



**ABORIGINAL HOUSING VICTORIA**

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# Aboriginal Housing Victoria (AHV)

## *Probity and Procurement Policy*

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## 1 Purpose

The purpose of the Aboriginal Housing Victoria (AHV) Probity & Procurement Policy is to ensure that the procurement of goods and services is aligned with AHV's broader organisational objectives and strategic direction and is undertaken in an honest, competitive, fair and transparent manner that delivers the best value for money, while protecting the reputation of AHV and the community housing sector and upholding the vision of AHV.

## 2 Policy scope

This policy applies to all contracting and procurement activities at AHV and is binding upon all AHV staff, managers, Board members, temporary employees, contractors and consultants while engaged by AHV.

## 3 Policy context

### 3.1 Cultural statement

The First Nation peoples of Australia have the oldest continuous cultures in the world. Aboriginal Housing Victoria celebrates and takes pride in the rich and spiritual culture, values and practices of Australia's First Nations peoples. We celebrate the significant contribution made by Aboriginal and Torres Strait Islander people and culture to the enrichment of Victorian society, and, we acknowledge and respect the special place of Victorian traditional owners as Victoria's First Nations peoples.

As an Aboriginal Community Organisation we acknowledge that our legitimacy is derived from the strong relationships we have with Victoria's Aboriginal communities and our success is through achievement of our shared vision and aspirations.

Our vision is that Aboriginal Victorians secure appropriate, affordable housing as a pathway to better lives and stronger communities.

We believe that achievement of our vision is through the provision of housing services which enhance the dignity of our clients and tenants and which respects and celebrates their cultural beliefs, values and practices.

Our policies and procedures are designed so that our practice and service delivery is in accord with this cultural statement.

### 3.2 Relevant legislation and regulations

AHV will undertake all contracting and procurement activities in accordance with the standards covered by the following legislative frameworks:

- Corporations Act 2001 (Cth);
- Housing Act, 1983 (Vic);
- Residential Tenancies Act, 2010 (Vic);
- Freedom of Information Act 1982 (Vic); and,
- Occupational Health and Safety Act 2004 (Vic).

- Other relevant legislative requirements such as but not limited to the Australian Consumer Law, Sale of Goods Act, and the Environmental Protection Act.

AHV is committed to reducing any form of disadvantage which Aboriginal people experience. As such, AHV takes specific positive strategies which are intended to attract, train and support Aboriginal employees and which promote Aboriginal employment opportunities. These strategies are recognised as “special measures” under the Victorian Equal Opportunity Act.

These measures are lawful and “recognise the need for different approaches to overcome the practical effects of disadvantage and discrimination. Some groups that have been disadvantaged by discrimination in the past may need special assistance to address that disadvantage, rather than simply being treated equally or the same in a formal sense.”

## 4 Policy Objectives

The key objectives of the Probity and Procurement Policy are to:

- ensure accountability, responsibility and due diligence in procurement processes;
- ensure the procurement of goods and services is conducted in an honest, competitive, fair and transparent manner;
- ensure the procurement of goods and services includes positive strategies which promote Aboriginal employment;
- ensure the procurement of goods and services achieves value for money and bottom line cost savings; and,
- ensure mechanisms are in place to deal with any breaches in probity.

## 5 Principles

AHV will apply the following fundamental best practice principles to procurement, irrespective of the value and complexity of the procurement:

- value for money
- open, fair and impartial competition
- accountability
- promotion of Aboriginal employment
- risk management
- probity and transparency.

## 6 Responsibilities

Board	To approve the policy, monitor policy implementation and performance and review regularly and when necessary.
CEO	To oversee and monitor the policy implementation

Directors	To implement the policy
Managers	To administer the policy

## 7 Definitions

<b>Approved Supplier:</b>	An Approved Supplier is appointed as a result of a tender or other selection process in accordance with the threshold values established in this policy.
<b>Best Value for Money Outcome (BVMO)</b>	The outcome that gives the best value for money for AHV overall. This does not necessarily mean the lowest price or the result that just delivers the lowest cost. In many instances the selection of a Supplier or their products should take into account other considerations such as the lowest overall Total Cost of Ownership (TCO) giving due consideration to the total cost to AHV and which covers other factors not exclusive to purchase price. These factors can include the cost of sourcing, procuring and paying for the products, the estimated cost of parts and on-going maintenance charges, installation and de-installation costs. TCO should also consider inputs to the manufacture and maintenance of a product such as energy, water, natural resources and importantly, the cost of environmentally responsible disposal at end of life.
<b>Documented Quote:</b>	A formal document initiated by a Buyer and forwarded to a Supplier normally used to form the basis of a one-off contract between the parties for the supply of goods and/or services to the Buyer.
<b>Fit for Purpose:</b>	Fit for Purpose means appropriate, and of a necessary standard, for its intended use.
<b>Probity:</b>	Is the evidence of ethical behaviour in a particular process. Probity is defined as complete and confirmed integrity, uprightness and honesty. It contributes to sound procurement processes that accord equal opportunities for all participants
<b>Procurement</b>	Procurement is the whole process of acquisition of external goods, services and works. This process spans the whole life cycle from initial concept through to the end of the useful life of an asset (including disposal) or the end of a service contract.
<b>Simple Threshold:</b>	The threshold at which at least one quote must be obtained from Suppliers for the proposed supply of goods and/or services.
<b>One Quote Threshold:</b>	The threshold at which at least one documented quote must be obtained from Suppliers for the proposed supply of goods and/or services.
<b>Two Quote Threshold:</b>	The threshold at which at least two documented quotes must be obtained from Suppliers for the proposed supply of goods and/or services.
<b>Three Quote Threshold:</b>	The threshold at which at least three documented quotes must be obtained from Suppliers for the proposed supply of goods and/or services.
<b>Tender Process Threshold:</b>	The threshold at which at least three documented quotes must be obtained from Suppliers for the proposed supply of goods and/or services.  The threshold at which a Tender process must be undertaken in accordance with part 8.12.

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<b>Direct Invoice:</b>	An invoice processed by AHV without there being an initiating Purchase Order Issued by AHV. Direct invoices are allowed for a limited and select group of goods and/or services where on-going supply is provided on a regular basis and are normally covered by an overarching contract or agreement. All other invoices require a reference to a Purchase Order in order to finalise settlement with a Supplier.
<b>Environmentally responsible procurement issues:</b>	Environmental issues cover all environmental impacts of products and services from cradle to grave including: reducing the amount of products purchased; minimising energy, water and materials; recycled, recyclable, biodegradable and reusable components; minimal packaging, maintenance, waste, emissions, chemicals and transportation; and environmentally responsible disposal.
<b>Socially responsible procurement issues:</b>	Social issues cover all social impacts of products and services including: health, safety, human rights, ethical production processes, social justice, Fair Trade, diversity, access, and purchasing locally and domestically made products.
<b>Purchase Order:</b>	A submission from a Supplier that specifies the cost of supplying goods and/or services, or a record of a published price from a Suppliers website.
<b>Tender Committee:</b>	Is appointed to review and/or advise on the deliberations of a Tender Evaluation Panel to ensure that all processes are conducted in a transparent, honest, fair and competitive manner.
<b>Tender:</b>	A competitive process used to seek bids from a Supplier.

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## 8 Policy Details

### 8.1 Probity

Probity should be integrated into all procurement planning, and should not be a separate consideration. Risk management of probity in the procurement process requires a higher level of control (mitigation) over the procurement process where there is a higher likelihood of exposure to claims about the process.

In summary, procurement decisions are to be made in a transparent manner, which allows them to be clearly understood and justified subsequently.

### 8.2 Principles of Probity

The Board of Management is dedicated to ensuring that decisions conform to all the general principles associated with probity. These are that AHV will:

- Be helpful in facilitating discussions of current approaches with suppliers in order to promote genuine engagement,
- Be inclusive in enabling new and innovative approaches to be adopted, if required.
- Tailor activities to our organisation's particular needs which involve using our own internal expertise, through to engaging external specialist advice for more complex and specialist procurement and other decisions; and
- Be pragmatic in having different approaches according to the value, urgency and general nature of the procurement.

### 8.3 Practical Applications in Ensuring Probity

In applying the above probity principles, it is the Policy of the Board of Management that all Board Members, Managers and staff members:

- Strictly adhere to our organisation's written Code of Conduct (Policy Number: M008);
- Do not make improper use of their position;
- Avoid placing themselves in any position where there is the potential for claims of (or the perception of) bias;
- Do not accept hospitality, gifts or benefits from any potential suppliers, while employed by the AHV, or at any reasonable time in the future;
- Do not seek to benefit from supplier practices that may be dishonest, unethical or unsafe;
- Ensure that all tenderers are treated equitably and fairly;
- Ensure that any actual and/or perceived conflicts of interest are managed appropriately and reported and recorded in line with AHV Code of Conduct principles;
- Ensure that both probity and conflict of interest requirements are taken into in light of AHV's risk management principles;
- Ensure that in evaluating value for money considerations that this does not exclude any suppliers from consideration for inconsequential reasons;
- Ensure that at all times all information received is treated with utmost confidentiality, both during and after a procurement process; and
- For large and/or complex procurement requiring specialist knowledge and expertise, external probity specialists may be considered for appointment by the Chief Executive Officer on a case-by-case basis.

### 8.4 Conflict of Interest

All staff and Board Members shall at all times avoid situations in which private interests conflict, or might reasonably be thought to conflict, or have the potential to conflict, with their duties.

Staff and Board Members involved in the procurement process, in particular preparing tender documentation, including writing tender specifications, tender opening, and tender evaluation panels, must:

- Avoid conflicts, whether actual, potential or perceived, arising between their official duties and their private interests. Private interests include the financial and other interests of Staff or Board Members, plus their relatives and close associates,
- Declare that there is no conflict of interest. Where future conflicts, or relevant private interests arise Staff or Board Members must make their manager, or the chairperson of the relevant tender assessment panel or board aware and allow them to decide whether the person should continue to be involved in the specific Procurement exercise, and
- Observe any prevailing guidelines on how to prevent or deal with conflict of interest situations; and not take advantage of any tender related information whether or not for personal gain.

### 8.5 Penalties for Breaches in Probity

The Board of AHV views any breach of probity as a serious offence and any transgression will be treated in line with the Code of Conduct Policy. Serious breaches may lead to instant dismissal, as well as reports prepared and being presented to Victoria Police for further investigation and prosecution.

## 8.6 Policy Application

This Aboriginal Housing Victoria (AHV) Procurement Policy applies to all AHV expenditure and legally binding commitments regardless of funding source, including the following types of commitments:

- Letters of intent
- Heads of agreement
- Memorandum of understanding
- Purchase orders
- Verbal commitments, and
- Formal contracts

## 8.7 Governance Structure

AHV shall:

- establish a procurement management responsibility structure and delegations ensuring accountability, traceability and auditability of all procurement decisions made over the lifecycle of all goods, services and works purchased by AHV;
- ensure that AHV's procurement structure:
  - is flexible enough to purchase in a timely manner the diverse range of material, goods, works and services required by AHV;
  - ensures that prospective contractors and suppliers are afforded an equal opportunity to tender/quote; and
  - encourages competition.

## 8.8 Responsible Financial Management

The principle of responsible financial management shall be applied to all procurement activities.

Accordingly, to give effect to this principle, the availability of existing funds within an approved budget, or source of funds, shall be established prior to the commencement of any procurement action for the supply of goods, services or works.

Staff must not authorise the expenditure of funds in excess of their financial delegations.

Staff must not propose a procurement and approve the same procurement.

Staff and Board Members must not disclose allocated tender budgets to suppliers.

AHV funds must be used efficiently and effectively to procure goods, services and works and every attempt must be made to contain the costs of the procurement process without compromising any of the procurement principles set out in this Policy.

## 8.9 Procedural Overview

Strategic procurement requires accountability for the spending of AHV funds which is justified, planned and transparent. Goods, services and works procured must be Fit for Purpose and represent value for money while being socially responsible and ensuring probity in the procurement process.

Where applicable procurement should be assessed on the business case presented, ensuring the Supplier/Contractor has the necessary skills to perform the service, the ability to mitigate against risks, be consistent with AHV's vision and objectives and be able to deliver the service on time.



Purchases from all suppliers must be transacted through an official purchase order, or where cash or a corporate credit card is used in accordance with the Credit Card Policy or Reimbursement Policy.

Approved Suppliers with an agreement with the AHV to supply goods and/or services at agreed terms must be used where possible. The appointment of Approved Suppliers is to be undertaken as a result of competitive process in accordance with the threshold values established in this policy.

Exemptions to this policy may only be approved pending urgent or exceptional circumstances and will require the CEO's delegation for approval. The CEO will report such decisions to the next AHV Finance and Audit Committee.

For purchase of goods and/or services from non-Approved Suppliers less than:

- the Simple Threshold, there is no requirement to obtain a quote;
- the One Quote Threshold but more than the Simple Threshold, at least one quote must be received from at least one supplier;
- the Two Quote Threshold, but more than the One Quote Threshold, a documented quote must be received from at least one supplier;
- the Three Quote Threshold, but more than the Two Quote Threshold, a documented quote must be received from at least two suppliers;
- the Three Quote Threshold, but less than the Tender Threshold, a documented quote must be received from at least three suppliers.

For the purchase of goods and/or services from non-Approved Suppliers in excess of the Tender Threshold a formal tender process must be conducted by an appointed Tender Committee.

The threshold values are to be applied on the anticipated total expenditure, accumulated over the term of the contract or two financial accounting periods, whichever is the shorter period and exclude GST.

## **8.10 Risk Management (Procurement)**

Risk Management is to be appropriately applied at all stages of procurement activities which will be properly planned and carried out in a manner that will protect and enhance AHV's capability to prevent, withstand and recover from interruption to the supply of goods, services and works.

Each procurement activity carries its own level of complexity and risk which can be positioned in one of four contract planning and management segments including:

- Operational (transactional);
- critical to the business;
- high risk; and
- strategic.

The following table reflects AHV's general approach to be taken in addressing each procurement risk segment. A detailed overview of AHV's risk management approach is provided in the AHV Risk Management Plan.

Risk level	Focus	Contract profile	Considerations
Low	Operational excellence	Provide goods, services and works deemed both low risk and low operational significance. However, spend volume can be such that a degree of operational governance is required.	Apply good management practice. Use basic standard contracts.
Critical to business	Performance and value	Provide goods, services and works integral to operations. However, risk of failure is unlikely and no major disruptions would occur.	Develop and apply a rudimentary contract management plan (CMP) to add rigour to process oversight and monitoring of supplier performance.
High risk	Risk management	Provide goods, services and works with high risk of failure yet would have low operational significance to the organisation if the arrangement fails.	Assess whether there are opportunities to migrate all or elements of the supply arrangements to a lower risk segment. Develop a more thorough CMP and subject contractor/supplier to regular performance monitoring to drive performance.
Strategic	Strategic alignment	Integral to operation of the business, failure of the arrangement would result in major disruption to operations. Highest level of strategic alignment, risk mitigation, governance and performance monitoring is to be applied.	Review risk treatment strategies with the intent of migrating risks to a lower level. Where possible investigate secondary supply sources, overlay a high-level rigorous supplier performance framework and clearly define issues escalation process. Develop a thorough CMP and subject contractor/supplier to regular performance monitoring to drive performance.

## 8.11 Procurement Thresholds

AHV has established procurement procedures according to set threshold values of the purchase, service or works, as follows:

### 8.11.1 Procurement Threshold values

Type of Purchase	Threshold	Requirements
Simple	\$0 - \$5,000	Verbal quote sufficient.
1 Quote Threshold	\$5,000 - \$9,000	Minimum 1 quote.
2 Quote Threshold	\$9,000 - \$16,000	Minimum 2 quotes, agreement in place, requires Director of Operations approval.
2 Quote Threshold	\$16,000 - \$50,000	Minimum 2 quotes, agreement in place, requires CEO approval if budgeted and Board approval if not budgeted.
3 Quote Threshold	\$50,000 - \$150,000	Minimum 3 quotes, including risk analysis, contract in place, requires CEO and Board approval.
Tender Threshold	\$150,000 +	Tender Process, including business case and risk analysis, contract in place, requires CEO and Board approval.

## 8.12 Tenders

All tender processes shall be conducted in accordance with the principles and requirements of this policy and any associated procedures, relevant legislation, relevant Australian Standards and Acts.

Purchase of all goods and services, including building and construction works for which the estimated expenditure exceeds \$150,000, must be undertaken by public tender as per the above table.

The public tender process must follow on from a detailed business case approved by the AHV CEO and endorsed by Board. The tender approval will be undertaken by the appropriate delegated authority.

For significant tenders (over \$150,000) an assessment panel (tender committee) will be formed comprising as a minimum the Director of the area responsible for the procurement or staff member they nominate and the Chief Financial Officer or a Finance staff member nominated by the Chief Finance Officer. It is the responsibility of the Director and the Chief Finance Officer to ensure that staff members nominated to participate on the tender committee have the appropriate skills and capacity. Additional panel members including external advisors may also join the panel as required at the discretion of the CEO. The panel will discuss the merits of all tender submissions against the probity and procurement principles and requirements outlined in this policy.

The tender thresholds shall apply for two financial accounting periods.

However, should the CEO consider that the nature of the requirement and the characteristics of the market are such that the public tender process would lead to a better result for AHV, public tenders may be called for purchase of goods, services and works for which the estimated expenditure is below these thresholds.

### **8.13 Low Risk Procurements**

Relatively low risk procurements - typically low cost and with little complexity up to the value of \$16,000 and with no formal tender process – where, in consideration of the general principles of this policy, the delegated employee can discuss and proceed with the procurement subject to agreed terms and price. Agreement can be made in a formal meeting or over the telephone, or via written correspondence (e.g. email). All procurement agreements over \$5000 must include a written quote and copies provided to the CFO.

### **8.14 High Risk Procurements**

For higher risk (typically higher cost and complexity procurements run via obtaining written quotes or through an open tender), it is appropriate to implement more rigor in dealing with suppliers. This may include formalised approaches to handling requests from suppliers, specified probity roles and utilising additional expertise for more complex procurements, where necessary.

### **8.15 Contract Planning**

Contract planning is an important element of AHV's business activities and defines upfront how procurement categories and individual procurements will be managed at the contractual stage based on their complexity level. It identifies the resources, systems, processes, tools, reporting and capabilities needed to manage contracts.

Contract planning does not determine how individual contracts will be managed at the operational level. This requires a more detailed assessment of the procurement risks and supplier management issues related to a particular procurement activity. For example, performance management of contractor(s) is defined for each individual contract.

AHV's contract planning will generally encompass the following five critical questions. By basing the planning on these five questions, AHV ensures that accountability, probity, scalability and value-for-money will be met throughout the contract management process.

*They include:*

1. What systems and processes are needed to monitor value for money outcomes?
2. What are the minimum controls needed to determine if supply is at risk and what back up arrangements might be required to ensure continuity of service?
3. What minimum actions can be taken to ensure that appropriate capability exists to undertake contract management?
4. How will AHV know if contractors and suppliers are fulfilling their contractual obligations and achieving expected commitments?
5. How can AHV improve procurement practice to drive value for money?

### **8.16 Performance Measures and Continuous Improvement**

Appropriate performance measures are to be established and reporting systems will be used to monitor performance and compliance with procurement policies, procedures and controls. They will include the identification of Key Performance Indicators and development of a supplier performance rating.

Procurement procedures, practices and costs will be reviewed annually and benchmarked against comparable institutions by the AHV Chief Finance Officer. Internal service standards will be agreed within AHV and performance against these targets will be measured and reviewed regularly to support continuous improvement.

The performance measurements developed will be used to:

- Highlight trend and exceptions where necessary to enhance performance,
- Improve the internal efficiency of the procurement process and where relevant the performance of suppliers,

Identify and reward best performing contractors/suppliers, and

- Facilitate programs to drive improvement in procurement to eliminate waste and inefficiencies across key spend categories.

## 9 Related Documents

AHV HR Policy

AHV Whistleblower Policy

AHV Code of Conduct

AHV Financial Delegations

## 10 Policy log

Policy history	Version	Creation date	Review due
First draft of Procurement Policy	Draft Version 1.0	June 2015	
Second draft of Probity & Procurement Policy	Draft V2	Aug 2015	
Third draft.	Draft V3	Aug 2015	
Fourth draft – Includes updates to contract planning, risk management and contractor/supplier performance sourced from VGPB.	Draft V4	Sept 2015	
Fifth draft – contract management elements deleted and moved to Contract Administration and Management Policy	Draft V5	October 2021	