelines* complement the policy document and expand on various aspects of the capital works management process, particularly in terms of best practice procedures. The Prequalification (PQC) System guidelines are also included in the *Capital Works Management Framework* suite of documents.
- *Policy advice notes* provide advice on particular policy issues and/or procurement processes relating to the planning and delivery of government building projects.
- The *Online Toolbox* provides online support to assist in the implementation of best practice planning and delivery of government building projects. It includes templates, flowcharts, guides, sample documents, and links to useful information.

Procurement Strategy and Contract Selection

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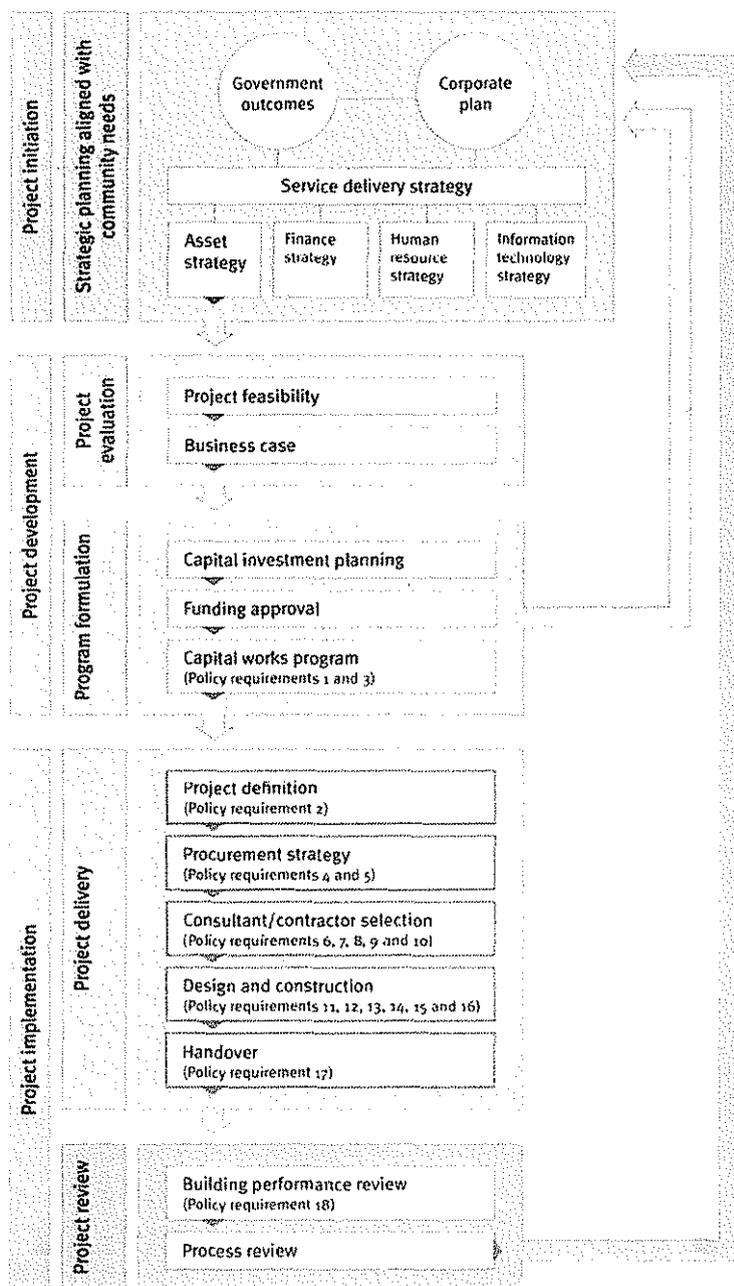
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1.0 Introduction

This guideline forms part of the *Capital Works Management Framework* (CWMF). The CWMF is the Queensland Government's key policy for managing risks in the planning and delivery of building projects.

The guideline applies primarily to the project delivery phase of the capital works management process, which incorporates the project definition, procurement strategy, consultant/contractor selection, design and construction, and handover stages. The process, illustrated in Diagram 1, is a generic process that assists departments in adopting a strategic asset management approach to building projects.

Diagram 1: Capital works management process



Specifically, the guideline supports CWMF policy requirements 4, 5, and 10. Respectively, these require departments to:

- use standard contracts developed by the Department of Public Works on all government building projects
- consult and agree with the Department of Public Works on the selection of contracts for High Risk/Significant projects
- prepare a tender evaluation plan for all High Risk/Significant projects, and consult with the Department of Public Works on the proposed evaluation criteria and weightings to be used in the selection of consultants and contractors prior to calling tenders.

The guideline focuses on the method of selecting an appropriate procurement strategy and associated contracts that will:

- assist in securing planned project outcomes
- encourage the appropriate allocation of risk between industry and government
- reduce the risk of project duration and budget overruns
- reduce the likelihood of contractual disputes and litigation.

1.1 Objective

The objective of this guideline is to facilitate consistency in, and provide guidance to government departments regarding, selection of the most appropriate procurement strategies and contracts for government building projects.

1.2 Competencies for procurement strategy/contract selection

The selection of appropriate procurement strategies and contracts requires knowledge of:

- the key objectives of, and constraints on, the building project
- the risks (both typical and specific) that might impact upon or be encountered at each stage in the delivery of the project, and how best to deal with those risks
- the level of complexity of the project
- the key processes and activities that must be performed in delivering the project
- the available procurement strategies and contracts
- relevant CWMF policy requirements.

1.3 Scope

This guideline provides an overview of the procurement strategies and contracts that may be used on government building projects and guidance as to their application. It emphasises the need for early selection of the procurement strategy and for flexibility after the selection has been made. The guideline also explains why these aspects are critical to securing planned project outcomes.

This guideline does not apply to government building projects to be procured using a public private partnership (PPP) strategy covered under the *Value for Money Framework* administered by the Department of Infrastructure and Planning (refer to this department's website for further information: www.dip.qld.gov.au).

1.4 Key definitions

Before selecting procurement strategies and contracts for building projects, it is important to understand the difference between these terms. In the context of this guideline:

- 'procurement strategy' refers to the process used to take a building project from its early planning phases to completion and occupation by the building's users
- 'consultancy contract' means the written agreement between either the principal and a consultant or the building contractor and a consultant, for the delivery of consultancy services (such as design, documentation, cost planning and project scheduling) related to a building project
- 'building contract' means the written agreement between the principal and the contractor for the construction of the project. The terms of the agreement may provide for the design and documentation of the project by the contractor, and may also include ongoing maintenance obligations.

1.5 Other relevant documents

- *Advancing Government Priorities through Non-Price Criteria used for Tender Evaluations* (CWMF policy advice note, Department of Public Works) www.works.qld.gov.au
- *Construction Tender Evaluation: Best Value Not Lowest Price* (CWMF policy advice note, Department of Public Works) www.works.qld.gov.au
- *Consultant PQC Invitation and Selection Process* (CWMF guideline, Department of Public Works) www.works.qld.gov.au
- *Contractor PQC Tendering and Selection Process* (CWMF guideline, Department of Public Works) www.works.qld.gov.au
- *Relational Procurement Options: Alliance and Early Contractor Involvement Contracts* (Better Purchasing Guide, Department of Public Works) www.qgm.qld.gov.au
- *Supply Strategy Development* (Project Assurance Framework guideline, Department of Infrastructure and Planning) www.dip.qld.gov.au

2.0 Achieving value for money

In accordance with the *State Procurement Policy*, procurement strategy and contract selection for government building projects is required, among other things, to achieve value for money. This is reinforced by the *Project Assurance Framework*, which notes the importance of value for money in setting the foundation for effective project management across the Queensland public sector.

Achieving value for money typically involves comparing alternatives for the supply of goods and services to get the best mix of quality and effectiveness for the lowest cost over the required term. Importantly, it involves an appropriate allocation of risk, making the selection of a suitable procurement strategy and contract a critical factor in determining whether value for money is achieved.

Assessing value for money involves more than a consideration of price alone. Other factors to be considered include:

- compliance with relevant CWMF policy requirements
- contribution to the advancement of government priorities
- cost-related factors such as whole-of-life and transaction costs
- non-cost related factors such as fitness for purpose, and the quality, service and support offered by the tenderers
- sustainability requirements and/or targets.

In terms of building procurement, there are a number of strategies that typically contribute to value-for-money outcomes, including:

- optimising risk allocation between the parties
- using performance specifications, where appropriate, to encourage maximum innovation
- ensuring the flexibility to secure scope changes at a reasonable cost
- using incentives to reward 'better than business as usual' outcomes
- setting an appropriate contract period
- ensuring participants have the required skills and capabilities to deliver the planned project outcomes
- adopting a procurement strategy appropriate to the complexity of the project.

The impact of these strategies on the achievement of value for money will depend upon the nature and specific circumstances of each building project. Departments should adopt the strategy/strategies that can best achieve value for money and ensure probity and accountability.

3.0 Procurement strategy selection

3.1 When to select a procurement strategy

As a project moves through the phases identified in the capital works management process (illustrated in Diagram 1), knowledge of the project increases. During the project development phase (i.e. project evaluation and program formulation), decisions should be made about the type of building that is required, when it is needed, and what funds might be available to build it. This is the ideal time to consider the procurement strategy or strategies that might be best suited to deliver the required project outcomes. The project development phase is also the time to identify bundling opportunities (see section 3.3 for further information).

By the time the project reaches the project delivery phase, project knowledge will be at a level where a preferred procurement strategy can be readily identified.

3.2 Factors that influence procurement strategy selection

Before selecting the procurement strategy for a government building project, whether at a strategic or detailed level, it is necessary to first identify the factors which will determine the most suitable procurement strategy for the project. These factors are:

- the key objectives and constraints of the project
- the risks that may arise during the delivery of the project and how those risks might best be dealt with
- the level of complexity of the project.

In order to meet the Government's objective of achieving value for money, the above factors that influence procurement strategy selection must be considered together with the factors that drive value for money (as covered in section 2.0).

The following subsections provide further details on the factors influencing procurement strategy selection.

3.2.1 Key objectives and constraints

The key objectives of each project will be identified during the project definition stage of the capital works management process, as a precursor to procurement strategy selection. The objectives generally relate to:

- scope (i.e. what is to be delivered) together with any required provision for flexibility in this regard
- cost, including whole-of-life and transaction costs
- time, including an appropriate allowance for the contract period
- quality, including fitness for purpose considerations
- sustainability, including social, economic and environmental aspects
- innovation, encouraged through the use of performance, rather than prescriptive, specifications
- community or stakeholder needs and expectations
- contribution to the advancement of government priorities
- 'better than business as usual' outcomes, encouraged through performance incentives.

Constraints are aspects of the project that limit, restrict or otherwise impact upon the project objectives in some manner. Constraints are typically unique to each project and may include:

- time constraints
- budget constraints
- physical constraints
- availability of resources, including labour resources
- skills, capability and capacity of the project participants to deliver the planned project outcomes
- market or industrial conditions
- policy requirements.

The objectives and constraints of each building project are frequently interdependent, and will therefore need to be considered concurrently. This approach will highlight the objectives and constraints that critically impact upon the planned delivery of the project and facilitate the selection of the most suitable procurement strategy. In some cases, however, it will be clear that one objective or constraint takes precedence over all others due to its critical impact upon project outcomes (for example, a constraint to complete a new school building before the commencement of a new school year). This critical objective or constraint should then be used to determine the most suitable procurement strategy for the project.

3.2.2 Risks

The second factor that may influence selection of a procurement strategy is the risk associated with the building project. In the context of this guideline, risks are events, both known and unforeseen, that might occur during the delivery of a building project and which will usually adversely affect the project outcomes.

The nature of the risks to the project, and their impact on project outcomes if they occur, are often determined by the key objectives and constraints of the project. For example, if a project has a particularly tight timeframe for completion, delays to the construction program will be a risk to securing the timely completion of the project. Once the key objectives and constraints of the project have been defined, the risks can also be identified.

Responsibility for managing or mitigating particular risks is broadly determined by the procurement strategy adopted for the project. (For example, where the procurement strategy is 'design and construct', the risk of design errors is, in general terms, passed to the contractor.) Therefore, departments should consider and determine the most suitable method to deal with the identified risks prior to selecting a procurement strategy for the particular project.

As a guiding principle, responsibility for managing a particular risk should be allocated to the party best able to deal with that risk. Inappropriate risk allocation is likely to result in project budget overruns (as contractors can reasonably be expected to make allowances in their tenders for the risks for which they are responsible) and increase the likelihood of contractual disputes and litigation.

3.2.3 Level of complexity

The level of complexity of a project must be considered when selecting an appropriate procurement strategy. The complexity of a project is determined by a combination of factors, including:

- the size of the project
- the duration of the project
- the scope of the project
- the number of stakeholders involved
- the level of technology to be incorporated in the project
- the degree of innovation required by the client
- market conditions.

While contractually complex procurement strategies may sometimes be required for complex projects, the additional resources needed to administer a complex strategy are likely to be wasted if a simple strategy can achieve the same outcomes. The inappropriate selection of a complex procurement strategy can also lead to unsatisfactory project outcomes in terms of cost, as tenderers may make allowances in their tenders for additional administration costs and the possibility of contractual disputes which might otherwise not have arisen.

3.3 Selecting the procurement strategy

Having defined the key objectives and constraints of the building project, identified the risks, broadly determined the preferred risk allocation and identified the level of complexity of the project, the procurement strategy can be selected.

The procurement strategy best suited to the project will be the one that best aligns with the key objectives and constraints of the project, that deals most appropriately with the identified risks, and that suits the level of complexity of the project.

Attachment 1 provides an overview of the features of the procurement strategies generally used for government building projects and is intended to assist departments to make informed choices from these procurement strategies for their projects. The strategies include:

Traditional Fully Documented – Lump Sum

The principal engages consultants to design the building project and prepare documentation which fully describes the work to be undertaken. The contractor then constructs the building project in accordance with the project documentation prepared by the principal's consultants, for the agreed lump sum price. This procurement strategy is best suited to projects where there is a high degree of certainty regarding the specific project requirements.

Design and Construct – Lump Sum

The principal engages consultants to prepare a detailed project brief which defines the scope, quality and functionality requirements of the building project. The contractor then completes the design of the project, prepares construction documentation, and constructs the project for the agreed lump sum price. This is an effective procurement strategy where the need to achieve defined time and cost outcomes outweighs the need for quality.

Managing Contractor – Design and Construction Management

Typically, this is a two stage procurement strategy that provides for early contractor involvement. Prior to stage 1, the principal engages consultants to prepare a project brief, which includes a budget estimate and estimated time for completion of the project. During stage 1, the managing contractor works collaboratively with the design consultants and the principal to revise the project brief and refine the design to meet budget and time constraints. Prior to stage 2, the managing contractor makes an offer to the principal based on the revised project brief. If the offer is accepted, stage 2 commences and the managing contractor completes the design and manages the construction of the project. This procurement strategy is best suited to major or significant projects where there is some uncertainty regarding the specific project requirements.

Alliance

This procurement strategy also provides for early contractor involvement. An alliance is formed between key project participants, including the principal and contractor. All partners in the alliance are collectively responsible for all aspects of the delivery of the project. The alliance is generally structured so that commercial risks and rewards are shared by the alliance partners. It is best suited to complex, high risk projects where alternative strategies for risk allocation will be ineffective.

Bundling

Bundling is a program management strategy that involves the delivery of a number of projects (in some cases, for a number of departments) under a single contract. Bundling can be particularly effective at times when the labour market is under strain, or for the delivery of multiple projects in remote or regional locations. Although not a complete procurement strategy in itself, bundling must be considered by departments, in consultation with the Department of Public Works, for medium and lower value projects (estimated to cost between \$0.5 million and \$20 million) in accordance with CWMF policy requirement 1.

3.4 Confirming the procurement strategy

For some building projects, certain objectives and constraints may be difficult to identify, or may be subject to change over time. As a consequence, the identified risk management strategy (and hence the procurement strategy), while previously well aligned with the key objectives and constraints, may become unsuitable for the project. In such cases, an alternative procurement strategy should be selected and implemented.

Where there is a degree of uncertainty surrounding the key objectives and constraints of the project, the project team must remain flexible in order to rapidly address any misalignment between these objectives and constraints and the selected procurement strategy. To facilitate such flexibility, it is necessary to monitor the key objectives and constraints as the project progresses and be prepared to adjust the procurement strategy accordingly.

4.0 Contract selection

Having determined an appropriate procurement strategy for the building project, the relevant officer(s) can select the contract(s) from those listed under the heading of 'generic contracts' in Attachment 1.

The optimum building contract for a particular project will:

- be suitable for use with the chosen procurement strategy
- be in alignment with the key objectives and constraints of the project
- deal most appropriately with the identified risks
- be suited to the level of complexity of the project.

There are two CWMF policy requirements that need to be considered when selecting the optimum building contract, namely:

- **policy requirement 4** – departments must use standard contracts developed by the Department of Public Works for all government building projects, and these contracts must not be amended in any way without prior consultation and agreement with the Contract Services unit of the Department (Contract Services unit will specifically tailor a contract to a particular project or application where the circumstances require it)
- **policy requirement 5** – departments must consult and agree with the Department of Public Works on the selection of building contracts for all High Risk/Significant (HRS) projects (further information regarding the selection of contracts for HRS projects can be found in section 6.0).

The Department of Public Works' building contracts are specifically intended for use on government building projects and align with one or more of the procurement strategies outlined in section 3.3. The contracts are generic in nature but typically contain sections which must be completed with project-specific details by (or on behalf of) the principal before tenders are called.

The suite of standard contracts also includes two consultancy contracts, one for small consultancies and the other for large consultancies. CWMF policy requirement 4 applies equally to these contracts. The standard consultancy contracts also contain sections which must be completed with project-specific details by (or on behalf of) the principal before offers are invited.

To view the Department of Public Works' current building and consultancy contracts and obtain guidance material on their application and usage, refer to the Department's website at www.publicworks.qld.gov.au/resources/constructioncontracts/Pages/default.aspx.

The Department of Public Works' contracts typically include conditions of tender, which should be followed rigorously as part of the contractual process. These conditions often incorporate schedules to be completed with project-specific details by (or on behalf of) the principal before tenders/offers are invited. The conditions may also provide for contractor selection using price, or a combination of price and non-price, criteria (consultant selection will always involve both). Further details on the use of non-price criteria in the selection of contractors and/or consultants are included in section 5.0.

5.0 Use of non-price criteria

Where both price and non-price criteria are to be used as the basis for a tender evaluation, the non-price evaluation criteria and the weightings given to those criteria need to be set out in the appropriate schedule in the conditions of tender. Offerors/tenderers will then be required to respond specifically to the matters put to them in the non-price criteria when preparing their offers/tenders.

While the contract will allocate responsibility for certain risks and requirements to the consultant or contractor, it is useful to understand the means by which each offeror/tenderer proposes to manage those risks and/or meet those requirements before a consultant/contractor is selected.

Effectively drafted and appropriately weighted non-price criteria will elicit responses directly addressing the risks that are to be managed by the consultant/contractor. In responding to the non-price criteria, each offeror/tenderer details the commitments they will fulfil once the contract has been awarded.

A set of effectively drafted and appropriately weighted non-price criteria can be a powerful tool that provides the offer/tender evaluation team with the opportunity to identify which offeror/tenderer will best deliver the planned value-for-money and project outcomes. Among other things, non-price criteria can assist the evaluation team to identify: the particular competencies of each offeror/tenderer that are relevant to the project; and the way in which each offeror/tenderer intends to address any nominated government policy requirements (e.g. requirements of the *Local Industry Policy* or the *Indigenous Employment Policy*).

Where the building project is a High Risk/Significant project, validation of non-price criteria and the weightings allocated to those criteria must be sought from the Department of Public Works prior to calling tenders. Further information regarding this process is provided in section 6.0.

The CWMF policy advice note, *Advancing Government Priorities through Non-Price Criteria used for Tender Evaluations*, provides additional information concerning non-price criteria and government priorities.

6.0 High Risk/Significant (HRS) building projects

Policy requirement 5 of the CWMF requires that the selection of building contracts for all HRS projects (as defined in Attachment 5 of the CWMF) must be undertaken by departments in consultation and agreement with the Department of Public Works. To assist departments in this regard, the Department of Public Works has established a Contracts Committee to assess proposals related to the procurement of HRS projects.

The Contracts Committee is tasked with taking a broad view of government building procurement, giving consideration both to matters specific to the particular project before them and matters that concern whole-of-Government and industry.

Departments are encouraged to make written submissions to the Contracts Committee at any stage of their HRS project. Such submissions are best made progressively, initially outlining the strategic procurement strategy for the project and then later detailing the selected procurement strategy, building contract and, where appropriate, non-price criteria and weightings.

Submissions may seek the Contracts Committee's endorsement of a proposed procurement strategy and/or contract; alternatively, they may seek guidance or direction. Submissions may take any form, but must provide sufficient information to enable the committee members to properly consider all relevant issues relating to the proposal. To assist in this regard, a Contracts Committee submission template is provided in Attachment 2.

Submissions may be forwarded to the Contract Services unit of the Department of Public Works for consideration by the Committee. While the Contracts Committee sits on a regular basis, there is provision to consider urgent submissions.

Attachment 1: Overview of procurement strategies

Traditional Fully Documented – Lump Sum

Description	Tender process, cost and payments	General risk profile	Variants	Performance summary
<p>Roles</p> <ul style="list-style-type: none"> Principal engages consultants and prepares the project brief, schematic design, developed design and contract documentation. Contractor carries out the construction. <p>Relationship between parties</p> <ul style="list-style-type: none"> Potentially adversarial. 'Zero sum' mentality (i.e. 'your gain is my loss'). 	<p>Tender process</p> <ul style="list-style-type: none"> Tenders called after design and documentation is complete. Lump sum price offered by tenderers. Competitive. Evaluated on 90 - 100% price criteria, 0 - 10% non-price criteria. <p>Cost prior to tender</p> <ul style="list-style-type: none"> Principal is responsible for ensuring that the design can be built within the budget. <p>Cost and payments post tender</p> <ul style="list-style-type: none"> The accepted lump sum becomes the contract sum, subject to adjustment for variations to the contract documents and claims. Contractor is paid on a regular basis for work completed, up to the value of the adjusted contract sum. Final cost is highly dependent upon the quality of the contract documentation prepared by the Principal. 	<p>Risks allocated to the Principal</p> <ul style="list-style-type: none"> That the design meets the project brief. That the contract documentation reflects the design. That the contract documentation is complete, unambiguous, accurate and suitable for the purpose of construction. <p>Risks allocated to the Contractor</p> <ul style="list-style-type: none"> That the materials and workmanship are in accordance with the contract documentation. That completion of construction will be within the allocated time. That the cost of construction will be within the adjusted contract sum. 	<ul style="list-style-type: none"> Tenderers can be required to offer a schedule of rates in lieu of a lump sum. 	<ul style="list-style-type: none"> Predominantly used for projects where there is a high degree of certainty about project requirements. Success is highly dependent upon the adequacy, completeness and accuracy of the contract documentation. Difficult to control time and cost outcomes where contract documentation is inadequate or variations are needed. Claims are common. Will normally deliver the lowest initial contract sum following tender call, but not necessarily the lowest final cost. Not well suited to fast tracking the project. It is normally costly to do so.
<p>Scope</p> <ul style="list-style-type: none"> Scope is precisely specified in the contract documents. Scope can be varied, but not beyond the original intent of the contract documents, and any variations will normally give rise to a contract sum adjustment and extension of time. 	<p>Design/quality</p> <ul style="list-style-type: none"> Quality of materials and workmanship is fully specified in the contract documentation. Contractor has very limited capacity to have input into the design or 'buildability' of the project. Defects liability period of 6 to 12 months, depending on nature of project, with no real benefit in adding further maintenance responsibilities. 	<p>Time</p> <ul style="list-style-type: none"> Design and documentation must be completed before construction can commence, making it potentially the longest duration procurement strategy available. Most delays will give rise to extensions of time for the completion of construction. 	<p>Administration</p> <ul style="list-style-type: none"> Principal must appoint a Superintendent to act honestly and fairly in administering the contract. Contract administration is not overly complex. 	<p>Generic contracts</p> <ul style="list-style-type: none"> AS2124 with Special Conditions AS4305 with Special Conditions DPW Medium Works DPW Minor Works DPW Small Scale Minor Works General Conditions of Contract for Consultancy Services (long and short forms are available). <p>(Note: DPW is the abbreviation for Department of Public Works)</p>

Design and Construct – Lump Sum

Description	Tender process, cost and payments	General risk profile	Variants	Performance summary
<p>Roles</p> <ul style="list-style-type: none"> Principal engages consultants and prepares detailed project brief (which defines scope, quality and functionality requirements) and may complete part of the design. Contractor completes the design and construction documentation, and carries out the construction. <p>Relationship between parties</p> <ul style="list-style-type: none"> Potentially adversarial. 'Zero sum' mentality (i.e. 'your gain is my loss'). 	<p>Tender process</p> <ul style="list-style-type: none"> Tenders called after project brief is complete, and before design is commenced (if no design provided by Principal). Design solutions and lump sum price offered by tenderers. Competitive. Costly to tenderers. Typically evaluated on 70% price criteria, 30% non-price criteria. <p>Cost prior to tender</p> <ul style="list-style-type: none"> Principal is responsible for ensuring that the requirements of the project brief can be met within the budget. <p>Cost and payments post tender</p> <ul style="list-style-type: none"> The accepted lump sum becomes the contract sum, subject to adjustment for variations to the project brief and claims. Contractor is paid on a regular basis for work completed, up to the value of the adjusted contract sum. Final cost is dependent upon the adequacy of the project brief (i.e. if the brief does not adequately define the requirements of the project, it is likely there will be a need for variations, and therefore additional cost). 	<p>Risks allocated to the Principal:</p> <ul style="list-style-type: none"> That the project brief adequately describes the project requirements. <p>Risks allocated to the Contractor</p> <ul style="list-style-type: none"> That the design and construction documentation meet the project brief. That the construction documentation is suitable for the purpose of construction. That the materials and workmanship are in accordance with the construction documentation. That completion of design, documentation and construction will occur within the allocated time. That the cost of design, documentation and construction will be within the adjusted contract sum. 	<ul style="list-style-type: none"> The Principal may complete the design, such that the Contractor is only required to document and construct the project. The Principal's consultants may be nominated to the Contractor with the expectation that the Contractor would engage them. There may be some benefit in making the Contractor responsible for maintenance as an incentive for the Contractor to be proactive in achieving a low-maintenance outcome during the design and construction of the project. 	<ul style="list-style-type: none"> Predominantly used for projects where there is a high degree of certainty about project requirements. Used where time and cost outcomes outweigh the need for quality. Quality outcomes are dependent upon the adequacy of the project brief and how it is (or can be) interpreted; therefore, quality is often difficult to control. Claims are common, particularly concerning quality.
<p>Scope</p> <ul style="list-style-type: none"> Project brief defines the scope of the project, typically by specifying functional and performance requirements. Scope can be varied, but not beyond the original intent of the project brief, and any variations will normally give rise to a contract sum adjustment and/or extension of time. 	<p>Design/quality</p> <ul style="list-style-type: none"> Project brief defines the quality of the project, typically by specifying performance requirements. Contractor has significant ability to influence the design and 'buildability' of the project. Defects liability period is typically 12 months. 	<p>Time</p> <ul style="list-style-type: none"> Design and documentation can be completed concurrently with construction, making it most likely the shortest duration procurement strategy available. Opportunities for extensions of time are generally limited. (Note: variations to the project brief will normally give rise to extensions of time.) 	<p>Administration</p> <ul style="list-style-type: none"> Principal must appoint a Superintendent to act honestly and fairly in administering the contract. Principal often requires audit design consultants to ensure compliance with the project brief. Contract administration is not overly complex. 	<p>Generic contracts</p> <ul style="list-style-type: none"> AS4300 with Special Conditions AS4305 with Special Conditions DPW Medium Works with Design DPW Minor Works with Design General Conditions of Contract for Consultancy Services (long and short forms are available). <p>(Note: DPW is the abbreviation for Department of Public Works)</p>

Managing Contractor – Two Stage Design and Construction Management Negotiated GCS

Description	Tender process, cost and payments	General risk profile	Variants	Performance summary
<p>Roles</p> <ul style="list-style-type: none"> The Principal engages consultants to prepare the project brief, which includes budget estimate and estimated completion time. During Stage One, the Managing Contractor (MC) typically engages the Principal's consultants and works collaboratively with the Principal to revise the project brief and refine the design to meet budget and time constraints. At the end of Stage One, the MC submits an offer consisting of a revised project brief, Guaranteed Construction Sum (GCS), time for completion, and possibly adjustments to the MC's tendered Stage Two fees (to the extent allowed by the contract). If the offer is accepted, Stage Two commences and the MC completes design and construction documentation, calls tenders for and lets subcontract trade packages, and manages construction. If not, the contract ends. <p>Relationship between parties</p> <ul style="list-style-type: none"> Relationship based (rather than adversarial); objectives are aligned to encourage win/win solutions. Parties must act in good faith. 	<p>Tender process</p> <ul style="list-style-type: none"> Competitive tenders (i.e. for design, documentation and construction fees, on and off site overheads and profit, based on Principal's project brief) for each stage. Typically evaluated on 30% price criteria, 70% non-price criteria. <p>Cost and payments for Stage One</p> <ul style="list-style-type: none"> The MC is progressively paid the tendered Stage One fees. <p>Cost and payments for Stage Two</p> <ul style="list-style-type: none"> The MC is progressively paid the tendered Stage Two fees, which may have been adjusted in the MC's offer (made at conclusion of Stage One). The MC is progressively paid for the Actual Construction Sum (ACS), up to the accepted GCS. The Principal uses cost consultants to audit the ACS. Where, at completion, the ACS is less than the GCS, the MC is typically entitled to a bonus share of the difference. The GCS may be adjusted in accordance with the contract, including for variations to the revised project brief. 	<p>Risks allocated to the Principal</p> <ul style="list-style-type: none"> That the project brief adequately describes the project requirements. <p>Risks allocated to the MC</p> <ul style="list-style-type: none"> That the scope contained in the revised project brief can be built within the GCS offered, and within the time offered. That the design meets the revised project brief and is suitable for its purpose. That the construction documentation meets the final design and is suitable for the purpose of construction. That materials and workmanship are in accordance with the construction documentation. That completion of construction occurs within the allocated time. That the ACS is within the GCS. 	<ul style="list-style-type: none"> As this strategy features a high degree of flexibility, contracts can be tailored to suit individual project needs. There are opportunities for incentives to encourage better than normal performance. The MC may obtain its own consultants, rather than engaging those used previously by the Principal. Long term maintenance obligations can be added to the contract. 'Single-stage' option (i.e. preferred tenderer offers a GCS, time for completion, revised project brief, and design (using Principal's consultants) as a consolidated tender which may then be accepted by the Principal). 'Document and construct' option (i.e. the Principal completes design and the MC documents and manages construction). 'Construction management' option (i.e. the Principal completes design and documentation and the MC manages construction). 	<ul style="list-style-type: none"> Used for major or complex projects. Can be effective where there is some degree of uncertainty about project requirements. Provides for early contractor involvement. Incorporates many of the principles and benefits of alliance contracting on more typical commercial terms. Gives reasonable certainty of time, cost and quality outcomes. Claims and disputes are minimal.
<p>Scope</p> <ul style="list-style-type: none"> During Stage One, scope is defined in project brief prepared by the Principal; during Stage Two it is defined in the revised project brief prepared by MC collaboratively with the Principal. Capacity to balance scope against cost during Stage One. During Stage Two, variations may give rise to adjustments to the GCS and extensions of time. 	<p>Design/quality</p> <ul style="list-style-type: none"> During Stage One, design/quality is defined in project brief prepared by Principal; during Stage Two, it is defined in revised project brief prepared by MC collaboratively with the Principal. Capacity to balance quality against cost during Stage One. MC has significant ability to influence design and 'buildability' of the project. Defects liability period of 12 months. 	<p>Time</p> <ul style="list-style-type: none"> Design must be largely completed before documentation and construction can commence. Capacity for early works (i.e. for commencement of work on site during Stage 1). Opportunities for extensions of time are generally limited. (Note that variations to the project brief may give rise to extensions of time.) 	<p>Administration</p> <ul style="list-style-type: none"> Principal appoints Principal's Representative to administer the contract in good faith. Principal requires cost consultants to audit ACS and may require audit design consultants to ensure compliance with the revised project brief. Relatively complex to administer. 	<p>Generic contracts</p> <ul style="list-style-type: none"> Managing Contractor Two Stage Design and Construction Management (Negotiated GCS) Managing Contractor Single Stage Design and Construction Management (Negotiated GCS) General Conditions of Contract for Consultancy Services (long and short forms are available).

Alliance

Description	Tender process, cost and payments	General risk profile	Variants	Performance summary
<p>Roles</p> <ul style="list-style-type: none"> An alliance is formed between key project participants, which include the Principal and Contractor, and may include key consultants and trade contractors. The alliance is responsible for all aspects of the delivery of the project. <p>Relationship between parties</p> <ul style="list-style-type: none"> Relationship must be collaborative for the alliance to be effective. There is a policy of 'no blame, no disputes' between the alliance partners. 	<p>Tender process</p> <ul style="list-style-type: none"> Tenders called from interested alliance consortia at the outset of the project. Evaluated on 100% non-price criteria. Often evaluated through workshops and interviews. <p>Cost and payments</p> <ul style="list-style-type: none"> The process of establishing the alliance can be costly. Principal pays all direct costs of the project (including alliance partners' actual costs, profit and overheads), up to agreed target costs, after which the profit and overheads of all alliance partners are also used to cover costs on a pre-agreed basis. The target costs typically include substantial contingencies. The Principal's costs cannot be capped if project costs exceed expectations. Additional monetary incentives may be available for performance relative to key performance indicators (KPIs) determined by the alliance at the outset. 	<ul style="list-style-type: none"> Structured so that commercial risk and reward is shared and it is in the alliance partners' business pecuniary interests to work co-operatively. There are no claims, as costs are audited, and no disputes, as blame is not apportioned. 	<ul style="list-style-type: none"> Pure alliances: target costs agreed after tenderer selection; risks shared equally between alliance partners; decision making is unanimous; and liability is not distributed between partners. Competitive alliances: similar to pure, except that two short-listed tenderers develop concept designs and target costs for the project before a final selection is made. Hybrid alliances: departures from the pure/competitive alliance models include: using a deadlock breaking process (e.g. binding arbitration); allocating specific risks or responsibilities to individual alliance partner/s; retaining the liability of individual alliance partner/s; nominating exclusions to the no-dispute provisions. Program alliances: a number of similar projects are awarded to the alliance and the target costs for subsequent projects are determined using the actual costs of the previously completed project. 	<ul style="list-style-type: none"> Suited to complex, high risk projects where it is difficult to transfer risk appropriately. Effective where there is uncertainty about project requirements. More commonly used for civil, infrastructure and mining projects. Provides for early involvement of the Contractor. Success depends heavily upon the attitudes and abilities of the alliance partners (and their individual representatives) to manage the project as a team, on a 'best for project' basis. There is limited case history of building projects completed by alliance, so it is difficult to assess its successful use.
<p>Scope</p> <ul style="list-style-type: none"> Scope is defined in the project brief, but there is capacity to balance scope against cost and time requirements. Scope can be varied, as determined by the alliance, with the cost of the variation being a direct cost to the project. 	<p>Design/quality</p> <ul style="list-style-type: none"> Design/quality are defined in the project brief; however, input is possible from the Principal, Contractor and a range of other experts, to give design and 'buildability' advice and balance quality against cost and time. KPIs may be used to encourage excellent quality. Defects liability period applies to trade contracts, for durations as deemed appropriate. 	<p>Time</p> <ul style="list-style-type: none"> The process of establishing the alliance can be lengthy. Design, documentation and construction can overlap. Capacity for early works. Provides flexibility to allow delays to be managed in ways other than by extensions of time. 	<p>Administration</p> <ul style="list-style-type: none"> Principal's representatives (and all other individuals) must be the best available for the project, in terms of both attitude and skill. Legal support needed to establish the alliance. Facilitator needed for workshops. Cost consultants needed to validate target costs. A probity auditor may be required. Complex to establish/administer. 	<p>Generic contracts</p> <ul style="list-style-type: none"> No generic contract is available; a project specific contract must be drafted.

Bundling

Description	Tender process, cost and payments	General risk profile	Variants	Performance summary
<p>A bundled project is one that involves the delivery of a number of separate 'component' projects under a single contract.</p> <ul style="list-style-type: none"> Used in conjunction with one of the other procurement strategies described previously. Available for projects valued between approximately \$0.5M and \$20M. Refer to CWMF policy requirement 1. <p>Roles</p> <ul style="list-style-type: none"> Where multiple departments are involved, a lead department must be appointed Principal under the selected building contract; other departments become stakeholders. Departments must consider how best to prepare contract documentation for component projects to ensure that, when the projects are bundled, the documentation is well coordinated, accurate, complete and unambiguous. <p>Relationship between parties</p> <ul style="list-style-type: none"> Where there is a number of different departments involved, stakeholder relationships often become complex. 	<p>Tender process</p> <ul style="list-style-type: none"> Depends upon the procurement strategy and building contract selected. <p>Cost prior to tender</p> <ul style="list-style-type: none"> Departments must ensure that value for money can be achieved by bundling their project with other projects. <p>Cost and payments post tender</p> <ul style="list-style-type: none"> Payment regime depends upon the procurement strategy and building contract that is used for the bundled project. Depending upon the selected procurement strategy and building contract, costs for variations may be difficult to attribute to individual component projects. 	<ul style="list-style-type: none"> Due to increased scope, the risk profile of the bundled project may be significantly different from the risk profiles of the component projects. This needs to be taken into account when selecting the most appropriate procurement strategy and building contract for the bundled project. 	<ul style="list-style-type: none"> May incorporate component projects from a single department or multiple departments. 'Sequential' bundling, which requires the sequential commencement and completion of each component project of the bundle. 'Concurrent' bundling, which involves the simultaneous construction of all component projects of the bundle. 	<ul style="list-style-type: none"> Suitable for use at times when there are labour market shortages, or for the delivery of multiple projects in remote or regional locations. Success depends upon the willingness of departments to participate proactively and positively in bundling opportunities. Has the potential to generate savings for government through bulk purchasing. Reduces competition between departments for resources. May negatively affect small to medium tier contractors, who are unable to compete for larger bundled projects.
<p>Scope</p> <ul style="list-style-type: none"> Overall, scope is substantially increased due to the bundling of smaller component projects. This increased scope may impact upon the suitability of a particular procurement strategy or building contract, and the type of contractor capable of carrying out the project. 	<p>Design/quality</p> <ul style="list-style-type: none"> The approach to design and quality will depend on the procurement strategy and building contract selected. Defects liability period depends upon the procurement strategy and building contract selected. 	<p>Time</p> <ul style="list-style-type: none"> Bundling opportunities need to be identified prior to the project definition phase of the project. Timely completion of a component project may be affected by other component projects within the bundle. Particularly where bundling is sequential, a complex time regime may be required. Particularly where bundling is concurrent, delays and their effects may be difficult to attribute to individual component projects. 	<p>Administration</p> <ul style="list-style-type: none"> Can be complex due to the increased scope of the bundled project, the increased number of stakeholders, and the need to attribute costs to each of the component projects. 	<p>Generic contracts</p> <ul style="list-style-type: none"> No specific bundling contract is available; any of the generic forms may be suitable, but may require modification.

Attachment 2: Contracts Committee submission template

Submission to the Contracts Committee

Date of meeting Insert date of Contracts Committee meeting.

Subject Describe the subject of the submission.

Purpose State the purpose of the submission.

Brief and issues

Provide a brief description of the project and any information that will assist the Committee in determining the most appropriate procurement strategy. Only issues considered relevant should be addressed. Information may include detail such as:

- project objectives
- stakeholders
- scope, including:
 - the project's various elements (e.g. new construction, refurbishment, additions, demolition, site infrastructure, early works packages)
 - a breakdown of the construction budget relative to its elements
 - the proposed staging or sequencing of work
 - any sketch plans/documentation that may assist the Committee
 - critical activities
- time considerations, including:
 - key milestones or critical activities
 - planning and approval timeframes
 - a fixed end date versus flexible timeframes
 - any time dependencies or influences from other projects
- budget (and possible funding issues) including:
 - most recent estimate
 - allowance for escalation
 - confidence level of estimate
 - any cash flow forecasts that may assist the Committee
- tender and evaluation process, including:
 - whether open or select tenders are being used (in accordance with the *Capital Works Management Framework* and PQC System guidance)
 - proposed evaluation criteria and weightings, including whether there are any non-price criteria
- constraints, including:
 - supply issues (e.g. market conditions)
 - site issues (e.g. site access)
- environmental issues (e.g. vegetation protection, contamination)

- cultural/heritage issues (e.g. all or part of site/building registered as culturally or historically significant)
- assumptions and givens
- policy considerations, including:
 - *Local Industry Policy*
 - *art+place policy framework*
 - *10% Training Policy (State Government Building and Construction Contracts: Structured Training Policy)*
 - *Indigenous Employment Policy*
 - requirements associated with workforce management on government building projects
 - requirements associated with occupational health and safety on government building projects
- current position, including:
 - the current stage of the project
 - any consultancy contracts that have been let
- other relevant information, including:
 - the likelihood of an adequate pool of eligible tenderers
 - any approved deviations from Government policy
 - expectations of the department sponsoring the project (e.g. with respect to sustainability/green rating outcomes)
 - external factors/stakeholder issues
 - public sensitivities
 - directions given by other government departments.

Options and analysis

Identify the procurement strategy options and analyse each of them, noting advantages and disadvantages.

Recommendation

Recommend a procurement strategy option. For project managers, provide confirmation that the department sponsoring the project has endorsed the recommendation.

Contact officer

[Name]
[Position]
[Work Unit]
[Department]
[Work telephone number]

Endorsement

(officer with appropriate level of authority)
[Name]
[Position]
[Work Unit]
[Department]
[Work telephone number]

Decision

Recommendation endorsed by Chair on behalf of Committee

RE: Purchasing Policy review

From: Ron Mathofer <rmatuofer@racingqueensland.com.au>
To: Kearra Christensen <kchristensen@racingqueensland.com.au>, Adam Carter <acarter@racingqueensland.com.au>, Blair Odgers <bodgers@racingqueensland.com.au>, Deanna Dart <ddart@racingqueensland.com.au>, Malcolm Tuttle <mtuttle@racingqueensland.com.au>, Mark Snowdon <msnowdon@racingqueensland.com.au>, Paul Brennan <pbrennan@racingqueensland.com.au>, Shara Reid <sreid@racingqueensland.com.au>
Date: Thu, 01 Dec 2011 13:07:23 +1000
Attachments: image001.png (13.63 kB); Infrastructure Plan - Finance Process Vs4.docx (70.59 kB); RQL PurchasingPolicy revised(IIPC).docx (278.12 kB); RQL PurchasingPolicy - infrastructure plan (IIPC).docx (88.5 kB)

Good Afternoon All,

As per last meeting, please find attached the draft addendum to the RQL purchasing policy for your review and feedback prior to seeking comment from the Office of Racing. Also attached is the Infrastructure Plan – Finance Process document for review and feedback.

Both should be reviewed in conjunction with the current RQL Purchasing Policy.

We would like to forward these to Carol Perrett as soon as possible so that we can get feedback by 9 December giving us time to finalise for the Board at the upcoming Board Meeting.

Regards,

Ron Mathofer
Business Analyst



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From: Kearra Christensen
Sent: Wednesday, November 30, 2011 12:45 PM
To: Adam Carter; Blair Odgers; Deanna Dart; Malcolm Tuttle; Mark Snowdon; Paul Brennan; Ron Mathofer; Shara Reid
Subject: Agenda
Importance: High

Good afternoon all.

I apologise for the tardiness of this request, but in preparation for the IIPCG meeting tomorrow (1/12), please advise me of any items that you would like to include as part of the agenda by 4:00pm today.

Thanks and I look forward to hearing from you soon.

Kind regards,

Kearra Christensen

Executive Assistant to CEO



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**Racing Queensland Limited
Infrastructure Plan
Internal Financial Process**

Background

On 19 July 2011, the Queensland Government approved the amended infrastructure plan and extended the Wagering Tax relief from 4 to 5 years.

Project	Value	Estimated Start Date	Estimated Completion Date
Deagon	\$39.9M	April 2012	April 2013
Gold Coast	\$35.4M	Feb 2012	Jan 2013
Beaudesert	\$7.27M	Nov 2011	April 2013
Cairns	\$1.96M	Nov 2011	April 2013
Townsville	\$6.34M	April 2013	Dec 2013
Mackay	\$7.44M	Sept 2011	June 2013
Rockhampton	\$1.6M	Sept 2011	March 2012
Subtotal Infrastructure	\$99.91M		
Country Racing	\$2.35M	July 2011	Dec 2011
Total	\$102.26M	April 2012	April 2013

Overview

All transactions will be processed through the Racing Queensland Limited (**RQL**) data base in Sun and will be kept separate from the RQL operating account.

All payments are to be paid from the following NAB bank Account:-

Account Name	BSB – Account Number
Infrastructure Plan	084-817 11 632 4760

Budgets

- a) Project Director is to liaise with Contour Consulting Engineers (**CCE**) to ensure the budget is on track and to ensure an up to date cash flow and reconciliation is in place.
- b) Project Director to liaise with Chief Financial Officer (**CFO**) to ensure that the budgets and cash flows are up to date to ensure sufficient time is allowed to draw down from investments and/or the Queensland Treasury Corporation (**QTC**).

The first meeting with QTC indicated reasonable flexibility with the loan facility in that we could do monthly drawdowns if required. As QTC will be charging an interest cost on drawn down funds there is little advantage in drawing down from the facility early and investing the funds until required.

Once the budget has been approved by the Board and a business case has been completed and approved for each project for each facility by both the Board of RQL and Treasury, tenders

will need to be completed and reviewed by CCE and the Project Director and the Industry Infrastructure Project Control Group (**IIPCG**).

Treasury have indicated that they do not wish to receive business cases without statutory planning approval; otherwise they will be approving funds on a conditional business case.

All items outside of the budget with an aggregate tolerance level of greater than either 1% or \$200K of the project value will require Board approval.

1. Purchase Orders

In the interim, while IPOS (Electronic Procurement System) is not up and running, manual purchase orders will need to be prepared. See Accounts Payable (**AP**) for purchase order books.

Purchase orders must be prepared prior to the goods and/or services being requested and signed by an authorised officer. All purchasing must be in accordance with the RQL Purchasing Policy:-

http://sharepoint/Policies/FIN_pol001_RQL%20PurchasingPolicy.doc

Suppliers:-

Suppliers will only be added after they have gone through the tender process and been signed off by the Project Director, CFO, Senior Corporate Counsel and Chief Executive Officer (**CEO**).

A full risk profile must be undertaken for each supplier reviewing the following:-

The selection of suppliers or preferred suppliers should be based on selection criteria that may 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, and
- Favourable referee reports (a successful track record to deliver).

A risk profile may include the following in the checklist and be signed off by the Project Director and/or CFO and/or Senior Corporate Counsel as long as there are 2 delegated officers reviewing and would be done in the tender process prior to preparing the contract.

An option for RQL is the use of organisations specialising in procurement processes such as preferred supplier lists, prequalifying suppliers and other supplier related contractual arrangements as an alternative or addition to in-house procurement processes.

Local Buy is one such organisation with experience in procurement processes for local government. Local Buy is the Local Government Association of Queensland (LGAQ) procurement services company. Local Buy develops contractual arrangements for councils and government entities, eliminating the need for government authorities to establish their own supply contracts. <http://www.localbuy.net.au/>

RQL is currently in discussions with Local Buy relating to supplier panel selection processes and procurement needs of the organisation. The use of this type of organisation may be beneficial for tendering and contracting arrangements relating to the infrastructure plan projects, as the suppliers are effectively pre-screened for compliance with government procurement suitability

Managing Risk with Suppliers:-

When evaluating preferred suppliers, a risk analysis should be performed as part of that process. In line with RQL's risk management framework, the following 4 point scale can be adopted to assess risks associated with suppliers as identified below.

Rating	Description
4	Extreme Risk
3	High Risk
2	Moderate Risk
1	Low Risk

Criteria	Sub-Criteria
1. History and Development of the Supplier's Business	<ul style="list-style-type: none"> • Longevity/stability of the business • Principal activities and past successes • Market experience
2. Critical Performance Elements of the Contract	<ul style="list-style-type: none"> • Availability of critical elements • Reliance on another party (sub-contracting) • Dispute management processes • Confidentiality management
3. Insurance	<ul style="list-style-type: none"> • Workers Compensation • Public Indemnity Insurance • Professional Indemnity
4. Quality Assurance	<ul style="list-style-type: none"> • AS/NZS ISO 9001/2000 Quality Assurance accreditation
5. Management and Employees	<ul style="list-style-type: none"> • Experience of management team
6. Legal Background and Capital Structure	<ul style="list-style-type: none"> • Ownership • Control of the business • Loan arrangements • Legal agreements
7. Financial Viability	<ul style="list-style-type: none"> • Financial strength and viability • Gearing level and credit rating • Contingency funding and current level of operations • Reasonableness of information • Compliance with the Australian

An overall risk score should be derived for the supplier. This may be an average of the scores for each risk area or may be more complex by weighting certain areas of risk and then calculating a range of scores to ascertain the overall risk.

Treatment strategies should be developed to mitigate the risks. A potential supplier assessed as either extreme or high risk, in terms of their ability to deliver the services proposed, may still be acceptable, provided that the risk is capable of being effectively managed by RQL or treated by the supplier. A risk, for example, may be treated by requiring a bank guarantee a % of the contract value to protect RQL's interests. Risk should also be monitored on an ongoing basis to ensure that any events or circumstances have been identified that necessitates a review of the level of risk assigned.

The above table may incorporate a 2 tiered approach whereby low risk contractual arrangements perhaps only incorporate an assessment of risk criteria 1 to 3 above but more complex or higher risk procurement incorporates an assessment for all criteria i.e. from 1 to 7.

2. Delegations

All invoices must be checked and signed by the Project Director even if outside of delegation limit. The Project Director is to obtain the approval of the CEO or Board if over his delegation limit.

All delegations are to be in line with the RQL purchasing policy.

Officer	Delegation Limit
Board	Initial Budget or project variations outside of tolerance level
CEO	All invoices over \$50K
Project Director	\$50K
CFO	\$50K
Director of Product Development	\$50K
Racecourse Development Manager	\$20K

All items outside of the approved budget with an aggregate tolerance level of greater than either 1% or \$200K of the project value will require Board approval.

Project	Value	1% Tolerance Level
Deagon	\$39.9M	\$399K
Gold Coast	\$35.4M	\$354K
Beaudesert	\$7.27M	\$72,7K or \$200K
Cairns	\$1.96M	\$19.6K or \$200K

Townsville	\$6.34M	\$63.4K or \$200K
Mackay	\$7.44M	\$74.4K or \$200K
Rockhampton	\$1.6M	\$16K or \$200K

3. Accounts Payable (AP)

The RQL AP Officer is the contact for the accounts payable function of the infrastructure plan. However, it is important to copy the RQL Project Accountant into all correspondence.

The procedure for processing invoices/payments is as follows:

- Check with AP if the supplier has been set up in the system.
- Sufficient time (2 days) must be given to AP for this to be done.
- If new, send the supplier the "New Supplier Application" form which is to be forward to the accounts payable officer once completed.
- All invoices to be pre coded, signed and approved by an authorised RQL representative per the approved delegation and sent through to the accounts payable officer.

RQL conducts payment runs every Friday. To ensure the payment is processed on time, the supplier's details and the authorised invoice need to be received at RQL by the preceding Wednesday. If these details are not received by close of business Wednesday, they will not be processed and paid that week and will paid in the following week's payment run.

It is the responsibility of the Project Director to ensure these conditions are met to ensure prompt payment, particularly in the case of 7 day accounts. All other invoices will be paid according to the payment terms. It is the responsibility of the Project Director to liaise with the suppliers to ensure appropriate payment terms are in place based on the above process. Where possible, RQL will insist on 30 day invoices and will endeavour to avoid any invoices being prepared under the *Building and Construction Industry Payments Act 2004*.

Coding:-

All invoices need to be authorised and checked against budget by the Project Director prior to be being received by AP and coded as follows:-

Project	Account Code	T1 Cost Code Facility	T2 – Project Broken down further See below **	T3 – Function Code	T5 – Area Code	T7 – Racing Division Code
Deagon	12393	20	IIPLN	AD	02	11 (Harness & Greyhounds 50:50)
Gold Coast Turf Club	11341	31	IIPLN	AD	02	02 - THB
Beaudesert Race Club	11331	22	IIPLN	AD	02	02 - THB
Cairns Jockey Club – Canon Park	11332	10 THB 54 GH	IIPLN	AD	10	02 - Thoroughbreds 04 - Greyhounds
Townsville Turf Club – Cluden Park	11339	37	IIPLN	AD	08	02 - THB
Mackay Turf Club –	11333	33	IIPLN	AD	08	02 - THB

Ooralea Park						
Rockhampton Greyhound Club – Callaghan Park – Greyhounds Only	11334	57 GH	IIPLN	AD	03	04 - Greyhounds
Country Racing	11349					Paul Brennan
Albion Park	12394	23	IIPLN	AD	02	11 (Harness & Greyhounds 50:50)

IIPLN – Industry Infrastructure Plan
AD – Asset Development

** The project codes are broken down further per area to easily identify the asset and are as per the following link and attachment “A”

[IIPN New Codes.xlsx](#)

4. Cheque/Electronic Funds Transfer (EFT) Signatories

Payments will not be processed without the prior approval of the Project Director and CCE’s representative. Once approval is received, two of the following five designations are required to authorise each payment on behalf of the infrastructure plan via EFT:

- CFO
- Management Accountant
- Revenue Services Accountant
- Business Analyst
- Senior Corporate Counsel/Company Secretary

Petty Cash:-

The procedure for processing petty cash is as follows:

- Send through to AP Officer the petty cash reimbursement form along with necessary receipts.
- RQL processes the cheque to be signed by CFO or equivalent.

Sufficient time is required to return the petty cash cheque. Please reimburse the petty cash fund regularly to prevent any shortage.

It is recommended that urgent correspondence be sent through an external mailing system or scanned and emailed with the originals sent in the post.

The Accounts Receivable (AR) and AP function are vital to the successful management of the Infrastructure Plan. It is extremely important that the Project Director of the Infrastructure Plan continually liaises with the AR and AP departments as well as RQL staff liaise and provide feedback to the Project Director.

5. Credit Card Process

The credit card is designated for use by the authorised card holder when:

- a creditor account has not been set up
- or is a one off payment to a creditor not normally used
- or based on necessity e.g. travel.

Process:-

- Credit Card Statement received by authorised card holder.
- Attach invoices/receipts for corresponding debit amounts on the statement and send through to the accounts payable officer within 3 days of receipt of credit card statement.
- Statement is coded and allocated to the relevant ledger accounts.
- Payment is made by direct debit monthly.

6. Accounts Receivable

Where required, the RQL AR Officer is the contact for the AR function if an invoice is required to be raised for the Infrastructure Plan. However, it is important to copy in the RQL Revenue Services Accountant into all correspondence.

The procedure for raising an invoice is as follows:

- An authorised Infrastructure Plan representative is to fill out an invoice request form and send through to the AR Officer.
- The request form must include the following information to facilitate accounts receivable following up any issues
 - Name
 - Address
 - Phone Number
 - E-mail (optional but preferred)
 - Payment Terms
 - Supporting Documentation (e.g. sponsorship agreements)
 - Signed by an authorised Infrastructure Plan representative

Once the invoice request form is completed in its entirety, the invoice will be created and within 3 working days of receipt.

A final authorisation is required from the RQL Revenue Services Accountant prior to processing.

Once authorised the invoice will be processed and issued by the following working day.

Statements will be issued the first working day of the month.

For any adjustments that may be required (e.g. refund, credits), an adjustment form is required to be completed by an authorised Infrastructure Plan representative and sent through to the accounts receivable officer.

A final authorisation is required from the RQL Revenue Services Accountant prior to processing.

7. Payroll

For all additional employees from 1 July 2010 payroll is paid monthly on the 14th of each month, approximately 2 weeks in arrears and 2 weeks in advance with the exception of:

- Casual employees
- Facility maintenance staff dependant on their circumstances and in consultation with the executive manager.
- Employees on fortnightly arrangements prior to 1 July 2010

For these employees payroll is run on a fortnightly basis paid on a Wednesday in arrears. The payroll period is Monday to the following Sunday.

Process:-

- Timesheets are due by close of business Monday for the previous fortnight sent through to the payroll officer.
- Project Director Authorisation is required to be sent through to the payroll officer by midday Tuesday of the pay run week.
- All leave and payroll requests are due to payroll 3 days prior to processing.
- All leave and payslips are available through the employee services portal on the intranet through ConnX.
- Payroll is processed and then checked and payment authorised by two authorising RQL delegates (see no.1).
- Salaries are due in the employees' bank account fortnightly on a Wednesday.
- Monthly salaries are due on the 14th of each month.

From 1 July 2011 there will be the following RQL employees dedicated to the infrastructure plan

POSITION	NAME	EMAIL	DIRECT PHONE
Project Director	Mark Snowdon	msnowdon@racingqueensland.com.au	07 3869 9402
Executive Assistant & Assets Infrastructure	Deanna Dart	ddart@racingqueensland.com.au	07 3869 9405
Accounts Payable	TBA	TBA	TBA

All other RQL employees who are involved with providing advice and working on the infrastructure plan and/or processing of payments will need to complete an Infrastructure time sheet which will need to be authorised by the project director. A monthly Journal will need to be recoded from the RQL salaries operating account to the infrastructure plan per a project seeking reimbursement of this expenditure from 1 July 2011.

It is anticipated that a total fee required from the IIPLN be formulated for the use of RQL employees. This total figure will then be allocated over the projects relevant to the work and time required. Time sheets will then be written up to reflect the fees charged.

[Infrastructure Plan Timesheet](#) (click on link to timesheet)

If the IIPLN does not have a specific account amounts are allocated to and will then be reallocated to the specific project.

Account Name	Account Code	T1	T2	T3	T5	T7
Infrastructure Plan	11349	01	IIPLN	AD	02	01,02,03,04

8. Expense reimbursement

All expenses are to be reimbursed in line with the expense reimbursements policy and in line with the appropriate delegation.

http://sharepoint/Policies/FIN_pol003_Expense%20Reimbursement%20Policy.doc

9. Investments/Term Deposits

Term Deposit and investment advice is provided by the CFO and/or Management Accountant through a number of institutions currently, NAB, QTC, Westpac, CBA or ANZ and is invested by the Senior Finance Officer – Treasury

10. Cash flow and Budgets

The Project Director is to liaise with CCE to ensure the budget is on track and to ensure an up to date cash flow is in place. The Project Director to liaise with CFO to ensure that the budgets and cash flows are up to date to ensure sufficient time is allowed to draw down from investments and/or Treasury to ensure payments can be made within the agreed credit terms. Once done, authorised payments are to be made. Finance Department to manage and produce budget to actual reports for RQL Board and Government.

Senior Finance Officer and Accountant to review daily cash requirements for AP and other requirements

11. Monthly Financial Statements – Project Reconciliations

RQL will provide monthly financial statements – Project Reconciliations by working day 10 of the following month. These statements are prepared by the Project Accountant and will be reviewed by the CFO or Management Accountant prior to release. These reconciliations must be agreed by the Project Director prior to being released to the IIPCG or the Board.

12. Urgent transactional delivery

The Management Accountant is the first point of contact to assist in the delivery of any urgent transactions or financial enquiries.

If the Management Accountant is unavailable, please contact the CFO or any contact on your contacts list below so that they can source the appropriate authority and escalate the delivery as required.

13. Club Restructures and financial modelling

RQL will pursue partnership arrangements with clubs and the Business Analyst will assist with all financial modelling and support.

14. RQL employees with responsibilities on behalf of the Infrastructure Plan

As mentioned above, RQL provides the following employee resources to assist with the Infrastructure Plan accounts:

- Compliance/Project Accountant
- Accountant
- AP Officer
- AR Officer, and
- Payroll.

The CFO and Management Accountant provide direction to the above employees as well as assisting the Infrastructure Plan directly on any higher level financial analysis or needs.

The senior accountants (Revenue Services Accountant and Project Accountant) are also utilised to ensure correct processing, coding and authorising of all transactions has been adhered to as per RQL credit and purchasing policies.

All the above mentioned resources are full time permanent RQL employees who assist in the Infrastructure Plan accounts on the basis of hours needed to fulfil the deadlines, processing, reporting requirements and any other financial advice as deemed appropriate and relevant. RQL also provides back up assistance from within the Finance Department to alleviate any concerns relating to leave or turnover of staff.

Following are the current RQL contacts assisting with financial functions as at today's date:

POSITION	NAME	EMAIL	DIRECT PHONE
CFO	Adam Carter	acarter@racingqueensland.com.au	07 3869 9702
Management Accountant	Sharon Drew	sdrew@racingqueensland.com.au	07 3869 9704
Business Analyst	Ron Mathofer	rmathofer@racingqueensland.com.au	07 3869 9716
Financial/Compliance/Project Accountant	Jeffrey Zeppa	jzeppa@racingqueensland.com.au	07 3869 9713

Revenue Services Accountant	Murray Dyke	mdyke@racingqueensland.com.au	07 3869 9727
Senior Finance Officer	Kees Van der Waal	kvanderwaal@racingqueensland.com.au	07 3869 9706
Accountant	Craig Roberts	croberts@racingqueensland.com.au	07 3869 9718
Accounts Receivable	Janet Roth	jroth@racingqueensland.com.au	07 3869 9711
Accounts Payable	Su Agate Karin Schreiber	ap@racingqueensland.com.au sagate@racingqueensland.com.au kschreiber@racingqueensland.com.au	07 3869 9714 07 3869 9703
Payroll	Leanne Lorena	llorena@racingqueensland.com.au payroll@racingqueensland.com.au	07 3869 9708

RQL will endeavour to update your contact list as soon as any changes occur.

If you have any further queries please do not hesitate to contact me by email acarter@racingqueensland.com.au or by mobile 0400 761 700.



ADAM CARTER
Chief Financial Officer



PURCHASING POLICY

Owner

Chief Financial Officer

Stakeholders

Corporate Wide

Revision History

<i>Version</i>	<i>Date</i>	<i>Description of Change</i>
1.01	May 2010	First draft (Murray Dyke)/Reviewed Adam Carter
1.02	12 May 2010	Provided to Tracey Harris and Abhendra Kumar for Feedback
1.03	22 June 2010	Reviewed AC
1.04	1 July 2010	RQL Board Changes (FINAL)
1.05	9 June 2011	Reviewed Adam Carter and Sharon Drew
1.06	1 July 2011	Approved by RQL Board – Capital Expenditure and Repairs and Maintenance
1.07	25 October 2011	Added: 1. Delegation authority of \$50K for the Project Director. 2. Industry Infrastructure Plan Section. Made minor changes to the Capital Expenditure and Repairs and Maintenance forms.
1.08	4 November 2011	Approved by RQL Board – changes made as per version 1.07



PURCHASING POLICY:

RACING QUEENSLAND LIMITED

Introduction

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

Racing Queensland Limited is the Control Body established by, and obtaining its objects and functions from, the *Racing Act 2002* and its Constitution. Racing Queensland 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 Racing Queensland 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;
- Major repairs and maintenance;
- Day to day purchasing of services and supplies;
- Industry Infrastructure Plan; and
- Credit Facilities

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

Racing Queensland Limited plays a major role in the implementation of industry capital works projects each year. Racing Queensland 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 Racing Queensland 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. Racing Queensland 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 Racing Queensland Limited;
- Assuming the project cost following detailed design is contained within 10% of the preliminary estimate, and Racing Queensland Limited is satisfied with the standard of documentation provided, final approval will be given for the project to proceed (Chief Executive Officer or Chief Financial Officer);
- 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, Racing Queensland 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 Racing Queensland Limited with a report, which addresses the outcomes of the project, including cost to budget, quality of product, and timeliness.

Consulting Services

Racing Queensland 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 Executive Officer or Chief Financial Officer);
- For contracts over \$100,000, will be subject to Board discretion as to the waiver of an open tender, 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 Racing Queensland 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, will be subject to Board discretion as to the waiver of an open tender, as described above, must be followed.

Sponsorship Contracts

Racing Queensland 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 Racing Queensland 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 Racing Queensland 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 Racing Queensland 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 Racing Queensland 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 Racing Queensland 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

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

- the leasing of a new vehicle must be approved by the Chief Executive Officer or Chief Financial Officer; 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 three years, or having travelled 90,000 klms, whichever comes first, unless the Chief Executive Officer or Chief Financial Officer agrees to an extension of the leasing term.

Vehicles are to be leased in line with the Racing Queensland Limited's Motor Vehicle Policy, for further details email ap@racingqueensland.com.au

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. Racing Queensland 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 Executive Officer or Chief Financial Officer 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 Racing Queensland Limited are to adhere to the following guidelines:

A request for capital expenditure form is to be completed for all capital purchases and is to be authorised by both the Chief Executive Officer and Chief Financial Officer<insert link to form when on intranet >.

- 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, will be subject to Board discretion as to the waiver of an open tender. 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.

Major Repairs and Maintenance

Major Repairs and Maintenance purchases of \$20,000 or more made by Racing Queensland Limited are to adhere to the following guidelines:

A request for major repairs and maintenance expenditure form is to be completed for purchases of \$20,000 or more and is to be authorised by both the Director of Product Development and Chief Financial Officer to the value of \$50,000). Purchases of \$50,000 or more will require an additional approval by the Chief Executive Officer.

. <insert link to form when on intranet >

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 Racing Queensland Limited’s key principles are satisfied. At least three competitive quotes must be obtained for any purchase of \$10,000 or more.

Industry Infrastructure Plan;

Policy in relation to the approval of supplier payments specifically related to the Industry Infrastructure Plan is as follows;

- All invoices must be checked and signed by the Project Director even if outside of delegation limit. The Project Director is to obtain the approval of the CEO or Board if over his delegation limit.

- All delegations are to be in line with the RQL purchasing policy.
- All items outside of the approved budget with a tolerance level of greater than either 1% or \$200K of the project value will require Board approval.

Preferred Suppliers

As much as possible, Racing Queensland Limited 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. 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)
- Racing Queensland Limited'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.

1.2 Preferred Suppliers Listing.

The current preferred suppliers list can be obtained from accounts payable ap@racingqueensland.com.au or can be located at the following link:

<Insert Link to Preferred Supplier Listing which is currently under construction>

RACING QUEENSLAND LIMITED

Item	Regional Senior Stewards	Admin Authorities, Racecourse Supervisor, racing Manager – Procurement Track Supervisor	Managers, Chief Steward, Racing and Facilities Supervisor, Track Supervisor	Information Technology and Communications Manager, Licensing and Training Manager, Racing Managers – Dividing Races, Management Accountant, Revenue & Services Accountant	Director of Integrity Operations, Facility & Development Manager, Senior Corporate Counsel/Company Secretary	Chief Financial Officer, Director of Product Development, Project Director	Chief Executive Officer	Board of Directors
Overall Delegation	<\$500	<\$1,000	<\$2,000	<\$5,000	<\$20,000	<\$50,000	<\$150,000 In line with Budget	Unlimited

Standard Purchase Orders	IPOS	IPOS	IPOS	IPOS	IPOS	IPOS	IPOS	IPOS
Emergency Purchase Orders	IPOS	IPOS	IPOS	IPOS	IPOS	IPOS	IPOS	IPOS
Requisition – Miscellaneous Purchases (Credit Cards) (Refer to Expense Reimbursement policy for conditions)	X	X	X	X	<\$20,000 and to Budget	To Budget	To Budget	Same as above
Petty Cash	<\$100	<\$100	<\$100	<\$100	<\$100	<\$300	<\$300	<\$300
Capital Expenditure Purchase Orders and Request Forms	X	X	X	X	X	Forecast projects if <\$50,000 or if satisfied CEO has previously approved the project	Any single project <\$150,000 where included in approved annual budget	Any single project above \$150,000
Domestic (Interstate) travel	X	X	X	To Budget	To Budget	To Budget	To Budget	If outside aggregate annual budget
International Travel	X	X	X	X	X	X	To Budget	If outside aggregate annual budget
Official Hospitality	<\$100	<\$100	<\$100 <\$300 Senior Management Team	<\$100 <\$300 Senior Management Team	<\$300	<\$300 or other functions as approved by CEO	To Budget	Yes
Sponsorship	X	X	X	Authorities restricted to IT&Comms Manager or Marketing Manager and Senior Corporate Counsel/Company Secretary	To Budget	To Budget	To Budget	Yes, subject to Board agreement

RACING QUEENSLAND LIMITED

Item	Regional Senior Stewards	Admin Authorities, Racecourse Supervisor, racing Manager – Procurement Track Supervisor	Managers, Chief Steward, Racing and Facilities Supervisor, Track Supervisor	Information Technology and Communications Manager, Licensing and Training Manager, Racing Managers – Dividing Races, Management Accountant, Revenue & Services Accountant	Director of Integrity Operations, Facility & Development Manager, Senior Corporate Counsel/Company Secretary	Chief Financial Officer, Director of Product Development, Project Director	Chief Executive Officer	Board of Directors
Overall Delegation	<\$500	<\$1,000	<\$2,000	<\$5,000	<\$20,000	<\$50,000	<\$150,000 In line with Budget	Unlimited

Contractual Agreements (all contracts to be reviewed by Senior Corporate Counsel/Company Secretary for updating of Contracts register and assess if any legal advice is required)	x	x	x	x	<\$20,000 total value (not lease or license) assuming that authorised to sign in ordinary operations	Yes with CEO assuming CEO previously approved and legally authorised to sign where <\$100,000	Yes where value <\$150,000	Yes, subject to Board agreement
Execution of Contractual agreements (All contracts to be reviewed by Senior Corporate Counsel/Company Secretary for updating of contracts register and assess if any legal advice is required)		To be executed by 2 Directors of the Company or a Director and a Company Secretary of the Company (S127 (1) – Corporations Act 2001).						

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 and are to be in line with budget. These delegations are as follows:

Unlimited

- Board of Directors

Up to \$150,000

- Chief Executive Officer

Up to \$50,000

- Chief Financial Officer
- Director of Product Development
- Project Director

Up to \$20,000

- Director of Integrity Operations
- Facility Maintenance and Development Manager
- Senior Corporate Counsel/Company Secretary

Up to \$5,000

- Information Technology and Communications Manager
- Racing Managers – Dividing Races
- Licensing and Training Manager
- Accountant – Corporate Services
- Management Accountant

Up to \$2,000

- Race Course Facility Managers
- Chief Steward
- Track supervisor

Up to \$1,000

- Administrative Authorities – Executive Assistants including Track Supervisors
- Racing Managers - Procurement
- Racecourse Supervisor

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 Executive Officer or Chief Financial Officer 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 under \$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 46.5% 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 Racing Queensland Limited that no supplies be purchased from entities that are unable to quote an ABN;
- All suppliers to Racing Queensland 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 Racing Queensland Limited to claim input credits. Under law, the supplier must supply Racing Queensland Limited with a Tax Invoice within 28 days of request. Racing Queensland Limited 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 Racing Queensland 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 that are not completed through petty cash or credit cards must be completed in IPOS. **Where IPOS is not available a manual purchase order must be raised and authorised with the pink and green copies sent to accounts payable.** Additionally, copies of sponsorship agreement pro-formas must be provided to the Chief Financial Officer on a timely basis; and
- The delegated officer must be satisfied that Racing Queensland 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 Executive Officer or Chief Financial Officer.

IPOS

IPOS is an online web enable electronic procurement system. It has been custom built to meet Racing Queensland Limited and industry needs and greatly enhances Racing Queensland Limited's ability to operate in today's modern information driven environment.

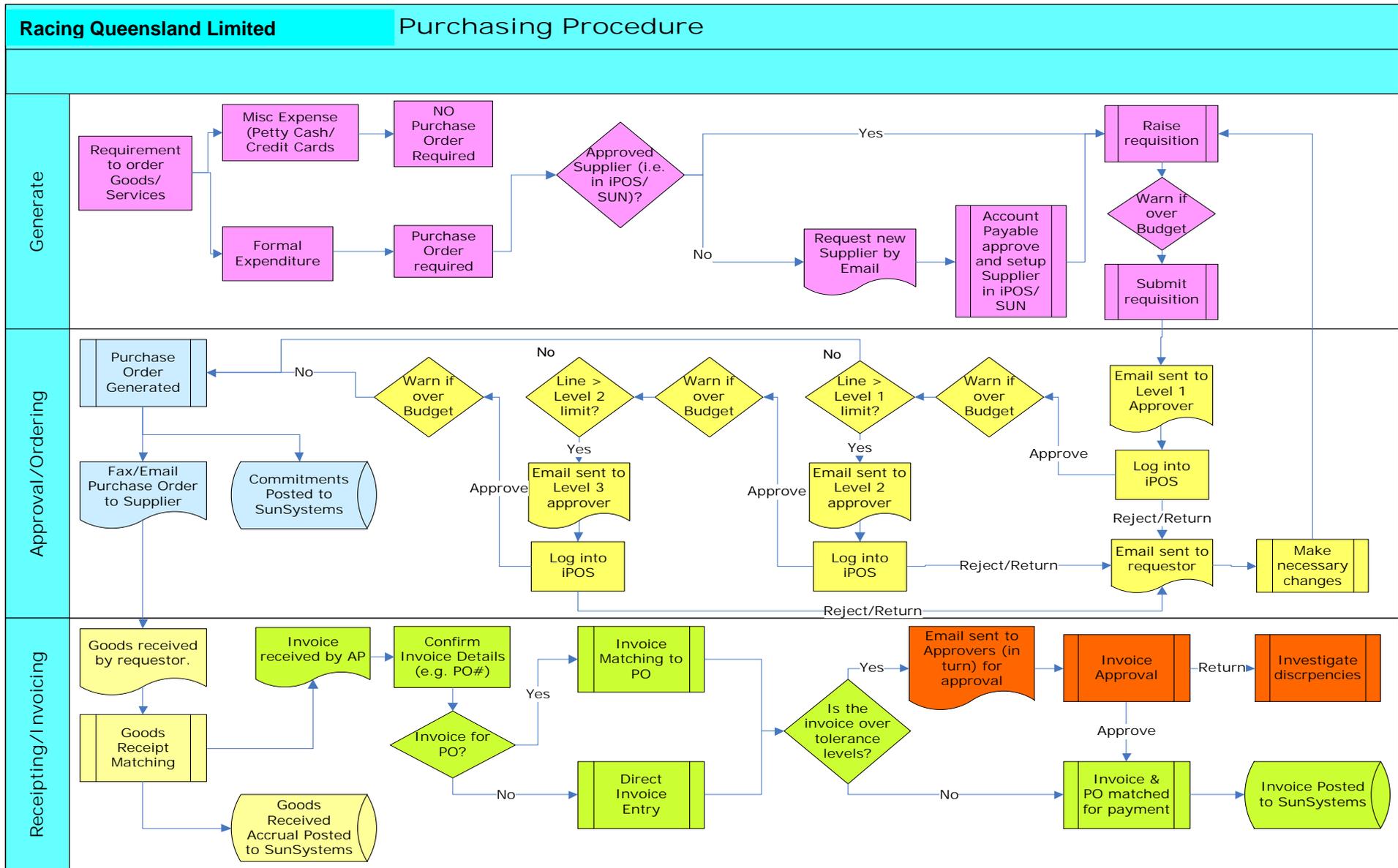
Where IPOS is not available a manual purchase order must be raised and authorized with the pink and green copies sent to accounts payable.

The main objectives of IPOS are:

- To provide the underlying systems to enable the business to obtain tighter budgetary controls, including the recording of committed expenditure,
- To provide managers with the appropriate tools to focus on their individual budgets,
- Implementation of systemic controls over the procure to pay process,
- Improved reporting to the whole business,
- To bring Racing Queensland Limited in line with best practice procurement through taking advantage of e-commerce, electronic purchase ordering and scanning.
- Provide more real time reporting with less reliance on accounts payable,

- Introduction of process efficiencies for accounts payable, removing the many manual processes currently in use, such as manual purchase order generation and invoice approvals.
- Ability to interface with supplier ordering systems resulting in less manual entry.

The process map for Racing Queensland Limited's procurement process is featured below.



The major advantage of IPOS is that it enforces Racing Queensland Limited's purchasing policy in an electronic procurement system. All management delegations are enforced at requisition and invoice stage. Separation of duties ensures that only requisitioners can create purchase orders and only management can authorise.

From 1 July 2010 where applicable all invoices will only be paid if an IPOS purchase order number is quoted on the invoice. Instances where invoices do not require IPOS purchase orders are Energy, phones, rates and other standard monthly charges.

IPOS Procedures are linked below:

<http://starcraft:8080/finance/Shared%20Documents/Forms/AllItems.aspx>

<link to be updated>

Payment Methods

1. Direct Debit

1.1 Business Condition

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

1.2 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.

1.3 Dependencies

Payments must be fixed frequency and price.

2. Cheque

2.1 Business Condition

One-off purchases that can not be paid through any other alternative option. RQL will only pay by cheque under exceptional circumstances otherwise all payments are to be made by electronic funds transfer.

3. Electronic Funds Transfer (EFT)

All other purchases will be paid by Electronic Funds Transfer (EFT) unless previously authorised by the Chief Financial Officer

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. To be used only in exceptional circumstances.
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 the Chief Financial Officer

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 of \$10,000 or more 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 <G:\Finance\FORMS\Accounts Payable\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.
- All Capital purchases require a Capital Expenditure request form.
- Major Repairs and Maintenance of \$20,000 or more require a Major Repairs and Maintenance form.

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

Credit Facilities

A credit facility is any system of credit established to allow purchase of goods or services without the use of an official purchase order or the exchange of cash between the purchaser and supplier at the time of the transaction.

The credit facilities generally used by the Company are:

- Corporate credit cards
- Fuel cards
- Taxi vouchers
- Toll cards.

The establishment of any credit facility requires the recommendation of the Chief Financial Officer and approval from the Company. The Chief Financial Officer is responsible for the establishment, implementation, management and control of credit facilities used by the Company.

All credit facilities must be subject to the agreed terms and conditions between the credit provider and the Company.

Users of credit facilities must comply with the agreed terms and conditions, and properly discharge responsibilities regarding the use and reconciliation of credit accounts. Users are responsible for utilising the facilities in a proper and appropriate manner, and are accountable for all transactions associated with their use.

Users are also responsible for the security of the card/vouchers. Misuse of credit facilities will, at the discretion of the Board, result in the user's access to the facility being revoked and appropriate disciplinary action being taken.

Corporate Credit Cards

Principles. The policies and procedures pertaining to corporate credit cards are contained in the following policy: [RQL Expense Reimbursement Policy.doc](#)

<Update link when on Intranet>

Issue. Corporate credit cards will be issued to relevant officers on the basis of the card providing a necessary and convenient facility for meeting commitments incurred in the course of official business.

The issue of corporate credit cards is to be recorded in a register that is maintained by an appropriate officer, e.g. Accounts Payable Officer. Corporate card use should be restricted to a specific transaction limit in any one month.

Documentation.

The following conditions governing the use of credit cards prevail:

A register of cards must be established and maintained to exercise control over the issue and use of cards.

- Only authorised charges may be made against the credit organisation;
- Cards must be secured at all times against unauthorised use;
- Internal control measures must be sufficient to ensure cards are used for official purposes only and that any misuse is detected promptly and reported to the Chief Financial Officer.
- Officers using a credit card must obtain particulars of transactions including supporting invoices and dockets duly signed. A Credit Card Usage Form must be completed with the invoices attached. Supporting documentation can include the vendor's invoice/account, copy of prior approval to travel/entertain (where applicable), and purchase order. Where supporting invoices or dockets are not available, a signed certificate stating that the transactions are valid and were for official purposes must be attached. Details of all hospitality/entertainment expenses must be fully documented with the purpose of the expense, guest name(s), date, refreshments, time and the like.

Reconciliation.

- The documentation must be forwarded promptly to an accounting officer for attachment to the credit card transaction record for the purposes of sustaining the official use of the card and settlement of the amount within the required period;
- An accounting officer must match the dockets to the statements received from the credit card organisation;
- The dockets and the summary of these dockets showing the charges incurred by the use of credit cards must be properly authorised by a duly authorised officer; and
- The use of credit cards for the purchase of goods and services must be in strict accordance with the expense reimbursement policy of Racing Queensland Limited.
- Failure to provide receipts and the reconciliation in a timely manner will result in the card being cancelled and the employee will have to be reimbursed expenditure through the expense reimbursement policy

Fuel Cards

Issue. The issue of fuel cards is to be recorded in a register maintained by the Finance area.

Responsibilities. Users of the fuel card credit facility are responsible for utilising the facility in a proper and appropriate manner. Users are also responsible for the security of the card while it is in their possession, and are accountable for all transactions associated with its use during that period.

Use. Fuel cards are to be used only in accordance with the agreement between the credit provider and the Company. This includes locations where the card may be used, vehicle for which the card may be used and the types of purchases that are permitted (e.g. fuel only, fuel and oil).

Documentation. Fuel card transactions are to be supported by documentary evidence of the purchase (e.g. the fuel card docket provided by the fuel supplier). This documentation is to be forwarded to the Finance Area and will be used when reconciling the credit provider's account and making payment.

Taxi Vouchers

Issue. Bulk stocks and the issue of taxi vouchers are to be maintained by the Finance area. The Accounts Payable Officer is responsible for the issue of taxi vouchers within their area of responsibility. This officer should ensure that taxi vouchers are issued for appropriate use.

Use. The use of taxi vouchers is strictly limited to taxi travel for the purpose of conducting official business within or outside business hours when neither an official vehicle is available, nor is public transport an acceptable option.

E Tolls

Issue. The Chief Financial Officer is responsible for approving the issue of E toll within their area of responsibility.

Officers may purchase pre-paid tolls only by credit card.

Use. The use of tolls is limited to conditions as specified under the motor vehicle policy.

SPONSORSHIP AGREEMENT

BETWEEN:

(The Sponsor)

AND RACING QUEENSLAND 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

RACING QUEENSLAND LIMITED

Full name of authorised officer

Signature of authorised officer

Signed in the presence of



ADDENDUM TO PURCHASING POLICY

Owner

Chief Financial Officer

Stakeholders

Corporate Wide

Revision History

<i>Version</i>	<i>Date</i>	<i>Description of Change</i>
1.01	25 Nov 2011	Draft Addendum to RQL Purchasing Policy



RACING
QUEENSLAND

PURCHASING POLICY: INFRASTRUCTURE PLAN RACING QUEENSLAND LIMITED

Introduction

This addendum has been prepared to expand on the RQL General Purchasing Policy which provides guidelines and procedures to be followed by officers of Racing Queensland Limited when undertaking and managing purchasing activities to meet the organisation's operational requirements and also meet the objectives of the policy.

The Racing Queensland Infrastructure Plan has been designed to improve and further develop racing industry infrastructure by way of a \$110 million redirection of wagering taxes from the QLD government. Projects have been identified and funds allocated to each project.

Given the size and scale of these projects this addendum to the Racing Queensland Purchasing Policy has been developed to ensure the necessary additional steps are taken to ensure all projects funded are completed in an accountable and transparent manner to the highest standards.

Racing Queensland Limited is the Control Body established by, and obtaining its objects and functions from, the *Racing Act 2002* and its Constitution. Racing Queensland 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 all of its purchasing activities, including infrastructure plan projects, it is the policy of Racing Queensland 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. Probity and 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

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

Industry Infrastructure Plan

Racing Queensland Limited's Infrastructure Plan procurement policy must adhere to the strictest guidelines of Probity, Accountability and Transparency as the funds for these projects come directly from the QLD Government and as such are expenditure of these funds is expected to stand up to rigorous scrutiny.

Policy in relation to the approval of supplier payments specifically related to the Industry Infrastructure Plan is as follows:

- All invoices must be checked and signed by the Project Director even if outside of delegation limit.
- The Project Director is to obtain the approval of the CEO or Board if over his delegation limit.
- All delegations are to be in line with the RQL purchasing policy.
- All items outside of the approved budget with an aggregate tolerance level of greater than either 1% or \$200K of the project value will require Board approval.

Suppliers

As much as possible, Racing Queensland Limited 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. 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)

Racing Queensland Limited's 6 key principles:

1. Value for money;
2. Quality of product, service, and support;
3. Open and fair competition;
4. Probity and 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.

1.2. Preferred Suppliers Listing

Preferred Supplier listings for Infrastructure Plan projects are to be developed by inviting suppliers with experience and expertise in the key areas that make up the projects identified in the RQL Infrastructure Plan to tender for projects thereby forming supplier panels.

These supplier panels could be further refined by way of prequalifying of suppliers lists.

1.3. Prequalification of Suppliers

Prequalification is where suppliers of particular goods or services are assessed against pre-determined criteria and then only those suppliers who satisfy the prequalification criteria are invited to tender for projects.

Prequalification provides added confidence that suppliers being invited to offer have the capability to supply the goods and services. Prequalification does not eliminate the risk of contract failure, but, if well managed, is a method of reducing the risk and administrative burden created by repeated approaches to the market.

Suppliers that are successful in meeting the prequalification criteria are generally included on a database maintained by the purchaser. Prequalification of suppliers is a strategy best used when the buyer procures a particular type of good/service on a regular basis and the procurement tends to be complex and/or costly and/or there is a high degree of risk involved in the procurement.

Some goods and services required for the development of racing tracks and facilities would fall under this category. As a general guide only they have been categorised into five broad groups:

1. Technical capability and experience
2. Financial capability
3. Systems and managerial capability
4. People
5. Business/organisation factors

Potential suppliers are assessed against specific criteria established by the purchaser and if successful are placed on a prequalification database. When a specific need by the purchaser arises, the prequalified suppliers are invited to offer. The offers are evaluated by the purchaser according to the specific offer evaluation criteria and the successful offeror is awarded the contract. Performance reporting about suppliers is an integral part of any prequalification system and should be incorporated into the system.

1.4. Outsourcing of Supplier Panel Selection

The use of organisations specialising in procurement processes such as preferred supplier lists, prequalifying suppliers and other supplier related contractual arrangements may be an alternative or addition to in-house procurement processes.

Local Buy is one such organisation with experience in procurement processes for local government. Local Buy is the Local Government Association of Queensland (LGAQ) procurement services company. Local Buy develops contractual arrangements for councils and government entities, eliminating the need for government authorities to establish their own supply contracts. <http://www.localbuy.net.au/>

The use of this type of organisation may be beneficial for tendering and contracting arrangements relating to the infrastructure plan projects, as the suppliers are effectively pre-screened for compliance with government procurement suitability

Consulting Services

Racing Queensland 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 Executive Officer or Chief Financial Officer);
- For contracts over \$100,000, will be subject to Board discretion as to the waiver of an open tender, 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 Racing Queensland 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, will be subject to Board discretion as to the waiver of an open tender, as described above, must be followed.

Confidentiality and Security of information

The integrity of competitive procurement hinges on maintaining appropriate confidentiality that will protect information and give offerors the confidence to do business with Government. Confidentiality has many dimensions and confidentiality of submissions is particularly important prior to the awarding of the contract with information shared only on a ‘need to know’ basis.

Confidential information may include designated or defined (and as agreed) elements of the supplier's proposal, specific intellectual property and offeror's pricing structures. Importantly, much of the information relating to the offer needs to be kept confidential up to the point where a contract is signed with the successful offeror.

A Confidentiality Agreements may include the following elements;

- The Contractor must not, and must ensure that its officers, employees, agents and sub-contractors do not use or disclose any Confidential information without RQL's consent
- The Contractor may disclose Confidential information to its officers, employees, agents and sub-contractors to the extent necessary for the performance of the arrangement, provided that the Contractor:
 - (a) Makes such persons aware that the information is confidential; and
 - (b) If directed by RQL during the contract term, obtains from such persons a confidentiality undertaking in a form acceptable to RQL
- RQL and Contractor must keep all Confidential information in a secure location so that no unauthorised person is able to gain access to it
- Upon receipt of a written request by RQL, either during the arrangement term or upon termination or expiration the arrangement, the Contractor must deliver to RQL any records in the Contractor's power, possession or control

Conflict of Interest

Conflicts of interest represent one of the potential threats to independence. A conflict of interest means having an interest (whether personal, financial or otherwise) which conflicts with, or may reasonably be perceived as conflicting with, the ability of the probity auditor or advisor to perform his/her obligations fairly and objectively. Perceived or potential conflicts of interest can be as damaging as actual conflicts of interest.

Recommended practice

The issue of independence should be specifically considered and addressed prior to engaging contractors, suppliers or consultants. At this stage, potential threats to independence should be considered as well as any safeguards that might eliminate or reduce the threats to independence. Independence is essential. A third party to the procurement should be able to rely on the fact that any and all potential conflicts of interest have been identified and recorded.

Potential goods and service providers should be required to divulge all potential threats to independence, including conflicts of interest, at the time of offer or as soon as any conflict becomes apparent during the service engagement. The service provider should be required to provide written assurance that he/she has no conflict of interest in the procurement, is able to remain objective and impartial throughout the engagement, and will provide notification of any conflict of interest, or compromise to independence, that arises during the engagement.

A Conflict of Interests document may contain the following elements;

- Contractor warrants that, to the best of its knowledge, as at commencement date neither contractor or any of its officers, employees or sub-contractors have, or are likely to have, a Conflict of Interest in the performance of its obligations under current or subsequent contracts
- If a conflict of Interest, or risk of such, arises during the term of the contract the contractor must immediately give notice of the Conflict of Interest, or risk of such, to RQL
- The Contractor must:
 - (a) Take all reasonable measures to ensure that its officers, employees and sub-contractors do not engage in any activity or obtain any interest which is in conflict with the Contractor's ability to fulfil its obligations to RQL in good faith and objectively, and
 - (b) Immediately give notice to RQL of any Conflict of interest relating to the activities or interests of any of its officers, employees or sub-contractors

Similarly all employees and agents of Racing Queensland Limited involved in any of the projects undertaken as part of the Infrastructure Plan are governed by the Employee Conflict of Interest policy of the company, and as such must immediately, in the event of a potential Conflict of Interest arising, notify their immediate manager of the issue.

RACING QUEENSLAND LIMITED

Item	Regional Senior Stewards	Admin Authorities, Racecourse Supervisor, racing Manager – Procurement Track Supervisor	Managers, Chief Steward, Racing and Facilities Supervisor, Track Supervisor	Information Technology and Communications Manager, Licensing and Training Manager, Racing Managers – Dividing Races, Management Accountant, Revenue & Services Accountant	Director of Integrity Operations, Facility & Development Manager, Senior Corporate Counsel/Company Secretary	Chief Financial Officer, Director of Product Development, Project Director	Chief Executive Officer	Board of Directors
Overall Delegation	<\$500	<\$1,000	<\$2,000	<\$5,000	<\$20,000	<\$50,000	<\$150,000 In line with Budget	Unlimited

Contractual Agreements (all contracts to be reviewed by Senior Corporate Counsel/Company Secretary for updating of Contracts register and assess if any legal advice is required)	x	x	x	x	<\$20,000 total value (not lease or license) assuming that authorised to sign in ordinary operations	Yes with CEO assuming CEO previously approved and legally authorised to sign where <\$100,000	Yes where value <\$150,000	Yes, subject to Board agreement
Execution of Contractual agreements (All contracts to be reviewed by Senior Corporate Counsel/Company Secretary for updating of contracts register and assess if any legal advice is required)		To be executed by 2 Directors of the Company or a Director and a Company Secretary of the Company (S127 (1) – Corporations Act 2001).						

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 and are to be in line with budget. These delegations are as follows:

Unlimited

- Board of Directors

Up to \$150,000

- Chief Executive Officer

Up to \$50,000

- Chief Financial Officer
- Director of Product Development
- Project Director

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 Executive Officer or Chief Financial Officer 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 under \$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 46.5% 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 Racing Queensland Limited that no supplies be purchased from entities that are unable to quote an ABN;
- All suppliers to Racing Queensland 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 Racing Queensland Limited to claim input credits. Under law, the supplier must supply Racing Queensland Limited with a Tax Invoice within 28 days of request. Racing Queensland Limited 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

See Purchasing Policy and Racing Queensland limited Infrastructure Plan Internal Financial Process document

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 of \$10,000 or more where a preferred supplier is not used.
- Ensure appropriate delegation authorities applied
- Ensure probity and accountability in supplier selection process
- Confirm expenditure falls within approved budgets
- Ensure correct invoice coding to assist with budget review process
- 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 <G:\Finance\FORMS\Accounts Payable\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.

In addition to the above, Racing Queensland Limited should perform a routine supplier analysis to review expenditure to determine that value for money is being achieved, and all probity issues are addressed.

Reference material (available on QLD Govt website)**QLD State Procurement Policy****QLD Purchasing – Ethics, Probity and Accountability in Procurement****QLD Purchasing – Prequalifying Suppliers****QLD Purchasing – Engaging and Managing Consultants****QLD Govt – Capital Works Management Framework – Procurement Strategy and Contract Selection**

RQL purchasing policy documents

From: Ron Mathofer <rmatuofer@racingqueensland.com.au>
To: carol.perrett@racing.qld.gov.au
Cc: Adam Carter <acarter@racingqueensland.com.au>
Date: Tue, 13 Dec 2011 12:56:49 +1000
Attachments: image001.png (13.63 kB); RQL PurchasingPolicy - infrastructure plan (IIPC).docx (82.88 kB); Infrastructure Plan - Finance Process Vs4.docx (71.26 kB); FIN_pol001_RQL PurchasingPolicy_251011.docx (278.42 kB)

Good afternoon Carol,

I have been asked to forward to you the current RQL purchasing policy documents including finance procedures. The addendum was developed to further align the RQL policy with QLD Govt procurement policy.

Please review and provide any feedback you may have.

Regards,

Ron Mathofer

Business Analyst



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ADDENDUM TO PURCHASING POLICY

Owner

Chief Financial Officer

Stakeholders

Corporate Wide

Revision History

<i>Version</i>	<i>Date</i>	<i>Description of Change</i>
1.01	25 Nov 2011	Draft Addendum to RQL Purchasing Policy



PURCHASING POLICY: INFRASTRUCTURE PLAN RACING QUEENSLAND LIMITED

Introduction

This addendum has been prepared to expand on the RQL General Purchasing Policy which provides guidelines and procedures to be followed by officers of Racing Queensland Limited when undertaking and managing purchasing activities to meet the organisation's operational requirements and also meet the objectives of the policy.

The Racing Queensland Infrastructure Plan has been designed to improve and further develop racing industry infrastructure by way of a \$110 million redirection of wagering taxes from the QLD government. Projects have been identified and funds allocated to each project.

Given the size and scale of these projects this addendum to the Racing Queensland Purchasing Policy has been developed to ensure the necessary additional steps are taken to ensure all projects funded are completed in an accountable and transparent manner to the highest standards.

The purchasing policy, including this addendum form the basis upon which the Industry Infrastructure Plan Committee is guided in the procurements of goods and services relating to the projects that make up the Industry Infrastructure Plan. (See IIPC Charter)

Racing Queensland Limited is the Control Body established by, and obtaining its objects and functions from, the *Racing Act 2002* and its Constitution. Racing Queensland 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 all of its purchasing activities, including infrastructure plan projects, it is the policy of Racing Queensland 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. Probity and 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

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

Industry Infrastructure Plan

Racing Queensland Limited's Infrastructure Plan procurement policy must adhere to the strictest guidelines of Probity, Accountability and Transparency as the funds for these projects come directly from the QLD Government and as such are expenditure of these funds is expected to stand up to rigorous scrutiny.

Policy in relation to the approval of supplier payments specifically related to the Industry Infrastructure Plan is as follows;

- All invoices must be checked and signed by the Project Director even if outside of delegation limit.
- The Project Director is to obtain the approval of the CEO or Board if over his delegation limit.
- All delegations are to be in line with the RQL purchasing policy.
- All items outside of the approved budget with an aggregate tolerance level of greater than either 1% or \$200K of the project value will require Board approval.

Suppliers

As much as possible, Racing Queensland Limited 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. 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)

Racing Queensland Limited's 6 key principles:

1. Value for money;
2. Quality of product, service, and support;
3. Open and fair competition;
4. Probity and 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.

1.2. Preferred Suppliers Listing

Preferred Supplier listings for Infrastructure Plan projects are to be developed by inviting suppliers with experience and expertise in the key areas that make up the projects identified in the RQL Infrastructure Plan to tender for projects thereby forming supplier panels.

These supplier panels could be further refined by way of prequalifying of suppliers lists.

1.3. Prequalification of Suppliers

Prequalification is where suppliers of particular goods or services are assessed against pre-determined criteria and then only those suppliers who satisfy the prequalification criteria are invited to tender for projects.

Prequalification provides added confidence that suppliers being invited to offer have the capability to supply the goods and services. Prequalification does not eliminate the risk of contract failure, but, if well managed, is a method of reducing the risk and administrative burden created by repeated approaches to the market.

Suppliers that are successful in meeting the prequalification criteria are generally included on a database maintained by the purchaser. Prequalification of suppliers is a strategy best used when the buyer procures a particular type of good/service on a regular basis and the procurement tends to be complex and/or costly and/or there is a high degree of risk involved in the procurement.

Some goods and services required for the development of racing tracks and facilities would fall under this category. As a general guide only they have been categorised into five broad groups:

1. Technical capability and experience
2. Financial capability
3. Systems and managerial capability
4. People
5. Business/organisation factors

Potential suppliers are assessed against specific criteria established by the purchaser and if successful are placed on a prequalification database. When a specific need by the purchaser arises, the prequalified suppliers are invited to offer. The offers are evaluated by the purchaser according to the specific offer evaluation criteria and the successful offeror is awarded the contract. Performance reporting about suppliers is an integral part of any prequalification system and should be incorporated into the system.

1.4. Outsourcing of Supplier Panel Selection

The use of organisations specialising in procurement processes such as preferred supplier lists, prequalifying suppliers and other supplier related contractual arrangements may be an alternative or addition to in-house procurement processes.

Local Buy is one such organisation with experience in procurement processes for local government. Local Buy is the Local Government Association of Queensland (LGAQ) procurement services company. Local Buy develops contractual arrangements for councils and government entities, eliminating the need for government authorities to establish their own supply contracts. <http://www.localbuy.net.au/>

The use of this type of organisation may be beneficial for tendering and contracting arrangements relating to the infrastructure plan projects, as the suppliers are effectively pre-screened for compliance with government procurement suitability

1.5. Applications for Sole Supplier

In some special circumstances the normal practices as outlined above may need to be set aside. For these instances an exemption from normal policy practice may be applied for.

Reasons for such Exemptions include but are not confined to;

- (a) Accessing existing standing offer and/or preferred supplier arrangements
- (b) Pursuing subsequent stages of multi-staged procurement processes
- (c) A sole supply situation exists whereby a high degree of technical expertise is required
- (d) A genuine urgency exists. If this is the case there must at all times be adequate supporting documentation to prove urgency is genuine and not the result of inadequate planning

Unless the above stated exemption criteria is met, or other compelling reason is able to be supported, the current RQL Purchasing Policy with addendum will apply to the procurement of goods and services.

Consulting Services

Racing Queensland 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 Executive Officer or Chief Financial Officer);
- For contracts over \$100,000, will be subject to an open tender process unless the RQL Board waive the requirement of an open tender, including appropriate advertising of the consultancy. Advertising may take the form of website notices and/or Courier Mail advertisement. 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 provision of external 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:

- Individual consultancy contracts over \$100,000 in value are not to be entered into under these preferred supplier arrangements. Such consultancies, will be subject to Board discretion as to the waiver of an open tender, as described above, must 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;
- A competitive process, adhering to the six key purchasing principles of Racing Queensland 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

Intellectual Property Rights

Intellectual property rights relating to plans, designs and concepts for Industry Infrastructure Plan projects are to reside with RQL. For this to be clearly articulated in any contractual arrangements there would need to be included in the document a clause to this effect.

Below is an example of such a clause;

'The physical ownership of, and ownership of intellectual property in, all plans, drawings, specifications, programs, computer data, samples, models, manuals, documents and all other information relating to the project remains vested at all times in the Company. The invited supplier may use and keep copies of such materials only for the purpose of providing services to the Company.'

Confidentiality and Security of information

The integrity of competitive procurement hinges on maintaining appropriate confidentiality that will protect information and give offerors the confidence to do business with Government. Confidentiality has many dimensions and confidentiality of submissions is particularly important prior to the awarding of the contract with information shared only on a 'need to know' basis.

Confidential information may include designated or defined (and as agreed) elements of the supplier's proposal, specific intellectual property and offerors pricing structures. Importantly, much of the information relating to the offer needs to be kept confidential up to the point where a contract is signed with the successful offeror.

A Confidentiality Agreements may include the following elements;

- The Contractor must not, and must ensure that its officers, employees, agents and sub-contractors do not use or disclose any Confidential information without RQL's consent
- The Contractor may disclose Confidential information to its officers, employees, agents and sub-contractors to the extent necessary for the performance of the arrangement, provided that the Contractor:
 - (a) Makes such persons aware that the information is confidential; and
 - (b) If directed by RQL during the contract term, obtains from such persons a confidentiality undertaking in a form acceptable to RQL
- RQL and Contractor must keep all Confidential information in a secure location so that no unauthorised person is able to gain access to it
- Upon receipt of a written request by RQL, either during the arrangement term or upon termination or expiration the arrangement, the Contractor must deliver to RQL any records in the Contractor's power, possession or control

Conflict of Interest

Conflicts of interest represent one of the potential threats to independence. A conflict of interest means having an interest (whether personal, financial or otherwise) which conflicts with, or may reasonably be perceived as conflicting with, the ability of the probity auditor or advisor to perform his/her obligations fairly and objectively. Perceived or potential conflicts of interest can be as damaging as actual conflicts of interest.

Recommended practice

The issue of independence should be specifically considered and addressed prior to engaging contractors, suppliers or consultants. At this stage, potential threats to independence should be considered as well as any safeguards that might eliminate or reduce the threats to independence. Independence is essential. A third party to the procurement should be able to rely on the fact that any and all potential conflicts of interest have been identified and recorded.

Potential goods and service providers should be required to divulge all potential threats to independence, including conflicts of interest, at the time of offer or as soon as any conflict becomes apparent during the service engagement. The service provider should be required to provide written assurance that he/she has no conflict of interest in the procurement, is able to remain objective and impartial throughout the engagement, and will provide notification of any conflict of interest, or compromise to independence, that arises during the engagement.

A Conflict of Interests document may contain the following elements;

- Contractor warrants that, to the best of its knowledge, as at commencement date neither contractor or any of its officers, employees or sub-contractors have, or are likely to have, a Conflict of Interest in the performance of its obligations under current or subsequent contracts
- If a conflict of Interest, or risk of such, arises during the term of the contract the contractor must immediately give notice of the Conflict of Interest, or risk of such, to RQL
- The Contractor must:
 - (a) Take all reasonable measures to ensure that its officers, employees and sub-contractors do not engage in any activity or obtain any interest which is in conflict with the Contractor's ability to fulfil its obligations to RQL in good faith and objectively, and
 - (b) Immediately give notice to RQL of any Conflict of interest relating to the activities or interests of any of its officers, employees or sub-contractors

Similarly all employees and agents of Racing Queensland Limited involved in any of the projects undertaken as part of the Infrastructure Plan are governed by the Employee Conflict of Interest policy of the company, and as such must immediately, in the event of a potential Conflict of Interest arising, notify their immediate manager of the issue.

Delegations

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

<i>Unlimited</i>	-	Board of Directors
<i>Up to \$150,000</i>	-	Chief Executive Officer
<i>Up to \$50,000</i>	-	Chief Financial Officer
	-	Director of Product Development
	-	Project Director

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 Executive Officer or Chief Financial Officer 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 under \$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 46.5% 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 Racing Queensland Limited that no supplies be purchased from entities that are unable to quote an ABN;
- All suppliers to Racing Queensland 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 Racing Queensland Limited to claim input credits. Under law, the supplier must supply Racing Queensland Limited with a Tax Invoice within 28 days of request. Racing Queensland Limited 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.

The same delegations on the following page (8) 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 permitted to circumvent their delegation by raising multiple orders to purchase a good or service for an amount that exceeds their delegation limit.

Documentation and the Role of the Finance Department

See Purchasing Policy and Racing Queensland limited Infrastructure Plan Internal Financial Process document

RACING QUEENSLAND LIMITED

Item	Regional Senior Stewards	Admin Authorities, Racecourse Supervisor, racing Manager – Procurement Track Supervisor	Managers, Chief Steward, Racing and Facilities Supervisor, Track Supervisor	Information Technology and Communications Manager, Licensing and Training Manager, Racing Managers – Dividing Races, Management Accountant, Revenue & Services Accountant	Director of Integrity Operations, Facility & Development Manager, Senior Corporate Counsel/Company Secretary	Chief Financial Officer, Director of Product Development, Project Director	Chief Executive Officer	Board of Directors
Overall Delegation	<\$500	<\$1,000	<\$2,000	<\$5,000	<\$20,000	<\$50,000	<\$150,000 In line with Budget	Unlimited

Contractual Agreements (all contracts to be reviewed by Senior Corporate Counsel/Company Secretary for updating of Contracts register and assess if any legal advice is required)	x	x	x	x	<\$20,000 total value (not lease or license) assuming that authorised to sign in ordinary operations	Yes with CEO assuming CEO previously approved and legally authorised to sign where <\$100,000	Yes where value <\$150,000	Yes, subject to Board agreement
Execution of Contractual agreements (All contracts to be reviewed by Senior Corporate Counsel/Company Secretary for updating of contracts register and assess if any legal advice is required)		To be executed by 2 Directors of the Company or a Director and a Company Secretary of the Company (S127 (1) – Corporations Act 2001).						

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 of \$10,000 or more where a preferred supplier is not used.
- Ensure appropriate delegation authorities applied
- Ensure probity and accountability in supplier selection process
- Confirm expenditure falls within approved budgets
- Ensure correct invoice coding to assist with budget review process
- Tax invoices to be obtained at all times.
- Required signatures for goods received.
- To ensure appropriate separation of duties; 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 G:\Finance\FORMS\Accounts Payable\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.

In addition to the above, Racing Queensland Limited should perform a routine supplier analysis to review expenditure to determine that value for money is being achieved, and all probity issues are addressed.

Reference material (available on QLD Govt website)**QLD State Procurement Policy****QLD Purchasing – Ethics, Probity and Accountability in Procurement****QLD Purchasing – Prequalifying Suppliers****QLD Purchasing – Engaging and Managing Consultants****QLD Govt – Capital Works Management Framework – Procurement Strategy and Contract Selection**

**Racing Queensland Limited
Infrastructure Plan
Internal Financial Process**

Background

On 19 July 2011, the Queensland Government approved the amended infrastructure plan and extended the Wagering Tax relief from 4 to 5 years.

Project	Value	Estimated Start Date	Estimated Completion Date
Deagon	\$39.9M	April 2012	April 2013
Gold Coast	\$35.4M	Feb 2012	Jan 2013
Beaudesert	\$7.27M	Nov 2011	April 2013
Cairns	\$1.96M	Nov 2011	April 2013
Townsville	\$6.34M	April 2013	Dec 2013
Mackay	\$7.44M	Sept 2011	June 2013
Rockhampton	\$1.6M	Sept 2011	March 2012
Subtotal Infrastructure	\$99.91M		
Country Racing	\$2.35M	July 2011	Dec 2011
Total	\$102.26M	April 2012	April 2013

Overview

All transactions will be processed through the Racing Queensland Limited (**RQL**) data base in Sun and will be kept separate from the RQL operating account.

All payments are to be paid from the following NAB bank Account:-

Account Name	BSB – Account Number
Infrastructure Plan	084-817 11 632 4760

Budgets

- a) Project Director is to liaise with the Project Management representative to ensure the budget is on track and to ensure an up to date cash flow and reconciliation is in place.
- b) Project Director to liaise with Chief Financial Officer (**CFO**) to ensure that the budgets and cash flows are up to date to ensure sufficient time is allowed to draw down from investments and/or the Queensland Treasury Corporation (**QTC**).

The first meeting with QTC indicated reasonable flexibility with the loan facility in that we could do monthly drawdowns if required. As QTC will be charging an interest cost on drawn down funds there is little advantage in drawing down from the facility early and investing the funds until required.

Once the budget has been approved by the Board and a business case has been completed and approved for each project for each facility by both the Board of RQL and Treasury, tenders

will need to be completed and reviewed by the Project Management representative and the Project Director and the Industry Infrastructure Project Control Group (**IIPCG**).

Treasury have indicated that they do not wish to receive business cases without statutory planning approval; otherwise they will be approving funds on a conditional business case.

All items outside of the budget with an aggregate tolerance level of greater than either 1% or \$200K of the project value will require Board approval.

1. Purchase Orders

In the interim, while IPOS (Electronic Procurement System) is not up and running, manual purchase orders will need to be prepared. See Accounts Payable (**AP**) for purchase order books.

Purchase orders must be prepared prior to the goods and/or services being requested and signed by an authorised officer. All purchasing must be in accordance with the RQL Purchasing Policy:-

http://sharepoint/Policies/FIN_pol001_RQL%20PurchasingPolicy.doc

Suppliers:-

Suppliers will only be added after they have gone through the tender process and been signed off by the Project Director, CFO, Senior Corporate Counsel and Chief Executive Officer (**CEO**).

A full risk profile must be undertaken for each supplier reviewing the following:-

The selection of suppliers or preferred suppliers should be based on selection criteria that may 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, and
- Favourable referee reports (a successful track record to deliver).

A risk profile may include the following in the checklist and be signed off by the Project Director and/or CFO and/or Senior Corporate Counsel as long as there are 2 delegated officers reviewing and would be done in the tender process prior to preparing the contract.

An option for RQL is the use of organisations specialising in procurement processes such as preferred supplier lists, prequalifying suppliers and other supplier related contractual arrangements as an alternative or addition to in-house procurement processes.

Local Buy is one such organisation with experience in procurement processes for local government. Local Buy is the Local Government Association of Queensland (LGAQ) procurement services company. Local Buy develops contractual arrangements for councils and government entities, eliminating the need for government authorities to establish their own supply contracts. <http://www.localbuy.net.au/>

RQL is currently in discussions with Local Buy relating to supplier panel selection processes and procurement needs of the organisation. The use of this type of organisation may be beneficial for tendering and contracting arrangements relating to the infrastructure plan projects, as the suppliers are effectively pre-screened for compliance with government procurement suitability

Managing Risk with Suppliers:-

When evaluating preferred suppliers, a risk analysis should be performed as part of that process. In line with RQL's risk management framework, the following 4 point scale can be adopted to assess risks associated with suppliers as identified below.

Rating	Description
4	Extreme Risk
3	High Risk
2	Moderate Risk
1	Low Risk

Criteria	Sub-Criteria
1. History and Development of the Supplier's Business	<ul style="list-style-type: none"> • Longevity/stability of the business • Principal activities and past successes • Market experience
2. Critical Performance Elements of the Contract	<ul style="list-style-type: none"> • Availability of critical elements • Reliance on another party (sub-contracting) • Dispute management processes • Confidentiality management
3. Insurance	<ul style="list-style-type: none"> • Workers Compensation • Public Indemnity Insurance • Professional Indemnity
4. Quality Assurance	<ul style="list-style-type: none"> • AS/NZS ISO 9001/2000 Quality Assurance accreditation
5. Management and Employees	<ul style="list-style-type: none"> • Experience of management team
6. Legal Background and Capital Structure	<ul style="list-style-type: none"> • Ownership • Control of the business • Loan arrangements • Legal agreements
7. Financial Viability	<ul style="list-style-type: none"> • Financial strength and viability • Gearing level and credit rating • Contingency funding and current level of operations • Reasonableness of information • Compliance with the Australian

An overall risk score should be derived for the supplier. This may be an average of the scores for each risk area or may be more complex by weighting certain areas of risk and then calculating a range of scores to ascertain the overall risk.

Treatment strategies should be developed to mitigate the risks. A potential supplier assessed as either extreme or high risk, in terms of their ability to deliver the services proposed, may still be acceptable, provided that the risk is capable of being effectively managed by RQL or treated by the supplier. A risk, for example, may be treated by requiring a bank guarantee a % of the contract value to protect RQL's interests. Risk should also be monitored on an ongoing basis to ensure that any events or circumstances have been identified that necessitates a review of the level of risk assigned.

The above table may incorporate a 2 tiered approach whereby low risk contractual arrangements perhaps only incorporate an assessment of risk criteria 1 to 3 above but more complex or higher risk procurement incorporates an assessment for all criteria i.e. from 1 to 7.

Where deemed necessary an independent third party such as services of a Quantity Surveyor may be utilised to ensure exposure to risk is minimised.

2. Delegations

All invoices must be checked and signed by the Project Director even if outside of delegation limit. The Project Director is to obtain the approval of the CEO or Board if over his delegation limit.

All delegations are to be in line with the RQL purchasing policy.

Officer	Delegation Limit
Board	Initial Budget or project variations outside of tolerance level
CEO	All invoices over \$50K
Project Director	\$50K
CFO	\$50K
Director of Product Development	\$50K
Racecourse Development Manager	\$20K

Any line item where the % increase to that line item is above the % project contingency requires approval in accord with the approved expenditure limits. Should a substantial line item be considerably over budget, whether in excess of the contingency % or not, it is the project managers responsibility to bring this to the attention of the IIPCG. Approval of all expenditure must be in accord with agreed policies and procedures and it is the responsibility of the project

manager to ensure this is the case and to report on and manage expenditure in accord with approved budgets.

Project	Value	0% Tolerance Level
Deagon	\$39.9M	<0% Board Approval
Gold Coast	\$35.4M	<0% Board Approval
Beaudesert	\$7.27M	<0% Board Approval
Cairns	\$1.96M	<0% Board Approval
Townsville	\$6.34M	<0% Board Approval
Mackay	\$7.44M	<0% Board Approval
Rockhampton	\$1.6M	<0% Board Approval

3. Accounts Payable (AP)

The RQL AP Officer is the contact for the accounts payable function of the infrastructure plan. However, it is important to copy the RQL Project Accountant into all correspondence.

The procedure for processing invoices/payments is as follows:

- Check with AP if the supplier has been set up in the system.
- Sufficient time (2 days) must be given to AP for this to be done.
- If new, send the supplier the "New Supplier Application" form which is to be forward to the accounts payable officer once completed.
- All invoices to be pre coded, signed and approved by an authorised RQL representative per the approved delegation and sent through to the accounts payable officer.

RQL conducts payment runs every Friday. To ensure the payment is processed on time, the supplier's details and the authorised invoice need to be received at RQL by the preceding Wednesday. If these details are not received by close of business Wednesday, they will not be processed and paid that week and will paid in the following week's payment run.

It is the responsibility of the Project Director to ensure these conditions are met to ensure prompt payment, particularly in the case of 7 day accounts. All other invoices will be paid according to the payment terms. It is the responsibility of the Project Director to liaise with the suppliers to ensure appropriate payment terms are in place based on the above process. Where possible, RQL will insist on 30 day invoices and will endeavour to avoid any invoices being prepared under the *Building and Construction Industry Payments Act 2004*.

Coding:-

All invoices need to be authorised and checked against budget by the Project Director prior to being received by AP and coded as follows:-

Project	Account Code	T1 Cost Code Facility	T2 – Project Broken down further See below **	T3 – Function Code	T5 – Area Code	T7 – Racing Division Code
Deagon	12393	20	IIPLN	AD	02	11 (Harness & Greyhounds 50:50)
Gold Coast Turf Club	11341	31	IIPLN	AD	02	02 - THB
Beaudesert Race Club	11331	22	IIPLN	AD	02	02 - THB
Cairns Jockey Club – Canon Park	11332	10 THB 54 GH	IIPLN	AD	10	02 - Thoroughbreds 04 - Greyhounds
Townsville Turf Club – Cluden Park	11339	37	IIPLN	AD	08	02 - THB
Mackay Turf Club – Ooralea Park	11333	33	IIPLN	AD	08	02 - THB
Rockhampton Greyhound Club – Callaghan Park – Greyhounds Only	11334	57 GH	IIPLN	AD	03	04 - Greyhounds
Country Racing	11349					Paul Brennan
Albion Park	12394	23	IIPLN	AD	02	11 (Harness & Greyhounds 50:50)

IIPLN – Industry Infrastructure Plan
AD – Asset Development

** The project codes are broken down further per area to easily identify the asset and are as per the following link and attachment “A”

IIPN New Codes.xlsx

4. Cheque/Electronic Funds Transfer (EFT) Signatories

Payments will not be processed without the prior approval of the Project Director and The Project Management representative. Once approval is received, two of the following five designations are required to authorise each payment on behalf of the infrastructure plan via EFT:

- CFO
- Management Accountant

- Revenue Services Accountant
- Business Analyst
- Senior Corporate Counsel/Company Secretary

Petty Cash:-

The procedure for processing petty cash is as follows:

- Send through to AP Officer the petty cash reimbursement form along with necessary receipts.
- RQL processes the cheque to be signed by CFO or equivalent.

Sufficient time is required to return the petty cash cheque. Please reimburse the petty cash fund regularly to prevent any shortage.

It is recommended that urgent correspondence be sent through an external mailing system or scanned and emailed with the originals sent in the post.

The Accounts Receivable (**AR**) and AP function are vital to the successful management of the Infrastructure Plan. It is extremely important that the Project Director of the Infrastructure Plan continually liaises with the AR and AP departments as well as RQL staff liaise and provide feedback to the Project Director.

5. Credit Card Process

The credit card is designated for use by the authorised card holder when:

- a creditor account has not been set up
- or is a one off payment to a creditor not normally used
- or based on necessity e.g. travel.

Process:-

- Credit Card Statement received by authorised card holder.
- Attach invoices/receipts for corresponding debit amounts on the statement and send through to the accounts payable officer within 3 days of receipt of credit card statement.
- Statement is coded and allocated to the relevant ledger accounts.
- Payment is made by direct debit monthly.

6. Accounts Receivable

Where required, the RQL AR Officer is the contact for the AR function if an invoice is required to be raised for the Infrastructure Plan. However, it is important to copy in the RQL Revenue Services Accountant into all correspondence.

The procedure for raising an invoice is as follows:

- An authorised Infrastructure Plan representative is to fill out an invoice request form and send through to the AR Officer.

- The request form must include the following information to facilitate accounts receivable following up any issues
 - Name
 - Address
 - Phone Number
 - E-mail (optional but preferred)
 - Payment Terms
 - Supporting Documentation (e.g. sponsorship agreements)
 - Signed by an authorised Infrastructure Plan representative

Once the invoice request form is completed in its entirety, the invoice will be created and within 3 working days of receipt.

A final authorisation is required from the RQL Revenue Services Accountant prior to processing.

Once authorised the invoice will be processed and issued by the following working day.

Statements will be issued the first working day of the month.

For any adjustments that may be required (e.g. refund, credits), an adjustment form is required to be completed by an authorised Infrastructure Plan representative and sent through to the accounts receivable officer.

A final authorisation is required from the RQL Revenue Services Accountant prior to processing.

7. Payroll

For all additional employees from 1 July 2010 payroll is paid monthly on the 14th of each month, approximately 2 weeks in arrears and 2 weeks in advance with the exception of:

- Casual employees
- Facility maintenance staff dependant on their circumstances and in consultation with the executive manager.
- Employees on fortnightly arrangements prior to 1 July 2010

For these employees payroll is run on a fortnightly basis paid on a Wednesday in arrears. The payroll period is Monday to the following Sunday.

Process:-

- Timesheets are due by close of business Monday for the previous fortnight sent through to the payroll officer.
- Project Director Authorisation is required to be sent through to the payroll officer by midday Tuesday of the pay run week.
- All leave and payroll requests are due to payroll 3 days prior to processing.
- All leave and payslips are available through the employee services portal on the intranet through ConnX.
- Payroll is processed and then checked and payment authorised by two authorising RQL delegates (see no.1).
- Salaries are due in the employees' bank account fortnightly on a Wednesday.

- Monthly salaries are due on the 14th of each month.

From 1 July 2011 there will be the following RQL employees dedicated to the infrastructure plan

POSITION	NAME	EMAIL	DIRECT PHONE
Project Director	Mark Snowdon	msnowdon@racingqueensland.com.au	07 3869 9402
Executive Assistant Assets & Infrastructure	Deanna Dart	ddart@racingqueensland.com.au	07 3869 9405
Accounts Payable	TBA	TBA	TBA

All other RQL employees who are involved with providing advice and working on the infrastructure plan and/or processing of payments will need to complete an Infrastructure time sheet which will need to be authorised by the project director. A monthly Journal will need to be recoded from the RQL salaries operating account to the infrastructure plan per a project seeking reimbursement of this expenditure from 1 July 2011.

It is anticipated that a total fee required from the IIPLN be formulated for the use of RQL employees. This total figure will then be allocated over the projects relevant to the work and time required. Time sheets will then be written up to reflect the fees charged.

Infrastructure Plan Timesheet (click on link to timesheet)

If the IIPLN does not have a specific account amounts are allocated to and will then be reallocated to the specific project.

Account Name	Account Code	T1	T2	T3	T5	T7
Infrastructure Plan	11349	01	IIPLN	AD	02	01,02,03,04

8. Expense reimbursement

All expenses are to be reimbursed in line with the expense reimbursements policy and in line with the appropriate delegation.

http://sharepoint/Policies/FIN_pol003_Expense%20Reimbursement%20Policy.doc

9. Investments/Term Deposits

Term Deposit and investment advice is provided by the CFO and/or Management Accountant through a number of institutions currently, NAB, QTC, Westpac, CBA or ANZ and is invested by the Senior Finance Officer – Treasury

10. Cash flow and Budgets

The Project Director is to liaise with The Project Management representative to ensure the budget is on track and to ensure an up to date cash flow is in place. The Project Director to liaise with CFO to ensure that the budgets and cash flows are up to date to ensure sufficient time is allowed to draw down from investments and/or Treasury to ensure payments can be made within the agreed credit terms. Once done, authorised payments are to be made. The Finance Department to assist the Project Director and produce budget to actual reports for RQL Board and Government.

Senior Finance Officer and Accountant to review daily cash requirements for AP and other requirements

11. Monthly Financial Statements – Project Reconciliations

RQL will provide monthly financial statements – Project Reconciliations by working day 10 of the following month. These statements are prepared by the Project Accountant and will be reviewed by the CFO or Management Accountant prior to release. These reconciliations must be agreed by the Project Director prior to being released to the IIPCG or the Board.

12. Urgent transactional delivery

The Management Accountant is the first point of contact to assist in the delivery of any urgent transactions or financial enquiries.

If the Management Accountant is unavailable, please contact the CFO or any contact on your contacts list below so that they can source the appropriate authority and escalate the delivery as required.

13. Club Restructures and financial modelling

RQL will pursue partnership arrangements with clubs and the Business Analyst will assist with all financial modelling and support.

14. RQL employees with responsibilities on behalf of the Infrastructure Plan

As mentioned above, RQL provides the following employee resources to assist with the Infrastructure Plan accounts:

- Compliance/Project Accountant
- Accountant
- AP Officer
- AR Officer, and
- Payroll.

The CFO and Management Accountant provide direction to the above employees as well as assisting the Infrastructure Plan directly on any higher level financial analysis or needs.

The senior accountants (Revenue Services Accountant and Project Accountant) are also utilised to ensure correct processing, coding and authorising of all transactions has been adhered to as per RQL credit and purchasing policies.

All the above mentioned resources are full time permanent RQL employees who assist in the Infrastructure Plan accounts on the basis of hours needed to fulfil the deadlines, processing, reporting requirements and any other financial advice as deemed appropriate and relevant. RQL also provides back up assistance from within the Finance Department to alleviate any concerns relating to leave or turnover of staff.

Following are the current RQL contacts assisting with financial functions as at today's date:

POSITION	NAME	EMAIL	DIRECT PHONE
CFO	Adam Carter	acarter@racingqueensland.com.au	07 3869 9702
Management Accountant	Sharon Drew	sdrew@racingqueensland.com.au	07 3869 9704
Business Analyst	Ron Mathofer	rmathofer@racingqueensland.com.au	07 3869 9716
Financial/Compliance/Project Accountant	Jeffrey Zeppa	jzeppa@racingqueensland.com.au	07 3869 9713
Revenue Services Accountant	Murray Dyke	mdyke@racingqueensland.com.au	07 3869 9727
Senior Finance Officer	Kees Van der Waal	kvanderwaal@racingqueensland.com.au	07 3869 9706
Accountant	Craig Roberts	croberts@racingqueensland.com.au	07 3869 9718
Accounts Receivable	Janet Roth	jroth@racingqueensland.com.au	07 3869 9711
Accounts Payable	Su Agate Karin Schreiber	ap@racingqueensland.com.au sagate@racingqueensland.com.au kschreiber@racingqueensland.com.au	07 3869 9714 07 3869 9703
Payroll	Leanne Lorena	llorena@racingqueensland.com.au payroll@racingqueensland.com.au	07 3869 9708

RQL will endeavour to update your contact list as soon as any changes occur.

If you have any further queries please do not hesitate to contact me by email acarter@racingqueensland.com.au or by mobile 0400 761 700.



ADAM CARTER
Chief Financial Officer



PURCHASING POLICY

Owner

Chief Financial Officer

Stakeholders

Corporate Wide

Revision History

<i>Version</i>	<i>Date</i>	<i>Description of Change</i>
1.01	May 2010	First draft (Murray Dyke)/Reviewed Adam Carter
1.02	12 May 2010	Provided to Tracey Harris and Abhendra Kumar for Feedback
1.03	22 June 2010	Reviewed AC
1.04	1 July 2010	RQL Board Changes (FINAL)
1.05	9 June 2011	Reviewed Adam Carter and Sharon Drew
1.06	1 July 2011	Approved by RQL Board – Capital Expenditure and Repairs and Maintenance
1.07	25 October 2011	Added: 1. Delegation authority of \$50K for the Project Director. 2. Industry Infrastructure Plan Section. Made minor changes to the Capital Expenditure and Repairs and Maintenance forms.
1.08	4 November 2011	Approved by RQL Board – changes made as per version 1.07



PURCHASING POLICY:

RACING QUEENSLAND LIMITED

Introduction

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

Racing Queensland Limited is the Control Body established by, and obtaining its objects and functions from, the *Racing Act 2002* and its Constitution. Racing Queensland 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 Racing Queensland 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;
 - Major repairs and maintenance;
 - Day to day purchasing of services and supplies;
 - Industry Infrastructure Plan; and
 - Credit Facilities

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

Racing Queensland Limited plays a major role in the implementation of industry capital works projects each year. Racing Queensland 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 Racing Queensland 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. Racing Queensland 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 Racing Queensland Limited;
- Assuming the project cost following detailed design is contained within 10% of the preliminary estimate, and Racing Queensland Limited is satisfied with the standard of documentation provided, final approval will be given for the project to proceed (Chief Executive Officer or Chief Financial Officer);
- 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, Racing Queensland 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 Racing Queensland Limited with a report, which addresses the outcomes of the project, including cost to budget, quality of product, and timeliness.

Consulting Services

Racing Queensland 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 Executive Officer or Chief Financial Officer);
- For contracts over \$100,000, will be subject to Board discretion as to the waiver of an open tender, 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 Racing Queensland 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, will be subject to Board discretion as to the waiver of an open tender, as described above, must be followed.

Sponsorship Contracts

Racing Queensland 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 Racing Queensland 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 Racing Queensland 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 Racing Queensland 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 Racing Queensland 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 Racing Queensland 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

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

- the leasing of a new vehicle must be approved by the Chief Executive Officer or Chief Financial Officer; 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 three years, or having travelled 90,000 kims, whichever comes first, unless the Chief Executive Officer or Chief Financial Officer agrees to an extension of the leasing term.

Vehicles are to be leased in line with the Racing Queensland Limited’s Motor Vehicle Policy, for further details email ap@racingqueensland.com.au

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. Racing Queensland 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 Executive Officer or Chief Financial Officer 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 Racing Queensland Limited are to adhere to the following guidelines:

A request for capital expenditure form is to be completed for all capital purchases and is to be authorised by both the Chief Executive Officer and Chief Financial Officer<insert link to form when on intranet >.

- 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, will be subject to Board discretion as to the waiver of an open tender. 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.

Major Repairs and Maintenance

Major Repairs and Maintenance purchases of \$20,000 or more made by Racing Queensland Limited are to adhere to the following guidelines:

A request for major repairs and maintenance expenditure form is to be completed for purchases of \$20,000 or more and is to be authorised by both the Director of Product Development and Chief Financial Officer to the value of \$50,000). Purchases of \$50,000 or more will require an additional approval by the Chief Executive Officer.

. <insert link to form when on intranet >

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 Racing Queensland Limited’s key principles are satisfied. At least three competitive quotes must be obtained for any purchase of \$10,000 or more.

Industry Infrastructure Plan;

Policy in relation to the approval of supplier payments specifically related to the Industry Infrastructure Plan is as follows;

- All invoices must be checked and signed by the Project Director even if outside of delegation limit. The Project Director is to obtain the approval of the CEO or Board if over his delegation limit.
- All delegations are to be in line with the RQL purchasing policy.

- All items outside of the approved budget with a tolerance level of greater than either 1% or \$200K of the project value will require Board approval.

Preferred Suppliers

As much as possible, Racing Queensland Limited 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. 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)
- Racing Queensland Limited'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.

1.2 Preferred Suppliers Listing.

The current preferred suppliers list can be obtained from [accounts payable ap@racingqueensland.com.au](mailto:accounts_payable_ap@racingqueensland.com.au) or can be located at the following link:

<Insert Link to Preferred Supplier Listing which is currently under construction>

RACING QUEENSLAND LIMITED

Item	Regional Senior Stewards	Admin Authorities, Racecourse Supervisor, racing Manager – Procurement Track Supervisor	Managers, Chief Steward, Racing and Facilities Supervisor, Track Supervisor	Information Technology and Communications Manager, Licensing and Training Manager, Racing Managers – Dividing Races, Management Accountant, Revenue & Services Accountant	Director of Integrity Operations, Facility & Development Manager, Senior Corporate Counsel/Company Secretary	Chief Financial Officer, Director of Product Development, Project Director	Chief Executive Officer	Board of Directors
Overall Delegation	<\$500	<\$1,000	<\$2,000	<\$5,000	<\$20,000	<\$50,000	<\$150,000 In line with Budget	Unlimited

Standard Purchase Orders	IPOS	IPOS	IPOS	IPOS	IPOS	IPOS	IPOS	IPOS
Emergency Purchase Orders	IPOS	IPOS	IPOS	IPOS	IPOS	IPOS	IPOS	IPOS
Requisition – Miscellaneous Purchases (Credit Cards) (Refer to Expense Reimbursement policy for conditions)	X	X	X	X	<\$20,000 and to Budget	To Budget	To Budget	Same as above
Petty Cash	<\$100	<\$100	<\$100	<\$100	<\$100	<\$300	<\$300	<\$300
Capital Expenditure Purchase Orders and Request Forms	X	X	X	X	X	Forecast projects if <\$50,000 or if satisfied CEO has previously approved the project	Any single project <\$150,000 where included in approved annual budget	Any single project above \$150,000
Domestic (Interstate) travel	X	X	X	To Budget	To Budget	To Budget	To Budget	If outside aggregate annual budget
International Travel	X	X	X	X	X	X	To Budget	If outside aggregate annual budget
Official Hospitality	<\$100	<\$100	<\$100 <\$300 Senior Management Team	<\$100 <\$300 Senior Management Team	<\$300	<\$300 or other functions as approved by CEO	To Budget	Yes
Sponsorship	X	X	X	Authorities restricted to IT&Comms Manager or Marketing Manager and Senior Corporate Counsel/Company Secretary	To Budget	To Budget	To Budget	Yes, subject to Board agreement

RACING QUEENSLAND LIMITED

Item	Regional Senior Stewards	Admin Authorities, Racecourse Supervisor, racing Manager – Procurement Track Supervisor	Managers, Chief Steward, Racing and Facilities Supervisor, Track Supervisor	Information Technology and Communications Manager, Licensing and Training Manager, Racing Managers – Dividing Races, Management Accountant, Revenue & Services Accountant	Director of Integrity Operations, Facility & Development Manager, Senior Corporate Counsel/Company Secretary	Chief Financial Officer, Director of Product Development, Project Director	Chief Executive Officer	Board of Directors
Overall Delegation	<\$500	<\$1,000	<\$2,000	<\$5,000	<\$20,000	<\$50,000	<\$150,000 In line with Budget	Unlimited

Contractual Agreements (all contracts to be reviewed by Senior Corporate Counsel/Company Secretary for updating of Contracts register and assess if any legal advice is required)	x	x	x	x	<\$20,000 total value (not lease or license) assuming that authorised to sign in ordinary operations	Yes with CEO assuming CEO previously approved and legally authorised to sign where <\$100,000	Yes where value <\$150,000	Yes, subject to Board agreement
Execution of Contractual agreements (All contracts to be reviewed by Senior Corporate Counsel/Company Secretary for updating of contracts register and assess if any legal advice is required)		To be executed by 2 Directors of the Company or a Director and a Company Secretary of the Company (S127 (1) – Corporations Act 2001).						

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 and are to be in line with budget. These delegations are as follows:

Unlimited

- Board of Directors

Up to \$150,000

- Chief Executive Officer

Up to \$50,000

- Chief Financial Officer
- Director of Product Development
- Project Director

Up to \$20,000

- Director of Integrity Operations
- Facility Maintenance and Development Manager
- Senior Corporate Counsel/Company Secretary

Up to \$5,000

- Information Technology and Communications Manager
- Racing Managers – Dividing Races
- Licensing and Training Manager
- Accountant – Corporate Services
- Management Accountant

Up to \$2,000

- Race Course Facility Managers
- Chief Steward
- Track supervisor

Up to \$1,000

- Administrative Authorities – Executive Assistants including Track Supervisors
- Racing Managers - Procurement
- Racecourse Supervisor

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 Executive Officer or Chief Financial Officer 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 under \$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 46.5% 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 Racing Queensland Limited that no supplies be purchased from entities that are unable to quote an ABN;
- All suppliers to Racing Queensland 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 Racing Queensland Limited to claim input credits. Under law, the supplier must supply Racing Queensland Limited with a Tax Invoice within 28 days of request. Racing Queensland Limited 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 Racing Queensland 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 that are not completed through petty cash or credit cards must be completed in IPOS. **Where IPOS is not available a manual purchase order must be raised and authorised with the pink and green copies sent to accounts payable.** Additionally, copies of sponsorship agreement pro-formas must be provided to the Chief Financial Officer on a timely basis; and
- The delegated officer must be satisfied that Racing Queensland 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 Executive Officer or Chief Financial Officer.

IPOS

IPOS is an online web enable electronic procurement system. It has been custom built to meet Racing Queensland Limited and industry needs and greatly enhances Racing Queensland Limited's ability to operate in today's modern information driven environment.

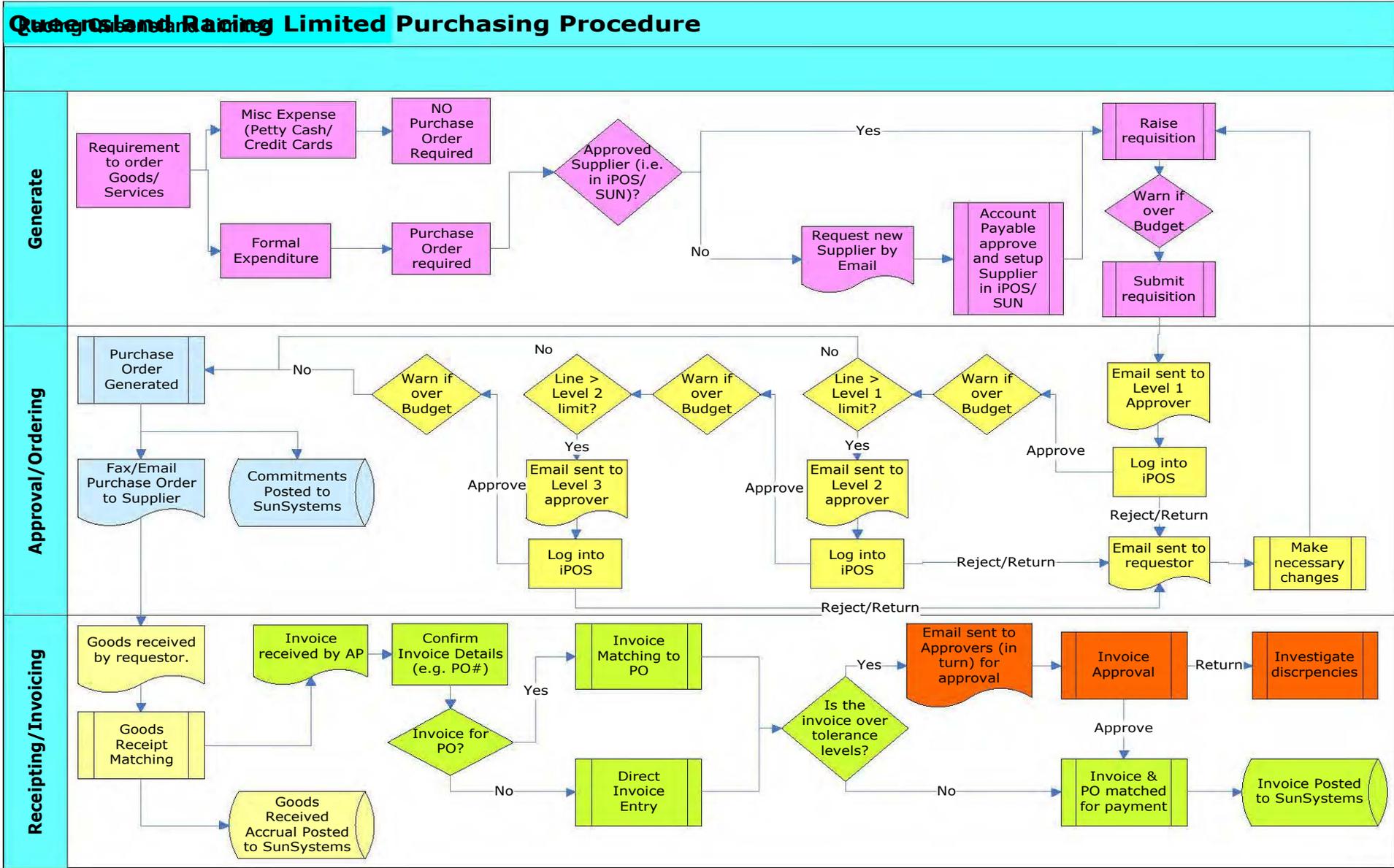
Where IPOS is not available a manual purchase order must be raised and authorized with the pink and green copies sent to accounts payable.

The main objectives of IPOS are:

- To provide the underlying systems to enable the business to obtain tighter budgetary controls, including the recording of committed expenditure,
- To provide managers with the appropriate tools to focus on their individual budgets,
- Implementation of systemic controls over the procure to pay process,
- Improved reporting to the whole business,
- To bring Racing Queensland Limited in line with best practice procurement through taking advantage of e-commerce, electronic purchase ordering and scanning.
- Provide more real time reporting with less reliance on accounts payable,

-
- Introduction of process efficiencies for accounts payable, removing the many manual processes currently in use, such as manual purchase order generation and invoice approvals.
 - Ability to interface with supplier ordering systems resulting in less manual entry.

The process map for Racing Queensland Limited's procurement process is featured below.



The major advantage of IPOS is that it enforces Racing Queensland Limited's purchasing policy in an electronic procurement system. All management delegations are enforced at requisition and invoice stage. Separation of duties ensures that only requisitioners can create purchase orders and only management can authorise.

From 1 July 2010 where applicable all invoices will only be paid if an IPOS purchase order number is quoted on the invoice. Instances where invoices do not require IPOS purchase orders are Energy, phones, rates and other standard monthly charges.

IPOS Procedures are linked below:

<http://starcraft:8080/finance/Shared%20Documents/Forms/AllItems.aspx>
<link to be updated>

Payment Methods

1. Direct Debit

1.1 Business Condition

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

1.2 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.

1.3 Dependencies

Payments must be fixed frequency and price.

2. Cheque

2.1 Business Condition

One-off purchases that can not be paid through any other alternative option. RQL will only pay by cheque under exceptional circumstances otherwise all payments are to be made by electronic funds transfer.

3. Electronic Funds Transfer (EFT)

All other purchases will be paid by Electronic Funds Transfer (EFT) unless previously authorised by the Chief Financial Officer

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. To be used only in exceptional circumstances.
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 the Chief Financial Officer

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 of \$10,000 or more 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 G:\Finance\FORMS\Accounts Payable\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.
- All Capital purchases require a Capital Expenditure request form.
- Major Repairs and Maintenance of \$20,000 or more require a Major Repairs and Maintenance form.

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

Credit Facilities

A credit facility is any system of credit established to allow purchase of goods or services without the use of an official purchase order or the exchange of cash between the purchaser and supplier at the time of the transaction.

The credit facilities generally used by the Company are:

- Corporate credit cards
- Fuel cards
- Taxi vouchers
- Toll cards.

The establishment of any credit facility requires the recommendation of the Chief Financial Officer and approval from the Company. The Chief Financial Officer is responsible for the establishment, implementation, management and control of credit facilities used by the Company.

All credit facilities must be subject to the agreed terms and conditions between the credit provider and the Company.

Users of credit facilities must comply with the agreed terms and conditions, and properly discharge responsibilities regarding the use and reconciliation of credit accounts. Users are responsible for utilising the facilities in a proper and appropriate manner, and are accountable for all transactions associated with their use.

Users are also responsible for the security of the card/vouchers. Misuse of credit facilities will, at the discretion of the Board, result in the user's access to the facility being revoked and appropriate disciplinary action being taken.

Corporate Credit Cards

Principles. The policies and procedures pertaining to corporate credit cards are contained in the following policy: RQL_Expense Reimbursement Policy.doc

<Update link when on Intranet>

Issue. Corporate credit cards will be issued to relevant officers on the basis of the card providing a necessary and convenient facility for meeting commitments incurred in the course of official business.

The issue of corporate credit cards is to be recorded in a register that is maintained by an appropriate officer, e.g. Accounts Payable Officer. Corporate card use should be restricted to a specific transaction limit in any one month.

Documentation.

The following conditions governing the use of credit cards prevail:

A register of cards must be established and maintained to exercise control over the issue and use of cards.

- Only authorised charges may be made against the credit organisation;
- Cards must be secured at all times against unauthorised use;
- Internal control measures must be sufficient to ensure cards are used for official purposes only and that any misuse is detected promptly and reported to the Chief Financial Officer.
- Officers using a credit card must obtain particulars of transactions including supporting invoices and dockets duly signed. A Credit Card Usage Form must be completed with the invoices attached. Supporting documentation can include the vendor's invoice/account, copy of prior approval to travel/entertain (where applicable), and purchase order. Where supporting invoices or dockets are not available, a signed certificate stating that the transactions are valid and were for official purposes must be attached. Details of all hospitality/entertainment expenses must be fully documented with the purpose of the expense, guest name(s), date, refreshments, time and the like.

Reconciliation.

- The documentation must be forwarded promptly to an accounting officer for attachment to the credit card transaction record for the purposes of sustaining the official use of the card and settlement of the amount within the required period;
- An accounting officer must match the dockets to the statements received from the credit card organisation;
- The dockets and the summary of these dockets showing the charges incurred by the use of credit cards must be properly authorised by a duly authorised officer; and
- The use of credit cards for the purchase of goods and services must be in strict accordance with the expense reimbursement policy of Racing Queensland Limited.
- Failure to provide receipts and the reconciliation in a timely manner will result in the card being cancelled and the employee will have to be reimbursed expenditure through the expense reimbursement policy

Fuel Cards

Issue. The issue of fuel cards is to be recorded in a register maintained by the Finance area.

Responsibilities. Users of the fuel card credit facility are responsible for utilising the facility in a proper and appropriate manner. Users are also responsible for the security of the card while it is in their possession, and are accountable for all transactions associated with its use during that period.

Use. Fuel cards are to be used only in accordance with the agreement between the credit provider and the Company. This includes locations where the card may be used, vehicle for which the card may be used and the types of purchases that are permitted (e.g. fuel only, fuel and oil).

Documentation. Fuel card transactions are to be supported by documentary evidence of the purchase (e.g. the fuel card docket provided by the fuel supplier). This documentation is to be forwarded to the Finance Area and will be used when reconciling the credit provider's account and making payment.

Taxi Vouchers

Issue. Bulk stocks and the issue of taxi vouchers are to be maintained by the Finance area. The Accounts Payable Officer is responsible for the issue of taxi vouchers within their area of responsibility. This officer should ensure that taxi vouchers are issued for appropriate use.

Use. The use of taxi vouchers is strictly limited to taxi travel for the purpose of conducting official business within or outside business hours when neither an official vehicle is available, nor is public transport an acceptable option.

E Tolls

Issue. The Chief Financial Officer is responsible for approving the issue of E toll within their area of responsibility.

Officers may purchase pre-paid tolls only by credit card.

Use. The use of tolls is limited to conditions as specified under the motor vehicle policy.

SPONSORSHIP AGREEMENT

BETWEEN:

(The Sponsor)

AND RACING QUEENSLAND 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

RACING QUEENSLAND LIMITED

Full name of authorised officer

Signature of authorised officer

Signed in the presence of

PROCESS FOR APPLICATION FOR SOLE SUPPLIER

Introduction

The Queensland State Purchasing Policy has, among its objectives, two equally ranking criteria:

- 1.1. To achieve value for money; and
- 1.2. To ensure probity and accountability for outcomes.

Achievement of these objectives would generally be by the following means:

- Achieving value for money – completing the project by the most economical means
- Ensuring probity and accountability – completing the required paperwork so that it satisfies audit.

Normal Practice

The generally accepted best means of achieving the above objectives for engaging suppliers is by tendering to three or more firms, or by going to a competitively neutral commercialised business unit of DPW or other State Government agency, such as Q Build.

Reasons for Exemption

There are 5 main reasons why exemption to normal practice may have to be sought in order to achieve the State Purchasing Policy objectives:

- 1.1. Accessing existing standing offer and/or preferred supplier arrangements. Examples of this are not common, but may occur in situations such as supply of air conditioning units for Cooler Schools.
- 1.2. Pursuing the second or subsequent stage of a multi-stage procurement process. Multi-stage developments such as Woolloongabba Cricket Ground are good examples.
- 1.3. A sole supply situation exists. An example is where there is a high degree of technical expertise required, eg tension structures or technically complex projects.
- 1.4. A genuine urgency exists. This is the most frequently used reason and the most frequently abused. If this is the reason, there must be adequate accompanying documentation to prove that the urgency is genuine and not a result of inadequate planning.
- 1.5. The procurement is from a competitively neutral commercialised business unit of DPW or other agency acting for the Crown in the same right of the State of Queensland. This is the means by which Q Build or other commercialised business units such as Roadtek can be engaged.

Whichever reason or reasons are used, it is **absolutely essential** that sufficient accompanying documentation is provided to answer any questions that any of the signatories below (Page 3) may raise.

Completing the Form on the following page

Place – name of the site, eg. Greenbank State School.

Project – name of the project, eg. New Teaching Block Stage 1.

Reasons – delete those not applicable and provide details to adequately support those reasons which are applicable.

Firm – list the firm the project manager proposes to invite.

Note: Any questions about this process should be directed to Procurement Services.

PROCUREMENT SERVICES

Application for Sole Supplier

PLACE: Various

PROJECT: Various Department of Communities Developments

PROJECT NO: n/a

PROJECT MANAGER: Various

Approval is sought for the attached list of projects to allow an invitation to be issued to a single supplier for the following reasons:

- A genuine urgency exists

In a meeting on the 15 Dec 2010 between Max Smith and Damian Lavercombe the instruction was given to senior representatives from the Project Services Nation Building team to increase the number of traditional delivery projects in the Nation Building Program.

All of these projects are only just completing preliminary design and therefore the traditional delivery method has needed to be streamlined in order to achieve a construction completion by 24 December 2010.

The philosophy for streamlining the traditional process for ensuring delivery of these projects by this date is:

- Sole select Principal Consultants for a 6 week Contract Documentation stage.
- Select tender projects for Building Contractors using a reduced tender period of 2 weeks, with QBSA Assessments occurring in parallel for each tenderer. A separate series of approvals of select tender lists and reduction in tender durations will be submitted shortly.

This entire strategy is built around the smoothest and most efficient delivery program possible.

There is an urgent need to commission the following list of Principal Consultants. The methodology used to select these consultants and the projects issued to each consultant was that those proven performers in the timely and professional delivery of contract documentation were selected and the volume of work was issued based on their stated capacity to immediately commence works and complete within the 6 week timeframe. The estimated value of the each commission is shown below.

It is proposed to issue an invitation to the following firm against each of these projects:

PS#	Street	Suburb	Project	Consultant	Approx Cost
61477	118A-124 Cypress Tce	Palm Beach	12x2B AP	Noel Robinson	\$120,000 (incl GST)
61476	140-144 West Burleigh Rd	Burleigh Road	16x1B AP	Noel Robinson	\$160,000 (incl GST)
63188	36-38 Juliette St	Annerley	7x1B AP	Noel Robinson	\$70,000 (incl GST)

1. Recommended/Not Recommended

2. Recommended/Not Recommended

A/Assistant Director Date

Director, Housing & Property Portfolio Date

3. Recommended/Not Recommended

4. Approved/Not Approved

Manager, Procurement Services Date

General Manager, Project Services Date

PROCUREMENT SERVICES

Application for Sole Supplier

PLACE: Various

PROJECT: Various Department of Communities Developments

PROJECT NO: n/a

PROJECT MANAGER: Various

Approval is sought for the attached list of projects to allow an invitation to be issued to a single supplier for the following reasons:

- A genuine urgency exists

On the 22nd January 2010 the Department of Communities instructed Project Services to accelerate a number of traditional delivery projects that could be substituted into the Nation Building Program, if required.

These projects are in various stages of design and need to proceed at a pace sufficient to potentially achieve a construction completion by 24 December 2010, therefore the traditional delivery method has needed to be streamlined. Senior representatives of Project Services Nation Building team will need to confirm the Nation Building Programs need for the project and ability to financially commit to the 24 December 2010 construction completion, prior to that project proceeding to tender.

The philosophy for streamlining the traditional process for ensuring delivery of these projects by this date is:

- Sole select Principal Consultants for a 6 week Contract Documentation stage.
- Select tender projects for Building Contractors using a reduced tender period of 2 weeks, with QBSA Assessments occurring in parallel for each tenderer. A separate series of approvals of select tender lists and reduction in tender durations will be submitted shortly.

This entire strategy is built around the smoothest and most efficient delivery program possible.

There is an urgent need to commission the following list of Principal Consultants. The methodology used to select these consultants and the projects issued to each consultant was that those proven performers in the timely and professional delivery of contract documentation were selected and the volume of work was issued based on their stated capacity to immediately commence works and complete within the 6 week timeframe. The estimated value of the each commission is shown below.

It is proposed to issue an invitation to the following firm against each of these projects:

PS#	Street	Suburb	Project	Consultant	Approx Cost
54986	13 Eleventh Ave	Parkside	4x2B AP	Tam Faragher Arch	\$60,000 (incl GST)
55565	70-72 Takalvan St	Svensson Heights	16x1B AP	Ellivo Architects	\$170,000 (incl GST)
52413	2 Hansford Rd	Coombah	4x2B AP	Ellivo Architects	\$48,000 (incl GST)
55564	90-92 Thorn St	Ipswich	12x2 & 4x1B AP	ETS Group	\$180,000 (incl GST)
63166	16 Cole St	Booval	5x2B AP	Arc 2	\$55,000 (incl GST)

1. Recommended/Not Recommended

2. Recommended/Not Recommended

A/Assistant Director Date

Director, Housing & Property Portfolio Date

3. Recommended/Not Recommended

4. Approved/Not Approved

Manager, Procurement Services Date

General Manager, Project Services Date

Malcolm Tuttle

From: Perrett, Carol <Carol.Perrett@racing.qld.gov.au>
Sent: Thursday, 10 November 2011 11:12 AM
To: Malcolm Tuttle; Kelly, Michael - Racing
Cc: Kelly, Michael - Racing
Subject: RE: yesterday's conversation

Mal

I confirm points 1- 8 below. In regard to Logan, Treasury would require more than a letter. A business case would still need to be prepared but it would be a lot shorter and simpler than for the other projects as it is simply a reimbursement of funds already spent.

Attached is the link to the State Purchasing Policy (SPP). It is high level document and does not include detailed procedures. However, in government we are required to obtain 3 quotes for the provision of goods and services for \$10,000 and above. For contracts under \$10,000, only one quote is required.

The following statements from the SPP are relevant and their intent will be incorporated into all future funding agreements between RQL and the State:

- Open approaches to the market are to be used except where there is demonstrated justification in the significant plan, for use of selective or limited approaches
- All stages of the procurement decision making process from planning to contract award, are to be defensible and documented.

On page 32 of the SPP, it is stated:

Queensland Government employees must comply with the following four inter-linked principles of probity and accountability in procurement:

- fairness and accountability
- transparency of process
- confidentiality and security of information and materials
- effective management of conflicts of interest.

Among the key areas where probity must be incorporated into an agency's procurement systems, policies and procedures, are the:

- procurement planning process
- internal organisation and decision making processes
- security and confidentiality arrangements
- communication with offerors
- offer evaluation and selection
- promoting a probity-orientated culture
- management of probity issues.

It is considered that all of the above are relevant to RQL's processes.

I am happy to discuss.

Regards Carol

From: Malcolm Tuttle [mailto:mtuttle@racingqueensland.com.au]
Sent: Wednesday, 9 November 2011 12:46 PM
To: Kelly, Michael - Racing
Cc: Perrett, Carol
Subject: yesterday's conversation

Mike/Carol

Can you pls review and confirm I have this correct.

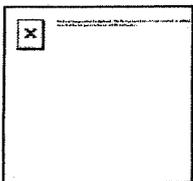
1. Going forward tender process required
2. RQ will compare state purchasing policy with RQL procurement policy and provide you with further feedback re, tender levels (dollar value when required), quotation levels and preferred supplier levels
3. If project is over project budget even though it is within overall budget Govt approval is required. Options are: RQL absorbs amount, We seek adjustments now, We seek adjustments in Feb when Cabinet sits (One more go only)
4. Going forward project manager role separate from other disciplines (Sole PM for entire plan ok)
5. Any previous related party approvals ie project manager/consultant to be fully documented with disclosure forming part of docs
6. Any future related party engagements to be avoided where possible
7. Multiple disciplines within a project being awarded to one consultant to be avoided where possible. If not fully documented reasons to accompany all approvals with conditions as necessary
8. Ok to finalize Beaudesert plan and submit. Wait for feedback and then move onto Cairns etc
9. Letter ok for Logan with invoice

Grateful for feedback – this was taken from my notes

Tks and regards

Malcolm Tuttle

Chief Executive Officer



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Minutes of
Industry Infrastructure Plan Control Group

10 November 2011

RQL Board Room, Head Office, Deagon

Meeting Commenced at 1:45pm
Meeting Concluded at 3:30pm

In attendance: Malcolm Tuttle – chairman
Paul Brennan
Shara Reid
Mark Snowdon
Ron Mathofer (guest)
Blair Odgers (guest)
Deanna Dart (guest)
Bob Bentley (guest for part of meeting)

Minutes: Kearra Christensen

The chairman opened the meeting at 1:45pm.

1. **Apologies**

As per the minutes of the October 12, 2011, Industry Infrastructure Plan Control Group (IIPCG) meeting, Mr Adam Carter was not available to attend this meeting, however, Mr Ron Mathofer attended to assist in his absence. Mr Carter will be available to attend the next IIPCG meeting on November 17, 2011.

2. **Confirmation of minutes**

The minutes from the meeting of October 25, 2011, were confirmed and signed by the chairman (attached).

3. **Review action sheet**

The action sheet following the meeting of October 25, 2011, was reviewed and updates provided.

4. **Process flowcharts for business cases and compliance**

The internal process flowcharts from the IIPCG charter were reviewed and minor amendments effected. The group outlined its agreement with the internal process flowcharts. The chairman emphasised that compliance with the agreed processes was critical.

5. **Project manager role and checking of invoices**

This issue was raised in circumstances where the project manager holds additional roles in respect of any one project. The group noted that the project manager, Contour, has multiple roles at Mackay and agreed that this was less than ideal. The IIPCG also noted that Racing Queensland Limited (RQL) was required to commence the Mackay project urgently. Mr Mark Snowdon has undertaken to ensure that in these circumstances any instructions or invoices

between the consultant and the project manager are vetted and approved by him. This ensures that there is transparency and that reasonable levels of probity are satisfied. Mr Snowdon will advise the project manager and consultants accordingly and will ensure that the process is followed.

6. Project manager engagement of consultants – requirement for tender

The IIPCG noted the attached emails between Mr Malcolm Tuttle and Ms Carol Perrett of the Office of Racing dated November 9 and 10, following a meeting between Mr Snowdon and Ms Perrett. The group also noted an email from RQL Board director Mr Tony Hanmer dated November 6 and an email from Mr Tuttle to Mr Snowdon dated November 5. These emails discuss the levels of probity and transparency required to satisfy RQL's obligations.

Mr Ron Mathofer undertook to work through the RQL purchasing policy and the state purchasing policy, paying particular attention to the points raised by Ms Perrett in her email of November 10. Mr Mathofer and Mr Snowdon undertook to identify any discrepancies in the purchasing policies and discuss them with Mr Mike Kelly of the Office of Racing to rectify any issues. The outcome required is that the procurement document is further developed, meeting both RQL and government standards on value, transparency and probity.

The IIPCG discussed the attached emails between Mr Tuttle and Mr Tony Hanmer dated November 6. Mrs Shara Reid undertook to respond to Mr Hanmer under Mr Bob Bentley's hand reminding Mr Hanmer of the contract approval process, which was approved by the RQL board.

7. Board approval for amended project budgets

The IIPCG agreed that as per the internal process flowcharts that any amendments to the budget are to be presented to the board for approval and that these were ultimately to be presented to government following board approval. The IIPCG noted that RQL had only one opportunity to take amendments to government.

The chairman asked Mrs Reid if the individual project budgets had been approved by the board. Mrs Reid advised that the board had been advised and were aware of the budgets. The chairman requested that Mr Snowdon ensure that the budgets with amendments be approved by the board as a matter of urgency.

8. Instructions and/or approvals outside the IIPCG charter and approved procedures

It was agreed that subsequent to engagement, consultants are to be advised to report any purchase orders/costs outside of the budget to Mr Snowdon for approval. As project director, it is Mr Snowdon's responsibility to ensure that the appropriately authorised people are providing instructions.

Mr Snowdon undertook to confirm with the project team(s) that all instructions are to be derived from the relevant people, including where applicable, by himself. The chairman requested that all material conversations and emails should be documented where applicable and referred to the group for consideration and/or noting. It was noted that this is difficult if the group is not aware of the conversations.

9. Informal conversations with government

It was agreed that in all circumstances whereby a material conversation occurs with the government in relation to the industry infrastructure plan, it is to be emailed back to government for review, before providing it to the IIPCG secretary, Ms Kearra Christensen, to be noted by the IIPCG at its next meeting.

10. Update on progress and format for information day for Deagon development

It was noted that all of the members of the IIPCG have been kept well apprised of this item due to numerous email exchanges that have occurred.

Mr Blair Odgers undertook to ensure that a briefing would be provided to the government following each day of consultation and to keep government apprised of the program.

Mrs Deanna Dart undertook to provide Mrs Reid with a running sheet of the information days.

The chairman emphasised the importance of doing this right to ensure that our neighbours and local business were well informed.

11. Development of the revised timeframes for Beaudesert, Cairns and Rockhampton projects following advice on government business case requirements and approvals processes

Mr Paul Brennan will continue to work on this with Mr Snowdon, as it is critical that we are in a position to convey accurate information to clubs and local communities. It is imperative that we do not set unrealistic expectations and fail to deliver on the expectations.

12. Necessity to provide the industry participants and the clubs with realistic timeframes on proposed start and finish dates

Mr Brennan advised that due to the significant noise made by RQL in relation to these projects that it was necessary for us to keep the relevant stakeholders engaged and up-to-date in relation to the delays.

Mr Brennan further advised that he is meeting with the Beaudesert Race Club directors tomorrow to advise them of a likely start date and will prepare a statement in relation to the delays. Mr Brennan will provide this statement to Mr Odgers to publish.

Mr Bentley will assist Mr Brennan with the presentation to the Beaudesert Race Club directors, as Mr Bentley has been involved with the project.

13. Development of a strategy/announcement to mitigate the fallout against RQL from the significant delays in the comments of work at these venues

Mr Brennan will discuss this with Mr Odgers after the meeting to ascertain whether a strategy needs to be developed and implemented.

14. Internal financial process.

Refer to item 6 above.

15. Discuss the conversation had with the Office of Racing on 8/11

Refer to item 6 above and the attached emails were noted.

16. Finalise acceptance of the tenderer for the swab stall and jockey room for Mackay

Mrs Reid advised that she had completed the relevant checks and passed them on to Mr Mathofer to enable him to undertake a review of the finances.

Mr Snowdon advised that the project could be over by \$800,000, but that at this stage his application for an additional \$40,000 was compliant with the agreed internal financial document.

Following discussion, it was agreed that as this project overall was likely to exceed 1% of the project value or by \$200,000 and that a special RQL board meeting should be called to seek approval of the budgets with amendments.

Mrs Reid undertook to arrange a board meeting as a matter of urgency and Mr Snowdon undertook to prepare the necessary board papers.

17. Other business

Project timelines and budgets

Mr Snowdon provided a copy of the project timelines and budgets that were presented to board on November 4, 2011, for noting. Mr Mathofer advised he was in the process of auditing the cash flow budgets and will report back to the group on the matter as soon as possible.

Mackay project and business case development

It was agreed that a review would need to be undertaken of the engagement of consultants for Mackay and for the development of business cases. Mr Snowdon will lead this audit with the assistance of Mr Mathofer. The outcome required is that RQL is able to demonstrate, with all engagements to date for the industry infrastructure plan, appropriate standards of probity, transparency and value for money can be demonstrated.

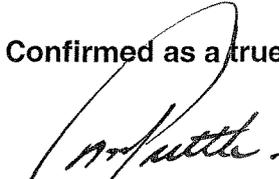
Deagon

Discussion took place on Deagon in relation to why the council has determined to consider RQL's development application as opposed to the normal process of consideration within council. It was agreed that Mr Snowdon prepare a letter to be signed by Mr Bentley to the Lord Mayor seeking an explanation as the council's decision.

18. Next meeting

The next meeting is scheduled for November 17, 2011, at 1:00pm.

Confirmed as a true and correct record.



MALCOLM TUTTLE

Chairman

Dated 17 / 11 / 11

**Racing Queensland Limited
Infrastructure Plan
Internal Financial Process**

Background

On 19 July 2011, the Queensland Government approved the amended infrastructure plan and extended the Wagering Tax relief from 4 to 5 years.

Project	Value	Estimated Start Date	Estimated Completion Date
Deagon	\$39.9M	April 2012	April 2013
Gold Coast	\$35.4M	Feb 2012	Jan 2013
Beaudesert	\$7.27M	Nov 2011	April 2013
Cairns	\$1.96M	Nov 2011	April 2013
Townsville	\$6.34M	April 2013	Dec 2013
Mackay	\$7.44M	Sept 2011	June 2013
Rockhampton	\$1.6M	Sept 2011	March 2012
Subtotal Infrastructure	\$99.91M		
Country Racing	\$2.35M	July 2011	Dec 2011
Total	\$102.26M	April 2012	April 2013

Overview

All transactions will be processed through the Racing Queensland Limited (**RQL**) data base in Sun and will be kept separate from the RQL operating account.

All payments are to be paid from the following NAB bank Account:-

Account Name	BSB – Account Number
Infrastructure Plan	084-817 11 632 4760

Budgets

- a) Project Director is to liaise with Contour Consulting Engineers (**CCE**) to ensure the budget is on track and to ensure an up to date cash flow and reconciliation is in place.
- b) Project Director to liaise with Chief Financial Officer (**CFO**) to ensure that the budgets and cash flows are up to date to ensure sufficient time is allowed to draw down from investments and/or the Queensland Treasury Corporation (**QTC**).

The first meeting with QTC indicated reasonable flexibility with the loan facility in that we could do monthly drawdowns if required. As QTC will be charging an interest cost on drawn down funds there is little advantage in drawing down from the facility early and investing the funds until required.

Once the budget has been approved by the Board and a business case has been completed and approved for each project for each facility by both the Board of RQL and Treasury, tenders

will need to be completed and reviewed by CCE and the Project Director and the Industry Infrastructure Project Control Group (**IIPCG**).

Treasury have indicated that they do not wish to receive business cases without statutory planning approval; otherwise they will be approving funds on a conditional business case.

All items outside of the budget with a tolerance level of greater than either 1% or \$200K of the project value will require Board approval.

1. Purchase Orders

In the interim, while IPOS (Electronic Procurement System) is not up and running, manual purchase orders will need to be prepared. See Accounts Payable (**AP**) for purchase order books.

Purchase orders must be prepared prior to the goods and/or services being requested and signed by an authorised officer. All purchasing must be in accordance with the RQL Purchasing Policy:-

http://sharepoint/Policies/FIN_pol001_RQL%20PurchasingPolicy.doc

Suppliers:-

All suppliers will only be added after they have gone through the tender process and been signed off by the Project Director, CFO, Senior Corporate Counsel and Chief Executive Officer (**CEO**).

A full risk profile must be undertaken for each supplier reviewing the following:-

The selection of suppliers or 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, and
- Favourable referee reports (a successful track record to deliver).

A risk profile could include the following in the checklist and be signed off by the Project Director and/or CFO and/or Senior Corporate Counsel as long as there are 2 delegated officers reviewing and would be done in the tender process prior to preparing the contract.

Managing Risk with Suppliers:-

When evaluating preferred suppliers, a risk analysis should be performed as part of that process. In line with RQL's risk management framework, the following 4 point scale can be adopted to assess risks associated with suppliers as identified below.

Rating	Description
4	Extreme Risk
3	High Risk
2	Moderate Risk
1	Low Risk

Criteria	Sub-Criteria
1. History and Development of the Supplier's Business	<ul style="list-style-type: none"> • Longevity/stability of the business • Principal activities and past successes • Market experience
2. Critical Performance Elements of the Contract	<ul style="list-style-type: none"> • Availability of critical elements • Reliance on another party (sub-contracting) • Dispute management processes • Confidentiality management
3. Insurance	<ul style="list-style-type: none"> • Workers Compensation • Public Indemnity Insurance • Professional Indemnity
4. Quality Assurance	<ul style="list-style-type: none"> • AS/NZS ISO 9001/2000 Quality Assurance accreditation
5. Management and Employees	<ul style="list-style-type: none"> • Experience of management team
6. Legal Background and Capital Structure	<ul style="list-style-type: none"> • Ownership • Control of the business • Loan arrangements • Legal agreements
7. Financial Viability	<ul style="list-style-type: none"> • Financial strength and viability • Gearing level and credit rating • Contingency funding and current level of operations • Reasonableness of information • Compliance with the Australian Corporations Law (if relevant)

An overall risk score should be derived for the supplier. This could be an average of the scores for each risk area or could be more complex by weighting certain and then calculating a range of scores to ascertain the overall risk.

Treatment strategies should be developed to mitigate the risks. A potential supplier assessed as either extreme or high, in terms of their ability to deliver the services proposed, may still be acceptable, provided that the risk is capable of being effectively managed by RQL or treated by the supplier. A risk, for example, could be treated by requiring a bank guarantee to protect RQL's interests as you have highlighted a % of the contract value. Risks should also be monitored on an ongoing basis to ensure that any events or circumstances have been identified that necessitates a review of the level of risk assigned.

The above table could incorporate a 2 tiered approach whereby low risk contractual arrangements perhaps only incorporate an assessment of risk criteria 1 to 3 above but more complex or higher risk procurement incorporates an assessment for all criteria i.e. from 1 to 6.

2. Delegations

All invoices must be checked and signed by the Project Director even if outside of delegation limit. The Project Director is to obtain the approval of the CEO or Board if over his delegation limit.

All delegations are to be in line with the RQL purchasing policy.

Officer	Delegation Limit
Board	Initial Budget or project variations outside of tolerance level
CEO	All invoices over \$50K
Project Director	\$50K
CFO	\$50K
Director of Product Development	\$50K
Racecourse Development Manager	\$20K

All items outside of the approved budget with a tolerance level of greater than either 1% or \$200K of the project value will require Board approval.

Project	Value	1% Tolerance Level
Deagon	\$39.9M	\$399K
Gold Coast	\$35.4M	\$354K
Beaudesert	\$7.27M	\$72,7K or \$200K
Cairns	\$1.96M	\$19.6K or \$200K
Townsville	\$6.34M	\$63.4K or \$200K
Mackay	\$7.44M	\$74.4K or \$200K
Rockhampton	\$1.6M	\$16K or \$200K

3. Accounts Payable (AP)

The RQL AP Officer is the contact for the accounts payable function of the infrastructure plan. However, it is important to copy in the RQL Project Accountant into all correspondence.

The procedure for processing invoices/payments is as follows:

- Check with AP if the supplier has been set up in the system.
- Sufficient time (2 days) must be given to AP for this to be done.

- If not, send the supplier the "New Supplier Application" form in which they forward through to the accounts payable officer once completed.
- All invoices to be pre coded and signed and approved by an authorised RQL representative per the approved delegation and sent through to the accounts payable officer.

RQL conducts payment runs every Friday. To ensure the payment is processed on time, the supplier's details and the authorised invoice need to be received at RQL by the prior Wednesday. If these details are not received by close of business Wednesday, they will not be processed and paid that week and will be paid in the following week's payment run.

It is the responsibility of the Project Director that these conditions are met to ensure prompt payment, particularly in the case of 7 day accounts. All other invoices will be paid according to the payment terms. It is the responsibility of the Project Director to liaise with the suppliers to ensure appropriate payment terms are in place based on the above process. Where at all possible, RQL will insist on 30 day invoices and will endeavour to avoid any invoices being prepared under the *Building and Construction Industry Payments Act 2004*.

Coding:-

All invoices need to be authorised and checked against budget by the Project Director prior to being received by AP and coded as follows:-

Project	Account Code	T1 Cost Code Facility	T2 – Project Broken down further See below **	T3 – Function Code	T5 – Area Code	T7 – Racing Division Code
Deagon	12393	20	IIPLN	AD	02	11 (Harness & Greyhounds 50:50)
Gold Coast Turf Club	11341	31	IIPLN	AD	02	02 - THB
Beaudesert Race Club	11331	22	IIPLN	AD	02	02 - THB
Fairfax Jockey Club – Canon Park	11332	10 THB 54 GH	IIPLN	AD	10	02 - Thoroughbreds 04 - Greyhounds
Townsville Turf Club – Cluden Park	11339	37	IIPLN	AD	08	02 - THB
Mackay Turf Club – Ooralea Park	11333	33	IIPLN	AD	08	02 - THB
Rockhampton Greyhound Club – Callaghan Park – Greyhounds Only	11334	57 GH	IIPLN	AD	03	04 - Greyhounds
Country Racing	11349					Paul Brennan
Albion Park	12394	23	IIPLN	AD	02	11 (Harness & Greyhounds 50:50)

IIPLN – Industry Infrastructure Plan
AD – Asset Development

** The project codes are broken down further per area to easily identify the asset and are as per the following link and attachment "A"

IIPN New Codes.xlsx

4. Cheque/Electronic Funds Transfer (EFT) Signatories

Payments will not be processed without the prior approval of the Project Director and CCE's representative. Once approval is received, two of the following five designations are required to authorise each payment on behalf of the infrastructure plan via EFT:

- CFO
- Management Accountant
- Revenue Services Accountant
- Business Analyst
- Senior Corporate Counsel/Company Secretary

Petty Cash:-

The procedure for processing petty cash is as follows:

- Send through to AP Officer the petty cash reimbursement form along with necessary receipts.
- RQL processes the cheque to be signed by CFO or equivalent.

Sufficient time is required to return the petty cash cheque. Please reimburse the petty cash fund regularly to prevent any shortage.

It is recommended that urgent correspondence be sent through an external mailing system or scanned and emailed with the originals sent in the post.

The Accounts Receivable (**AR**) and AP function are vital to the successful management of the Infrastructure Plan. It is extremely important that the Project Director of the Infrastructure Plan continually liaises with the AR and AP departments as well as RQL staff liaise and provide feedback to the Project Director.

5. Credit Card Process

The credit card is designated for use by the authorised card holder when:

- a creditor account has not been set up
- or is a one off payment to a creditor not normally used
- or based on necessity e.g. travel.

Process:-

- Credit Card Statement received by authorised card holder.
- Attach invoices/receipts for corresponding debit amounts on the statement and send through to the accounts payable officer within 3 days of receipt of credit card statement.
- Statement is coded and allocated to the relevant ledger accounts.
- Payment is made by direct debit monthly.

6. Accounts Receivable

Where required, the RQL AR Officer is the contact for the AR function if an invoice is required to be raised for the Infrastructure Plan. However, it is important to copy in the RQL Revenue Services Accountant into all correspondence.

The procedure for raising an invoice is as follows:

- An authorised Infrastructure Plan representative is to fill out an invoice request form and send through to the AR Officer.
- The request form must include the following information to facilitate accounts receivable following up any issues
 - Name
 - Address
 - Phone Number
 - E-mail (optional but preferred)
 - Payment Terms
 - Supporting Documentation (e.g. sponsorship agreements)
 - Signed by an authorised Infrastructure Plan representative

Once the invoice request form is completed in its entirety, the invoice will be created and within 3 working days of receipt.

A final authorisation is required from the RQL Revenue Services Accountant prior to processing.

Once authorised the invoice will be processed and issued by the following working day.

Statements will be issued the first working day of the month.

For any adjustments that may be required (e.g. refund, credits), an adjustment form is required to be completed by an authorised Infrastructure Plan representative and sent through to the accounts receivable officer.

A final authorisation is required from the RQL Revenue Services Accountant prior to processing.

7. Payroll

For all additional employees from 1 July 2010 payroll is paid monthly on the 14th of each month, approximately 2 weeks in arrears and 2 weeks in advance with the exception of:

- Casual employees
- Facility maintenance staff dependant on their circumstances and in consultation with the executive manager.
- Employees on fortnightly arrangements prior to 1 July 2010

For these employees payroll is run on a fortnightly basis paid on a Wednesday in arrears. The payroll period is Monday to the following Sunday.

Process:-

- Timesheets are due by close of business Monday for the previous fortnight sent through to the payroll officer.
- Project Director Authorisation is required to be sent through to the payroll officer by midday Tuesday of the pay run week.
- All leave and payroll requests are due to payroll 3 days prior to processing.
- All leave and payslips are available through the employee services portal on the intranet through ConnX.
- Payroll is processed and then checked and payment authorised by two authorising RQL delegates (see no.1).
- Salaries are due in the employees' bank account fortnightly on a Wednesday.
- Monthly salaries are due on the 14th of each month.

From 1 July 2011 there will be the following RQL employees dedicated to the infrastructure plan

POSITION	NAME	EMAIL	DIRECT PHONE
Project Director	Mark Snowdon	mnsnowdon@racingqueensland.com.au	07 3869 9402
Executive Assistant Assets & Infrastructure	Deanna Dart	ddart@racingqueensland.com.au	07 3869 9405
Accounts Payable	TBA	TBA	TBA

All other RQL employees who are involved with providing advice and working on the infrastructure plan and/or processing of payments will need to complete an Infrastructure time sheet which will need to be authorised by the project director. A monthly Journal will need to be recoded from the RQL salaries operating account to the infrastructure plan per a project seeking reimbursement of this expenditure from 1 July 2011.

It is anticipated that a total fee required from the IIPLN be formulated for the use of RQL employees. This total figure will then be allocated over the projects relevant to the work and time required. Time sheets will then be written up to reflect the fees charged.

Infrastructure Plan Timesheet (click on link to timesheet)

If the IIPLN does not have a specific account amounts are allocated to and will then be reallocated to the specific project.

Account Name	Account Code	T1	T2	T3	T5	T7
Infrastructure Plan	11349	01	IIPLN	AD	02	01,02,03,04

8. **Expense reimbursement**

All expenses are to be reimbursed in line with the expense reimbursements policy and in line with the appropriate delegation.

9. Investments/Term Deposits

Term Deposit and investment advice is provided by the CFO and/or Management Accountant through a number of institutions currently, NAB, QTC, Westpac, CBA or ANZ and is invested by the Senior Finance Officer – Treasury

10. Cash flow and Budgets

The Project Director is to liaise with CCE to ensure the budget is on track and to ensure an up to date cash flow is in place. The Project Director to liaise with CFO to ensure that the budgets and cash flows are up to date to ensure sufficient time is allowed to draw down from investments and/or Treasury to ensure payments can be made within the agreed credit terms. Once done, authorised payments are to be made. Finance Department to manage and produce budget to actual reports for RQL Board and Government.

Senior Finance Officer and Accountant to review daily cash requirements for AP and other requirements

11. Monthly Financial Statements – Project Reconciliations

RQL will provide monthly financial statements – Project Reconciliations by working day 10 of the following month. These statements are prepared by the Project Accountant and will be reviewed by the CFO or Management Accountant prior to release. These reconciliations must be agreed by the Project Director prior to being released to the IIPCG or the Board.

12. Urgent transactional delivery

The Management Accountant is the first point of contact to assist in the delivery of any urgent transactions or financial enquiries.

If the Management Accountant is unavailable, please contact the CFO or any contact on your contacts list below so that they can source the appropriate authority and escalate the delivery as required.

13. Club Restructures and financial modelling

RQL will pursue partnership arrangements with clubs and the Business Analyst will assist with all financial modelling and support.

14. RQL employees with responsibilities on behalf of the Infrastructure Plan

As mentioned above, RQL provides the following employee resources to assist with the Infrastructure Plan accounts:

- Compliance/Project Accountant
- Accountant
- AP Officer

- AR Officer, and
- Payroll.

The CFO and Management Accountant provide direction to the above employees as well as assisting the Infrastructure Plan directly on any higher level financial analysis or needs.

The senior accountants (Revenue Services Accountant and Project Accountant) are also utilised to ensure correct processing, coding and authorising of all transactions has been adhered to as per RQL credit and purchasing policies.

All the above mentioned resources are full time permanent RQL employees who assist in the Infrastructure Plan accounts on the basis of hours needed to fulfil the deadlines, processing, reporting requirements and any other financial advice as deemed appropriate and relevant. RQL also provides back up assistance from within the Finance Department to alleviate any concerns relating to leave or turnover of staff.

Following are the current RQL contacts assisting with financial functions as at today's date:

POSITION	NAME	EMAIL	DIRECT PHONE
CFO	Adam Carter	acarter@racingqueensland.com.au	07 3869 9702
Management Accountant	Sharon Drew	sdrew@racingqueensland.com.au	07 3869 9704
Business Analyst	Ron Mathofer	rmathofer@racingqueensland.com.au	07 3869 9716
Financial/Compliance/Project Accountant	Jeffrey Zeppa	jzeppa@racingqueensland.com.au	07 3869 9713
Revenue Services Accountant	Murray Dyke	mdyke@racingqueensland.com.au	07 3869 9727
Senior Finance Officer	Kees Van der Waal	kvanderwaal@racingqueensland.com.au	07 3869 9706
Accountant	Craig Roberts	croberts@racingqueensland.com.au	07 3869 9718
Accounts Receivable	Janet Roth	jroth@racingqueensland.com.au	07 3869 9711
Accounts Payable	Su Agate Karin Schreiber	ap@racingqueensland.com.au sagate@racingqueensland.com.au kschreiber@racingqueensland.com.au	07 3869 9714 07 3869 9703
Payroll	Leanne Lorena	llorena@racingqueensland.com.au payroll@racingqueensland.com.au	07 3869 9708

RQL will endeavour to update your contact list as soon as any changes occur.

If you have any further queries please do not hesitate to contact me by email acarter@racingqueensland.com.au or by mobile 0400 761 700.



ADAM CARTER

Chief Financial Officer

RE: Purchasing Policy review

From: Malcolm Tuttle <mtuttle@racingqueensland.com.au>
To: Ron Mathofer <rmatuofer@racingqueensland.com.au>, Kearra Christensen <kchristensen@racingqueensland.com.au>, Adam Carter <acarter@racingqueensland.com.au>, Blair Odgers <bodgers@racingqueensland.com.au>, Deanna Dart <ddart@racingqueensland.com.au>, Mark Snowdon <msnowdon@racingqueensland.com.au>, Paul Brennan <pbrennan@racingqueensland.com.au>, Shara Reid <sreid@racingqueensland.com.au>
Date: Tue, 06 Dec 2011 09:24:19 +1000
Attachments: image001.png (13.63 kB)

Tks Ron

I am not sure if you have had much feedback on these documents but I note a fundamental problem with the RQL Infrastructure Plan IFP document where in the opening para it requires the project Director to liaise with Contour. This clearly suggests that Contour has a predetermined roll with the Plan.

Could I suggest you include documents on the next agenda of the IPCG and that you step us through the docs. We have a meeting on Thursday.

Regards

Malcolm Tuttle

Chief Executive Officer



PO Box 63, Sandgate QLD 4017

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M +61 419 759 457

E mtuttle@racingqueensland.com.au

W www.racingqueensland.com.au

From: Ron Mathofer
Sent: Thursday, 1 December 2011 1:07 PM
To: Kearra Christensen; Adam Carter; Blair Odgers; Deanna Dart; Malcolm Tuttle; Mark Snowdon; Paul Brennan; Shara Reid
Subject: RE: Purchasing Policy review

Good Afternoon All,

As per last meeting, please find attached the draft addendum to the RQL purchasing policy for your review and feedback prior to seeking comment from the Office of Racing. Also attached is the Infrastructure Plan – Finance Process document for review and feedback.

Both should be reviewed in conjunction with the current RQL Purchasing Policy.

We would like to forward these to Carol Perrett as soon as possible so that we can get feedback by 9 December giving us time to finalise for the Board at the upcoming Board Meeting.

Regards,

Ron Mathofer

Business Analyst

PO Box 63, Sandgate QLD 4017



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E rmathofer@racingqueensland.com.au
W www.racingqueensland.com.au

From: Kearra Christensen

Sent: Wednesday, November 30, 2011 12:45 PM

To: Adam Carter; Blair Odgers; Deanna Dart; Malcolm Tuttle; Mark Snowdon; Paul Brennan; Ron Mathofer; Shara Reid

Subject: Agenda

Importance: High

Good afternoon all.

I apologise for the tardiness of this request, but in preparation for the IIPCG meeting tomorrow (1/12), please advise me of any items that you would like to include as part of the agenda by 4:00pm today.

Thanks and I look forward to hearing from you soon.

Kind regards,

Kearra Christensen

Executive Assistant to CEO



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**Racing Queensland Limited
Infrastructure Plan
Internal Financial Process**

Background

On 19 July 2011, the Queensland Government approved the amended infrastructure plan and extended the Wagering Tax relief from 4 to 5 years.

Project	Value	Estimated Start Date	Estimated Completion Date
Deagon	\$39.9M	April 2012	April 2013
Gold Coast	\$35.4M	Feb 2012	Jan 2013
Beaudesert	\$7.27M	Nov 2011	April 2013
Cairns	\$1.96M	Nov 2011	April 2013
Townsville	\$6.34M	April 2013	Dec 2013
Mackay	\$7.44M	Sept 2011	June 2013
Rockhampton	\$1.6M	Sept 2011	March 2012
Subtotal Infrastructure	\$99.91M		
Country Racing	\$2.35M	July 2011	Dec 2011
Total	\$102.26M	April 2012	April 2013

Overview

All transactions will be processed through the Racing Queensland Limited (**RQL**) data base in Sun and will be kept separate from the RQL operating account.

All payments are to be paid from the following NAB bank Account:-

Account Name	BSB – Account Number
Infrastructure Plan	084-817 11 632 4760

Budgets

- a) Project Director is to liaise with the Project Management representative to ensure the budget is on track and to ensure an up to date cash flow and reconciliation is in place.
- b) Project Director to liaise with Chief Financial Officer (**CFO**) to ensure that the budgets and cash flows are up to date to ensure sufficient time is allowed to draw down from investments and/or the Queensland Treasury Corporation (**QTC**).

The first meeting with QTC indicated reasonable flexibility with the loan facility in that we could do monthly drawdowns if required. As QTC will be charging an interest cost on drawn down funds there is little advantage in drawing down from the facility early and investing the funds until required.

Once the budget has been approved by the Board and a business case has been completed and approved for each project for each facility by both the Board of RQL and Treasury, tenders

will need to be completed and reviewed by the Project Management representative and the Project Director and the Industry Infrastructure Project Control Group (IIPCG).

Treasury have indicated that they do not wish to receive business cases without statutory planning approval; otherwise they will be approving funds on a conditional business case

All items outside of the budget with an aggregate tolerance level of greater than either 1% or \$200K of the project value will require Board approval.

1. Purchase Orders

In the interim, while IPOS (Electronic Procurement System) is not up and running, manual purchase orders will need to be prepared. See Accounts Payable (AP) for purchase order books.

Purchase orders must be prepared prior to the goods and/or services being requested and signed by an authorised officer. All purchasing must be in accordance with the RQL Purchasing Policy:-

http://sharepoint/Policies/FIN_pol001_RQL%20PurchasingPolicy.doc

Suppliers:-

Suppliers will only be added after they have gone through the tender process and been signed off by the Project Director, CFO, Senior Corporate Counsel and Chief Executive Officer (CEO).

A full risk profile must be undertaken for each supplier reviewing the following:-

The selection of suppliers or preferred suppliers should be based on selection criteria that may 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, and
- Favourable referee reports (a successful track record to deliver).

A risk profile may include the following in the checklist and be signed off by the Project Director and/or CFO and/or Senior Corporate Counsel as long as there are 2 delegated officers reviewing and would be done in the tender process prior to preparing the contract.

An option for RQL is the use of organisations specialising in procurement processes such as preferred supplier lists, prequalifying suppliers and other supplier related contractual arrangements as an alternative or addition to in-house procurement processes.

Local Buy is one such organisation with experience in procurement processes for local government. Local Buy is the Local Government Association of Queensland (LGAQ) procurement services company. Local Buy develops contractual arrangements for councils and government entities, eliminating the need for government authorities to establish their own supply contracts. <http://www.localbuy.net.au/>

RQL is currently in discussions with Local Buy relating to supplier panel selection processes and procurement needs of the organisation. The use of this type of organisation may be beneficial for tendering and contracting arrangements relating to the infrastructure plan projects, as the suppliers are effectively pre-screened for compliance with government procurement suitability

Managing Risk with Suppliers:-

When evaluating preferred suppliers, a risk analysis should be performed as part of that process. In line with RQL's risk management framework, the following 4 point scale can be adopted to assess risks associated with suppliers as identified below.

Rating	Description
4	Extreme Risk
3	High Risk
2	Moderate Risk
1	Low Risk

Criteria	Sub-Criteria
1. History and Development of the Supplier's Business	<ul style="list-style-type: none"> • Longevity/stability of the business • Principal activities and past successes • Market experience
2. Critical Performance Elements of the Contract	<ul style="list-style-type: none"> • Availability of critical elements • Reliance on another party (sub-contracting) • Dispute management processes • Confidentiality management
3. Insurance	<ul style="list-style-type: none"> • Workers Compensation • Public Indemnity Insurance • Professional Indemnity
4. Quality Assurance	<ul style="list-style-type: none"> • AS/NZS ISO 9001/2000 Quality Assurance accreditation
5. Management and Employees	<ul style="list-style-type: none"> • Experience of management team
6. Legal Background and Capital Structure	<ul style="list-style-type: none"> • Ownership • Control of the business • Loan arrangements • Legal agreements
7. Financial Viability	<ul style="list-style-type: none"> • Financial strength and viability • Gearing level and credit rating • Contingency funding and current level of operations • Reasonableness of information • Compliance with the Australian Corporations Law (if relevant)

An overall risk score should be derived for the supplier. This may be an average of the scores for each risk area or may be more complex by weighting certain areas of risk and then calculating a range of scores to ascertain the overall risk.

Treatment strategies should be developed to mitigate the risks. A potential supplier assessed as either extreme or high risk, in terms of their ability to deliver the services proposed, may still be acceptable, provided that the risk is capable of being effectively managed by RQL or treated by the supplier. A risk, for example, may be treated by requiring a bank guarantee a % of the contract value to protect RQL's interests. Risk should also be monitored on an ongoing basis to ensure that any events or circumstances have been identified that necessitates a review of the level of risk assigned.

The above table may incorporate a 2 tiered approach whereby low risk contractual arrangements perhaps only incorporate an assessment of risk criteria 1 to 3 above but more complex or higher risk procurement incorporates an assessment for all criteria i.e. from 1 to 7.

Where deemed necessary an independent third party such as services of a Quantity Surveyor may be utilised to ensure exposure to risk is minimised.

2. Delegations

All invoices must be checked and signed by the Project Director even if outside of delegation limit. The Project Director is to obtain the approval of the CEO or Board if over his delegation limit.

All delegations are to be in line with the RQL purchasing policy.

Officer	Delegation Limit
Board	Initial Budget or project variations outside of tolerance level
CEO	All invoices over \$50K
Project Director	\$50K
CFO	\$50K
Director of Product Development	\$50K
Racecourse Development Manager	\$20K

Any line item where the % increase to that line item is above the % project contingency requires approval in accord with the approved expenditure limits. Should a substantial line item be considerably over budget, whether in excess of the contingency % or not, it is the project managers responsibility to bring this to the attention of the IIPCG. Approval of all expenditure must be in accord with agreed policies and procedures and it is the responsibility of the project manager to ensure this is the case and to report on and manage expenditure in accord with approved budgets.

Project	Value	0% Tolerance Level
Deagon	\$39.9M	<0% Board Approval
Gold Coast	\$35.4M	<0% Board Approval
Beaudesert	\$7.27M	<0% Board Approval
Cairns	\$1.96M	<0% Board Approval
Townsville	\$6.34M	<0% Board Approval
Mackay	\$7.44M	<0% Board Approval
Rockhampton	\$1.6M	<0% Board Approval

3. Accounts Payable (AP)

The RQL AP Officer is the contact for the accounts payable function of the infrastructure plan. However, it is important to copy the RQL Project Accountant into all correspondence.

The procedure for processing invoices/payments is as follows:

- Check with AP if the supplier has been set up in the system.
- Sufficient time (2 days) must be given to AP for this to be done.
- If new, send the supplier the "New Supplier Application" form which is to be forward to the accounts payable officer once completed.
- All invoices to be pre coded, signed and approved by an authorised RQL representative per the approved delegation and sent through to the accounts payable officer.

RQL conducts payment runs every Friday. To ensure the payment is processed on time, the supplier's details and the authorised invoice need to be received at RQL by the preceding Wednesday. If these details are not received by close of business Wednesday, they will not be processed and paid that week and will paid in the following week's payment run.

It is the responsibility of the Project Director to ensure these conditions are met to ensure prompt payment, particularly in the case of 7 day accounts. All other invoices will be paid according to the payment terms. It is the responsibility of the Project Director to liaise with the suppliers to ensure appropriate payment terms are in place based on the above process. Where possible, RQL will insist on 30 day invoices and will endeavour to avoid any invoices being prepared under the *Building and Construction Industry Payments Act 2004*.

Coding:-

All invoices need to be authorised and checked against budget by the Project Director prior to be being received by AP and coded as follows:-

Project	Account Code	T1 Cost Code Facility	T2 – Project Broken down further See below **	T3 – Function Code	T5 – Area Code	T7 – Racing Division Code
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IIPLN – Industry Infrastructure Plan

AD – Asset Development

** The project codes are broken down further per area to easily identify the asset and are as per the following link and attachment “A”

[IIPN New Codes.xlsx](#)

4. Cheque/Electronic Funds Transfer (EFT) Signatories

Payments will not be processed without the prior approval of the Project Director and The Project Management representative. Once approval is received, two of the following five designations are required to authorise each payment on behalf of the infrastructure plan via EFT:

- CFO
- Management Accountant
- Revenue Services Accountant
- Business Analyst
- Senior Corporate Counsel/Company Secretary

Petty Cash:-

The procedure for processing petty cash is as follows:

- Send through to AP Officer the petty cash reimbursement form along with necessary receipts.
- RQL processes the cheque to be signed by CFO or equivalent.

Sufficient time is required to return the petty cash cheque. Please reimburse the petty cash fund regularly to prevent any shortage.

It is recommended that urgent correspondence be sent through an external mailing system or scanned and emailed with the originals sent in the post.

The Accounts Receivable (**AR**) and AP function are vital to the successful management of the Infrastructure Plan. It is extremely important that the Project Director of the Infrastructure Plan continually liaises with the AR and AP departments as well as RQL staff liaise and provide feedback to the Project Director.

5. Credit Card Process

The credit card is designated for use by the authorised card holder when:

- a creditor account has not been set up
- or is a one off payment to a creditor not normally used
- or based on necessity e.g. travel.

Process:-

- Credit Card Statement received by authorised card holder.
- Attach invoices/receipts for corresponding debit amounts on the statement and send through to the accounts payable officer within 3 days of receipt of credit card statement.
- Statement is coded and allocated to the relevant ledger accounts.
- Payment is made by direct debit monthly.

6. Accounts Receivable

Where required, the RQL AR Officer is the contact for the AR function if an invoice is required to be raised for the Infrastructure Plan. However, it is important to copy in the RQL Revenue Services Accountant into all correspondence.

The procedure for raising an invoice is as follows:

- An authorised Infrastructure Plan representative is to fill out an invoice request form and send through to the AR Officer.
- The request form must include the following information to facilitate accounts receivable following up any issues
 - Name
 - Address
 - Phone Number
 - E-mail (optional but preferred)

- Payment Terms
- Supporting Documentation (e.g. sponsorship agreements)
- Signed by an authorised Infrastructure Plan representative

Once the invoice request form is completed in its entirety, the invoice will be created and within 3 working days of receipt.

A final authorisation is required from the RQL Revenue Services Accountant prior to processing.

Once authorised the invoice will be processed and issued by the following working day.

Statements will be issued the first working day of the month.

For any adjustments that may be required (e.g. refund, credits), an adjustment form is required to be completed by an authorised Infrastructure Plan representative and sent through to the accounts receivable officer.

A final authorisation is required from the RQL Revenue Services Accountant prior to processing.

7. **Payroll**

For all additional employees from 1 July 2010 payroll is paid monthly on the 14th of each month, approximately 2 weeks in arrears and 2 weeks in advance with the exception of:

- Casual employees
- Facility maintenance staff dependant on their circumstances and in consultation with the executive manager.
- Employees on fortnightly arrangements prior to 1 July 2010

For these employees payroll is run on a fortnightly basis paid on a Wednesday in arrears. The payroll period is Monday to the following Sunday.

Process:-

- Timesheets are due by close of business Monday for the previous fortnight sent through to the payroll officer.
- Project Director Authorisation is required to be sent through to the payroll officer by midday Tuesday of the pay run week.
- All leave and payroll requests are due to payroll 3 days prior to processing.
- All leave and payslips are available through the employee services portal on the intranet through ConnX.
- Payroll is processed and then checked and payment authorised by two authorising RQL delegates (see no.1).
- Salaries are due in the employees' bank account fortnightly on a Wednesday.
- Monthly salaries are due on the 14th of each month.

From 1 July 2011 there will be the following RQL employees dedicated to the infrastructure plan

POSITION	NAME	EMAIL	DIRECT PHONE
Project Director	Mark Snowdon	msnowdon@racingqueensland.com.au	07 3869 9402
Executive Assistant Assets & Infrastructure	Deanna Dart	ddart@racingqueensland.com.au	07 3869 9405
Accounts Payable	TBA	TBA	TBA

All other RQL employees who are involved with providing advice and working on the infrastructure plan and/or processing of payments will need to complete an Infrastructure time sheet which will need to be authorised by the project director. A monthly Journal will need to be recoded from the RQL salaries operating account to the infrastructure plan per a project seeking reimbursement of this expenditure from 1 July 2011.

It is anticipated that a total fee required from the IIPLN be formulated for the use of RQL employees. This total figure will then be allocated over the projects relevant to the work and time required. Time sheets will then be written up to reflect the fees charged.

Infrastructure Plan Timesheet (click on link to timesheet)

If the IIPLN does not have a specific account amounts are allocated to and will then be reallocated to the specific project.

Account Name	Account Code	T1	T2	T3	T5	T7
Infrastructure Plan	11349	01	IIPLN	AD	02	01,02,03,04

8. Expense reimbursement

All expenses are to be reimbursed in line with the expense reimbursements policy and in line with the appropriate delegation.

http://sharepoint/Policies/FIN_pol003_Expense%20Reimbursement%20Policy.doc

9. Investments/Term Deposits

Term Deposit and investment advice is provided by the CFO and/or Management Accountant through a number of institutions currently, NAB, QTC, Westpac, CBA or ANZ and is invested by the Senior Finance Officer – Treasury

10. Cash flow and Budgets

The Project Director is to liaise with The Project Management representative to ensure the budget is on track and to ensure an up to date cash flow is in place. The Project Director to liaise with CFO to ensure that the budgets and cash flows are up to date to ensure sufficient

time is allowed to draw down from investments and/or Treasury to ensure payments can be made within the agreed credit terms. Once done, authorised payments are to be made. The Finance Department to assist the Project Director and produce budget to actual reports for RQL Board and Government.

Senior Finance Officer and Accountant to review daily cash requirements for AP and other requirements

11. Monthly Financial Statements – Project Reconciliations

RQL will provide monthly financial statements – Project Reconciliations by working day 10 of the following month. These statements are prepared by the Project Accountant and will be reviewed by the CFO or Management Accountant prior to release. These reconciliations must be agreed by the Project Director prior to being released to the IIPCG or the Board.

12. Urgent transactional delivery

The Management Accountant is the first point of contact to assist in the delivery of any urgent transactions or financial enquiries.

If the Management Accountant is unavailable, please contact the CFO or any contact on your contacts list below so that they can source the appropriate authority and escalate the delivery as required.

13. Club Restructures and financial modelling

RQL will pursue partnership arrangements with clubs and the Business Analyst will assist with all financial modelling and support.

14. RQL employees with responsibilities on behalf of the Infrastructure Plan

As mentioned above, RQL provides the following employee resources to assist with the Infrastructure Plan accounts:

- Compliance/Project Accountant
- Accountant
- AP Officer
- AR Officer, and
- Payroll.

The CFO and Management Accountant provide direction to the above employees as well as assisting the Infrastructure Plan directly on any higher level financial analysis or needs.

The senior accountants (Revenue Services Accountant and Project Accountant) are also utilised to ensure correct processing, coding and authorising of all transactions has been adhered to as per RQL credit and purchasing policies.

All the above mentioned resources are full time permanent RQL employees who assist in the Infrastructure Plan accounts on the basis of hours needed to fulfil the deadlines, processing, reporting requirements and any other financial advice as deemed appropriate and relevant.



RQL also provides back up assistance from within the Finance Department to alleviate any concerns relating to leave or turnover of staff.

Following are the current RQL contacts assisting with financial functions as at today's date:

POSITION	NAME	EMAIL	DIRECT PHONE
CFO	Adam Carter	acarter@racingqueensland.com.au	07 3869 9702
Management Accountant	Sharon Drew	sdrew@racingqueensland.com.au	07 3869 9704
Business Analyst	Ron Mathofer	rmathofer@racingqueensland.com.au	07 3869 9716
Financial/Compliance/Project Accountant	Jeffrey Zeppa	jzeppa@racingqueensland.com.au	07 3869 9713
Revenue Services Accountant	Murray Dyke	mdyke@racingqueensland.com.au	07 3869 9727
Senior Finance Officer	Kees Van der Waal	kvanderwaal@racingqueensland.com.au	07 3869 9706
Accountant	Craig Roberts	croberts@racingqueensland.com.au	07 3869 9718
Accounts Receivable	Janet Roth	jroth@racingqueensland.com.au	07 3869 9711
Accounts Payable	Su Agate Karin Schreiber	ap@racingqueensland.com.au sagate@racingqueensland.com.au kschreiber@racingqueensland.com.au	07 3869 9714 07 3869 9703
Payroll	Leanne Lorena	llorena@racingqueensland.com.au payroll@racingqueensland.com.au	07 3869 9708

RQL will endeavour to update your contact list as soon as any changes occur.

If you have any further queries please do not hesitate to contact me by email acarter@racingqueensland.com.au or by mobile 0400 761 700.

ADAM CARTER
Chief Financial Officer