

Procurement & Probity Policy (v3.0)

VERSION HISTORY

Rev No.	Date	Revision Description	Approval
1.0	2 March 2015	Amalgamation of Procurement Policy and probity procedures to create new Policy.	CEO March 2015
2.0	23 June 2016	Update of procurement thresholds and inclusion of Contracts and Supplier Management Procedure.	CEO June 2016
3.0	20 October 2017	Update of procurement thresholds.	CEO 25 October 2017

AUTHORISATIONS

Prepared by:	Strategic Sourcing and Contract Specialist	October 2017
Reviewed by:	Company Secretary/General Counsel	October 2017
Approved by:	Chief Executive Officer	October 2017
Next Review Due:	3 years	October 2020

CONTACT FOR ENQUIRIES (POLICY OWNER)

Oliver Cousland – Company Secretary/General Counsel

Ph: 03 6237 3269

Email: oliver.cousland@auroraenergy.com.au

1. Introduction

Aurora Energy is a State Owned Company (SOC) subject to public scrutiny for the use of its funds. It takes seriously its responsibility to ensure that its processes for procurement and purchasing operate effectively and efficiently with due regard to transparency, probity and accountability.

2. Purpose

The purpose of this Policy and supporting documents is to provide a framework in which the procurement of goods and services is conducted in an honest, competitive, fair and transparent manner to deliver the best value for money.

This Policy should be read in conjunction with the Procurement Procedures, Payment of Account Guideline and the Purchase Card Policy.

3. Scope

All employees and contractors (staff) involved in purchasing goods or services on behalf of Aurora Energy are responsible for complying with this Policy. This Policy does not apply to energy purchasing contracts or energy contracts with other State owned energy businesses.

4. Definitions

ALT	Aurora Energy Leadership Team
Direct Negotiation	A procurement process in which Aurora Energy may invite a supplier of its choice to submit a quote without having first gone through a competitive process. A variation to an existing contract can also be a direct negotiation.
Open Tender	A competitive bidding process made available to the general public for the purposes of selecting a supplier(s) to provide goods and/or services to Aurora Energy. Such selection is based upon an assessment of 'value for money'.
Procurement	The overarching activities and processes undertaken to acquire goods and services for Aurora Energy.
Request for Quotation (RFQ)	A bidding process for low to medium value goods and services.
Restricted Tender	A bidding process made available to a select group of suppliers to provide goods and/or services to Aurora Energy.
Value for money	The outcome which gives the best value overall for Aurora Energy.

5. Policy

5.1 Policy Provisions and Principles

Aurora Energy's procurement processes are governed by the following key principles with due consideration to Aurora Energy's legislative, occupational health and safety and other compliance requirements.

5.1.1 Buy Local

Aurora Energy is committed to supporting purchasing from Tasmanian businesses when this is consistent with the principles of obtaining value for money, ethical procurement and open and effective competition.

This commitment will be facilitated through actively seeking bids from capable local businesses and ensuring that local businesses are not disadvantaged or excluded from procurement activities.

Section 5.3 explains the Buy Local Policy in more detail.

5.1.2 Obtaining Best Value for Money

Value for money is the outcome that gives the best value for Aurora Energy overall. Value does not necessarily mean the lowest price; it involves assessing a number of weighted criteria which could include such factors as:

- the cost of sourcing, procuring and paying for the goods or services;
- fitness for purpose;
- quality;
- reliability;
- service;
- delivery;
- payment terms;
- any potential advantages of buying locally;
- the estimated cost and availability of parts and on-going maintenance charges;
- installation and de-installation costs;
- establishing strategic partnerships; and
- resale/end of life value.

Obtaining value for money is enhanced when there is open competition and the market is tested regularly. Impartial, open and competitive processes are an important stepping-stone in achieving value for money.

5.1.3 Transparent and Robust Processes

a) Fairness and Equal Treatment

Adopting an ethical, transparent approach enables business to be conducted fairly, reasonably and with integrity.

To achieve this, the procurement process rules must be clear, open, well understood and applied equally to all parties to the process. All potential suppliers are to be provided with identical information and given equal opportunity to meet the requirements.

If fairness and impartiality are not apparent, proponents may perceive there is a problem with the selection process. Transparency may be increased by informing all potential suppliers of the assessment process, and maintaining adequate process documentation.

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. Aurora Energy will not seek to benefit from supplier practices that are illegal, objectionable, dishonest, unethical or unsafe.

b) Addressing Conflicts of Interest

Conflicts of interest may arise in the course of business operations, especially during the procurement process. Possible conflicts are extremely varied but include financial interests, legal interests, external associations and indirect personal interests. In carrying out their duties, staff must not allow themselves to be improperly influenced by family, personal or business relationships.

As an example, staff cannot approve any condition which would be of benefit to themselves personally. All conditions or payments which provide benefits or reimbursement of costs to the staff member must be approved by the immediate manager, or if unavailable, their manager. In addition, any potential conflict of interest that may result in, or be seen to result in a benefit to the staff member, associates or family members must be avoided.

Staff involved in a tender, including contract owners and panel members, must comply with the Conflict of Interest Procedures. Please refer to Aurora Energy's Conflict of Interest Procedures for more information on this topic.

Employees are reminded that their obligations with regard to behaviour are also governed by Aurora Energy's Code of Conduct and the Fraud and Corruption Policy.

c) Confidentiality

A significant quantity of confidential information is generated as a result of the procurement process. Procedures must be implemented to ensure that no unauthorised release of confidential information occurs.

d) Accountability

All decisions made throughout the procurement process, from the initial scoping stages through to the selection process must be supported by auditable records. Records may include a documented Probity Plan, confirmation of delegation approvals, minutes of meetings and signed evaluation reports.

Procurement of services should be conducted in a way that recognises that the contract owner is accountable for the delivery of services in the same way as if Aurora Energy had carried out the service itself.

5.2 Procurement Values, Risk Assessments and Minimum Methods

All contract owners responsible for procurement activities must undertake a risk assessment prior to commencing the process. An assessment of the value and risk of the procurement activity will dictate the minimum procurement method required.

5.3 Tasmanian Government's Buy Local Policy

As a SOC, Aurora Energy complies with the Tasmanian State Government's Buy Local Policy. This requires Aurora Energy to implement appropriate policies and procedures to support purchasing from Tasmanian businesses.

A key element of the Shareholders' Buy Local Policy is the need for a Tasmanian Industry Participation Plan. Purchases over \$5M must have a Tasmanian Industry Participation Plan ('Plan') developed.

Where a Plan is required, an executive summary of the Plan is to be provided to Department of Treasury and Finance within 10 days of execution of the contract with the Supplier. The process for this is to be coordinated through the Manager Corporate Affairs and Stakeholder Relations.

Aurora Energy is also required to report on purchases, consultants and the use of Tasmanian businesses and publish this in the Annual Report. Accordingly the contract owner must provide information to satisfy reporting to the Manager Corporate Affairs and Stakeholder Relations in a timely manner.

Refer to the Procurement Procedures for more detail on Aurora Energy's Buy Local requirements.

5.4 Probity

a) Probity Objectives

Probity is "complete and confirmed integrity and honesty" and is evidence of ethical behaviour in a particular process.

The broad objectives are to:

- ensure conformity to processes designed to achieve value for money;
- provide accountability;
- ensure that all bids are assessed against the same criteria;
- preserve the public and bidder confidence in procurement processes; and
- improve defensibility of decisions against potential legal challenge or other external scrutiny.

Probity contributes to sound procurement processes that accord equal opportunities for all participants. Probity should be integrated into all procurement planning and should not be a separate consideration.

Probity in the procurement process is the responsibility of all stakeholders involved in the procurement process.

b) Probity Advisor

In order to minimise any undue risk for Aurora Energy (including the Company's reputation) during all procurement activities, the appointment of an external probity advisor is to be considered by the contract owner or procurement steering committee.

The probity advisor's role involves monitoring and/or managing any conflicts of interest, ensuring compliance with processes and procedures, checking completeness of documentation and records of minutes, and providing a final probity clearance report.

Written records of the role of the probity advisor and all communications between the probity advisor and Aurora Energy regarding a contract or tender process will be retained by the contract owner within the contract file.

Contact details for approved probity advisors can be obtained from the Strategic Sourcing and Contract Specialist.

5.6 Whole of Procurement Activity Value

Staff must ensure the value used to establish the minimum procurement method relates to the whole of a procurement activity. Therefore, it is not acceptable to artificially break down a large financial transaction to a series of smaller transactions so that approval falls within the delegate's authority or below the threshold value at which a formal quote or tender is required.

For instance, it would not be acceptable to divide a \$280k purchase for a software system into seven purchase orders of \$40k each so that it can avoid having to go to tender for the purchase of the system.

6. Key Stakeholder Responsibilities

6.1 Board

The Board is accountable for ensuring Aurora Energy complies with Government directions in relation to procurement activities including meeting the reporting requirements under the Tasmanian Government's Buy Local Policy.

6.2 Chief Executive Officer

The CEO approves this policy in accordance with the Aurora Energy Policy Framework and ensuring adequate and robust policies and procedures are in place to ensure the Policy is effectively implemented.

The CEO is responsible for ensuring Aurora Energy has appropriate procedures and processes in place to meet Government directions in relation to procurement activities.

6.3 Aurora Energy Leadership Team

Members of the ALT are responsible for the implementation of policy obligations throughout their respective areas of the business. ALT members have a responsibility to:

- ensure staff within their areas of responsibility are aware of appropriate procurement practices;
- act in the best interests of Aurora Energy in relation to any procurement that they recommend or authorise;
- receive and act upon reports of actual or potential conflicts of interest in accordance with approved procedures;
- critically review procurement processes and documentation and provide considered opinion and approval when appropriate; and
- ensure official records of procurement activity leading up to awarding a contract or purchase, including any tender documentation and approvals, is placed in a relevant Document Management (DM) file. This includes the generation of records to support decisions, documentation of the evidence, probity matters and advice relied upon to support all stages of the procurement process.

6.4 Manager Legal Services & Procurement

Manager Legal Services and Procurement has overall responsibility for the implementation and management of this Policy.

6.5 Strategic Sourcing and Contract Specialist

The Strategic Sourcing and Contract Specialist is responsible for ensuring each procurement activity adheres to this Policy and associated procedures; assisting the business with procurement activities, contract management and reporting; keeping complete and accurate records of contracts, expenditure and procurement activity in accordance with the Procurement Procedures.

6.6 Contract Owners & Panel Members

All employees involved in procurement activities, including contract owners and panel members, are responsible for complying with this Policy and its supporting procedures and documents, including undertaking risk assessments prior to commencement of a procurement activity.

7. Non-compliance with this Policy

All non-compliances with this Policy will be recorded in accordance with the Compliance Policy. Any non-compliances that are risk-rated as Extreme or High will be escalated to the Board or a relevant Board Committee through Aurora Energy's non-compliance reporting processes. Non-compliances that are risk-rated as Moderate or Low will be reported to the Chief Executive Officer.

Incidents of wilful non-compliance with this Policy are considered to be serious and will be dealt with in accordance with Aurora Energy's normal performance management process, which may include dismissal.

8. Related Policies

- Procurement Procedure.
- Contracts and Supplier Management Procedure.
- Compliance Policy.
- Delegation Policy.
- Code of Conduct.
- Conflict of Interest Procedures.
- Fraud and Corruption Policy.
- Payment of Account Guideline.
- Purchase Card Policy.

9. Precedence

In the event of a conflict between policies, the following precedence will apply in this order to the extent of any inconsistency:

- Board approved Policy.
- Chief Executive Officer approved Policy.
- Business approved Procedure.
- Business approved Work Practice.

10. Policy Approval and Review

The CEO is responsible for approving this Policy at least every three years or earlier if a significant change occurs to the business which may impact the policy.

11. Whistleblowing Statement

In extreme circumstances an individual may be concerned that a serious breach of this policy has occurred but considers that it would be personally damaging to pursue it through normal channels. In such circumstances the individual should refer to Aurora Energy's Public Interest Disclosure Policy for information about how to report such a concern and to whom.

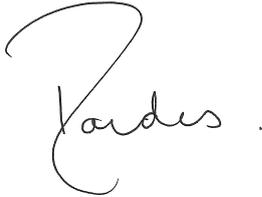
Aurora Energy's Public Interest Disclosure Policy ('whistleblower' policy) is based on the Public Interest Disclosures Act 2002. This Policy is available on both Aurora Energy's external website and its internal intranet.

Delegated Officers under the Public Interest Disclosure Policy will do all that is possible and practicable to ensure the identity of the individual and the identity of the person who is the subject of the disclosure are kept confidential.

12. Publication

This Policy is approved for publication on Aurora Energy’s website.

Approved by the Chief Executive Officer on 25 October 2017.



.....
Chief Executive Officer