

Contracts and Procurement Policy

Preliminary information:

Type of Policy: Board	Core Value supported: Stewardship
Leadership Owner: Chief Financial Officer	Issue Date: 8 May 2010
Frequency of review: Every 2 years Last review date: July 2020 Next review deadline: July 2022	

Purpose of the Policy

The purpose of this policy is, in relation to procurement and contracts, to:

- Provide principles to ensure that World Vision Australia (WVA) obtains good value for money in a fair, simple and ethical manner.
- Build the trust of our stakeholders by ensuring that WVA acts in accordance with our core value of stewardship and with sound risk management principles.
- Provide guidance to Management for the development of robust, effective and efficient processes and systems, as well as guidance to all staff involved with procurement and contracts.
- Ensure a high level of transparency, accountability, probity and ethics.

The sound management of procurement and contracts is vital to ensure WVA builds and maintains the highest levels of integrity and trust from donors in our work and mission, and that suppliers trust that WVA treats them fairly.

WVA is a not-for-profit organisation and works towards its charitable purpose. We do not operate for the profit, personal gain or other benefit of particular people.¹ We are stewards. The resources at our disposal are not our own. They are a sacred trust from God through donors on behalf of the poor. We are faithful to the purpose for which those resources are given and manage them in a manner that brings maximum benefit to the poor. We demand of ourselves high standards of professional competence and accept the need to be accountable through appropriate structures for achieving these standards.

Who the Policy applies to:

	Applicable?	Extent of application:
Our Board members (any person who is a member of our Board of Directors)	Yes	
Our employees:	Permanent	Yes
	Casual	Yes
	Fixed term contract employees	Yes
	Secondees	Yes
Volunteers	Yes	

¹ ACNC Governance Standard 1.

Agency staff (e.g. temporary staff assigned by an agency to WVA)	Yes	
Service or goods providers (that is, suppliers of goods or services to us including contractors/consultants), whether paid or unpaid, and whether individuals or organisations* (e.g. print and mailhouse service providers, professional advisors)	No	
Our partner organisations* (eg. other NGOs)	No	
Our supporters	No	
Other:		

*Also includes the people who work for them including any of their board member, employee, consultant, etc.

Policy Scope

This policy governs all WVA contracts excluding Field expenditure and employment contracts.

Authority and Responsibility for the Policy and related Standards, Procedures & Guidelines:

The Senior Leader listed as the **Leadership Owner** of the Policy has:

- the overall responsibility for the Policy including that those listed in the table below exercise their responsibilities and authorities as set out below; and
- the particular responsibility of ensuring that the Policy is reviewed according to the frequency and by the deadline applicable.

The following table sets out for the actions listed, those:

- with the responsibility to *recommend* the action (including to report about an incident in the case of incidents);
- who are to be *consulted* about the action;
- those who have the authority to *decide* (including approve) the action; and
- those with the responsibility and authority to *perform* (which means taking all actions necessary) for the action overall.

	Implementing the Policy and the related standards, procedures and guidelines:	Amending the Policy:	Amending the related standards, procedures and guidelines:	Responding to and dealing with incidents (including non-compliance):
Recommend	All staff	All staff	All staff	All staff
Consult	CFO Director Risk General Counsel Audit and Risk Committee	CFO Director Risk General Counsel Audit and Risk Committee	CFO Director Risk General Counsel	CFO Director Risk General Counsel

Decide*	Board	Board	CFO	CFO
Perform	General Counsel Procurement	General Counsel Procurement	General Counsel Procurement	General Counsel Procurement

* Where the Policy is a Board policy, any amendments to the Policy must be considered and approved by the Board. Please liaise with the Company Secretary in relation to the process to be taken for this.

The Policy

1. Definitions

For this Policy:

“Contract maximum annual expenditure” (annual expenditure) is the maximum possible expenditure over any 12-month period of the proposed contract, including options, extensions, renewals or other mechanisms that may be executed. If multiple similar contracts have been and/or are expected to be executed with the same supplier during any 12 month period, then the maximum annual expenditure is the sum of all possible expenditure in all similar previous and/or expected contracts with the same supplier during a 12 month period.

“Contract maximum value” (whole of life expenditure) is the maximum possible value of the proposed contract, including options, anticipated extensions and renewals or other mechanisms that may be executed over the life of the contract. If multiple similar contracts have been and/or are expected to be executed with the same supplier during any 12 month period, then the maximum value is the sum of the contract maximum value of all substantially similar contracts with the same supplier during the 12 month period.

“Contract owner” is the person nominated to be responsible for the negotiation, and management of the day-to-day matters, of a contract.

“Gifts, benefits and hospitality” – see definitions in “Gifts, Benefits and Hospitality Policy”.

“Material contract variation” is a change which materially impacts the contract deliverables, price, timeframes, value for money outcomes, probity, transparency, accountability, risk profile, or any change that requires legal endorsement.

“Personnel” means any person to whom this policy applies.

“Value” is the value excluding GST, unless a GST refund is not available to WVA (e.g. entertainment expenses).

2. Contracts include any agreement which creates legal rights in favour of WVA and/or imposes obligations or liabilities on WVA.

3. WVA will manage its contracting and procurement practices in such a way as to:

- (a) Be consistent with WVA’s values, mission and strategic goals.
- (b) Exercise good stewardship and deliver best value for money to WVA in the acquisition of goods and services and in the financial outcomes of other contracts.
- (c) Uphold high ethical and probity standards.
- (d) Be consistent with legislative and regulatory requirements and community expectations.
- (e) Fulfil procurement due diligence on suppliers, including ethical standards including Modern Slavery.

- (f) Comply with all relevant WVA policies including (without limitation) Conflict of Interests, Purchasing and Gifts, Benefits & Hospitality policies.
 - (g) Embrace environmentally sustainable practices.
 - (h) Encourage local suppliers, including indigenous suppliers.
 - (i) Appropriately manage risk including protecting WVA's reputation.
 - (j) Ensure that robust centre-led procurement systems and processes are in place to provide assurance that all relevant policies and procedures are adhered to.
 - (k) Place decision-making, approval processes and the related accountability as close to those affected by the decision as possible, whilst being led, supported and overseen per procurement procedure and compliance framework by central functional expertise.
 - (l) Ensure that all decision-makers are free of any actual, potential or perceived conflict and that all conflicts of interest are managed in accordance with the Conflicts of Interest Policy and procedures.
 - (m) Not start supply or acquisition of goods or services (including contractors and consultants) without a fully executed contract approved by relevant specialist functions and by the appropriate delegated authority.
4. Personnel involved in a procurement process:
- (a) Must not solicit or accept any gifts, benefits or hospitality from past, present, or potential contractors, consultants or suppliers;
 - (b) Must act in accordance with the Gifts, Benefits and Hospitality Policy; and
 - (c) Must conduct procurement activity in accordance with procurement processes on behalf of the organisation in a manner that does not breach WVA's Code of Conduct and other relevant policies.
5. Any exception to this policy requires the approval of the Audit & Risk Committee of the Board (**ARC**).
6. To ensure adherence to the highest ethical standards, all information related to procurement received must be strictly confidential and must not be disclosed to any external individual, organisation or supplier.

Board Reserved Powers

7. Notwithstanding (3k) above, Board approval is required for the following:
- (a) Contracts with a maximum annual expenditure greater than \$250,000 (GST excl.).
 - (a) Contracts for the purchase or disposal of land and buildings (other than land and buildings acquired by bequest) regardless of value.
 - (b) Contracts for the lease of land and buildings for periods of 5 or more years or total lease payments exceeding \$500,000 (GST excl.) over the period of the lease.
 - (c) Contracts which relate to the outsourcing of any Material Business Activity² to a third party.

² A Material Business Activity is one that has potential, if disrupted, to have a significant impact on WVA's operations or strategic goals or its ability to manage risks effectively. In deciding what is material business activity, Consideration shall be given to:

- a) The impact on financial position, operations and reputation of WVA of a failure of the service provider to perform;
- b) The degree of difficulty (including the time taken, costs and capacity) of finding an alternative service provider or bringing the business activity in-house;

- (d) Proposals which may result in a contract that could reasonably be assessed as high risk under the WVA risk management framework, in terms of organisational strategy, reputation, brand, safeguarding or workplace health and safety.
 - (e) Contracts in respect of which a Board member or ELT member has an Interest as defined in the Conflict of Interest Policy.
 - (f) Any contract which the Board resolves to reserve approval to itself.
 - (g) Contracts that require WVA to give uncapped indemnities where the risk has been assessed as 'extreme' in accordance with WVA's Risk Management Framework.
8. In addition, the Board will be involved in the early stages of the above contracts with the exception of contracts which fall only under 7(a).
 9. An overview of WVA's annual review of its insurance contracts must be referred to ARC for noting prior to such renewal where possible, otherwise at the next occurring ARC meeting.
 10. All requests for approval of contracts with a Contract maximum annual expenditure over \$30,000 must be supported by a Contract Summary and Compliance Certificate in a form pre-agreed by the ARC (example provided in Appendix I). This certificate confirms that checks, controls and appropriate delegated approvals have occurred.

Procedural Principles

11. Tendering and supplier selection

- (a) All contracts of Contract maximum annual expenditure of \$30,000 up to \$250,000 (GST excl.) require an open tender, or closed tender process resulting in at least three contemporary written quotes, unless:
 - (i) there is a preferred supplier for that type of expenditure, which has been selected through a competitive tender process in the last three years; or
 - (ii) there are exceptional circumstances and a written exemption is granted by the CFO.
- (b) An open and competitive tender process (with an RFP) is required for all contracts with a contract maximum annual expenditure greater than \$250,000 (GST excl.) unless there are exceptional circumstances and a written exemption is granted by the CFO.
- (c) The process for selecting a supplier through a tender process must use an objective selection process in accordance with the WVA Procurement Procedure guidance.
- (d) Documentary evidence of the tender, selection process, preferred supplier status or exception must be retained and centrally stored.

12. Entering into contracts

- (e) All contracts that require Legal endorsement under the Contracting Procedure must be referred to Legal for review and endorsement.
- (f) Engagement of all external legal advisors should be conducted directly by the Legal team. If circumstances are such that only the business unit may engage external legal advisors, then the engagement must be done in consultation with and with the

c) The ability of WVA to meet legal requirements if there are problems with the service provider or the failure of the services provider to perform;

d) The potential impact on WVA's stakeholders in the event of a service provider failure; and Affiliations or other relationships between WVA and the service provider.

approval of the General Counsel. In circumstances where the General Counsel has an actual conflict of interest in engaging an external legal firm, then the engagement will be through the relevant business and approval must be sought from the CFO before engaging the external advisor.

13. Negotiating contracts

- (a) Contracts must be negotiated fairly and transparently.
- (b) The person with the delegated authority to approve the contract that is the subject of the negotiation must be involved in, or to have authorised, the progress of negotiations.
- (c) Where any Personnel has a conflict of interest which has not been possible to avoid, and there is an actual, potential or perceived conflict of interest, that Personnel member must not be involved in the negotiation or approval process and must comply with the management plan for their conflict of interest. The Contract owner must ensure that the Conflicts of Interest Policy is complied with.
- (d) Written records of contract negotiations must be retained by the Contract owner (and where the engagement relates to a procurement, then in accordance with the Procurement Procedures document).

14. Executing contracts

- (a) A Contract Summary & Compliance Certificate and relevant checklists must be completed prior to management approval for all contracts over \$30,000 contract maximum annual value. All associated relevant checklists must be signed off by the CFO, General Counsel and any other relevant parties.
- (b) Contracts must be approved by a person with the appropriate delegated authority level, in accordance with the Contracts Procedure. Signed relevant approvals must be completed on the Contract Summary and Compliance Certificate before a commitment is made to a supplier.
- (c) The following must be centrally reviewed to ensure compliance with this policy and other policies and procedures before a commitment is made to a supplier or any third party:
 - (i) The procurement process (where applicable);
 - (ii) Contract Summary & Compliance Certificate;
 - (iii) the delegated authority level of the approver is sufficient;
 - (iv) central retention of relevant documents; and
 - (v) central recording of key contract dates.
- (d) Contracts that include an uncapped indemnity must be first approved in accordance with the Contracts Procedures.
- (e) Contracts must be executed as set out in the Contracts Procedure.
- (f) Executed contracts and contract signed checklists must be retained centrally in accordance with the Procurement Procedure and the Contracts Procedure.

15. Managing contracts

- (a) Each contract must have an assigned Contract owner, responsible for ensuring the proper performance of the contract, and management of all related obligations on WVA under the contract, including management of contract risk. The Contract owner must have expertise to competently manage the contract and hold the contractual counterparty accountable for performance.

- (b) A central system must record the names of the parties to the contract and key contract dates, including expiry of contract. The system must alert relevant staff with sufficient advance notice to perform the relevant action, and follow up if the required action is not taken in a timely manner. The Contract owner is accountable for ensuring timely actions are taken and recorded centrally to fulfil contract terms, review contract performance, manage the expiry of the contract and negotiate renewals as appropriate.
- (c) Contract extensions allowed for in the contract must be managed by the Contract owner. In exercising an extension or option, consideration must be given to value for money and contract performance.
- (d) The Contract owner must promptly seek advice from Legal if there is any indication that a dispute may arise in relation to the contract, or that WVA may not be able to fully perform its obligations under the contract.
- (e) The Procurement Procedures document outlines further detailed operational responsibilities for key stakeholders.

16. Reporting of contracts

- (a) At least quarterly, the CFO will provide to ARC a summary of contracts approved since the previous summary that are:
 - (i) Above \$250,000 Contract Maximum Annual Expenditure;
 - (ii) Reputationally significant;
 - (iii) Subject to an exception to the procurement process, including exceptions approved by the CFO in 11(a) and 11(b) above.
- (b) Annually, the CFO will report to ARC:
 - (i) The largest 25 contracts by annual spend for procurement of goods and services;
 - (ii) The largest 10 contracts that have not been through a procurement process; and
 - (iii) Contracts over \$250,000 (GST excl.) annual spend which have not been subject to open tender for more than 3 years.

17. Contract variations

- (a) Any **Material contract variation** to a contract must be managed by the contract owner, and go through the approval process as per a new contract.

18. Contract review

- (a) A review of contract performance should be conducted at least annually by the Contract owner to review performance of the contract. This applies to all contracts with an annual spend greater than \$30,000 (GST excl.).

Training

- 19. All staff involved in procurement and contracts must undertake regular training on relevant policies and procedures or else be prohibited from participation in the procurement or contract process.
- 20. Any staff member who has not completed mandatory relevant training within a reasonable timeframe must be reported to ARC along with the reason for the delay.

Standards, Procedures & Guidelines related to the Policy:

1. Contracts Procedure
2. Procurement Procedure
3. Purchasing Policy
4. Purchasing Procedure
5. Procurement/Contracts Process
6. RFP Guide

Tools related to the Policy:

Related Policies:

1. Conflict of Interest Policy
2. Delegated Authorities Policy (incorporating Manual of Authorities and Delegated Financial Authorities List)
3. Purchasing Policy
4. Gifts, Benefits & Hospitality Policy
5. Code of Conduct

Revision History

Revision History:				
<i>Revision Date:</i>	<i>Revision no:</i>	<i>Summary description of revision(s) made:</i>	<i>Section(s) changed:</i>	<i>Approved by:</i>
August 2017	1	Insert process for dealing with uncapped indemnities; lower threshold under 2(b)(ii) in line with Board Manual Policy; refer to ARC for noting overview of WVA's annual review of its insurance contracts	2(e); 2(b)(ii); 2(f)	Board
April 2018	2	Align Board approval for capital and operating expenditure with the Board Policy Manual	2(d)(i) and (ii) and new 2(d)(vii) and 2(d)(viii)	Board
June 2020	3	Significant review for enhanced governance and alignment with procurement procedures.		Board

Appendix: Contract Summary & Compliance Certificate (as at 19th August, 2020)

1.	<u>Contract Summary</u> What is the title of the contract?	
2.	Who are the parties apart from WVA?	
3.	Briefly, what is the contract about?	
4.	Who is the WVA contract owner? Is the contract new, or an extension or variation?	
5.	What is the estimated maximum value of the contract (over the life of the contract, including all annual options, plus optional extensions, GST exclusive)?	
	What is maximum number of years this contract will cover, if all extension options are taken up?	
	When will contract next be reviewed?	
	When will the contract next be approved?	
	When will the contract next be subject to a competitive tender process? (N/A for once-off expenditure)	
6.	Is this a WVA standard contract template? If yes, are there any key non-standard terms? Provide brief details	
7.	What is the annual spend on the contract, including maximum options (GST exclusive)?	
8.	Is there a budget for the cost of the contract, and is this capital or operating budget?	

<p>9.</p>	<p><u>Conflicts of Interest & Related Party Transactions</u></p> <p>Are there any Conflicts of Interest?</p> <p>If so, describe the conflicts of interest.</p> <p>How have they been avoided? (i.e. such that all relevant decision makers were free of any and all conflicts of interest?)</p>	
	<p>Could this contract bring reputational harm to WVA because of an actual, perceived or potential conflict of interest?</p>	
	<p>Have you checked whether:</p> <ul style="list-style-type: none"> • any staff member involved in any way with this contract; or • any ELT member; or • any Board Member (per Board Register of Interests) <p>has:</p> <ul style="list-style-type: none"> • an interest in the other party to the contract, or • has a family or other close relationship with: <ul style="list-style-type: none"> i. any director or other person involved at senior levels of the other party to the contract, or ii. any staff member of the other party who is involved with this contract, or iii. anyone who will receive any direct or indirect benefit from this contract? <p>If 'yes', and you have identified interests or relationships, please list them all and state why this contract should not be avoided?</p> <p>If 'no' please explain why you haven't checked.</p>	
	<p>Does this contract need to be disclosed in the annual accounts as a related party disclosure?</p>	
	<p>Over the last 5 years has any staff member involved with the contract received any gifts, benefits, hospitality or travel of >\$50 value provided directly by the third party, or by way of discount provided to World Vision? If so, please list.</p>	

10.	<p>Policy and Process</p> <p>Have you obtained three written quotes? If not, why not?</p>	
11.	<p>Does the contract involve operational expenditure or capital expenditure that requires Board approval under the Contracts Policy?</p> <p>If yes, has the Board been involved in the early stages of the contract?</p>	
12.	<p>Does this contract comply with all relevant WVA policies and procedures, including Purchasing, Contracts, Code of Conduct, Conflicts of Interest, Delegations and Gifts/Benefits/Hospitality?</p> <p>If not, explain reason for:</p> <ul style="list-style-type: none"> • any exemptions granted under the Purchasing policy by CFO or, • in relation to any other exemption to policy, why approval is requested from the Board. 	
13.	<p>Does the contract require advance payments which may expose WVA to loss in the event of non-performance or insolvency of the counterparty?</p>	
14.	<p>Are there any other issues that should be considered in the approval of this contract?</p>	

Attestations

[Name of Chief] attests that:

- The above summary is **accurate**
- The contract represents **good value** for money and is a **good use of donor funds** in pursuit of our mission;
- Contract procurement has **avoided** all actual, perceived or potential conflicts (unless noted above);
- All relevant WVA policies and procedures have been **complied** with, and to the extent that any have not been complied with, a satisfactory exemption has been granted and is outlined above.

Signed _____

[Name of General Counsel] attests that:

- all legal matters have been considered and **dealt with satisfactorily**;
- contract records will be **stored** in the contracts register;
- the **Legal Checklist has been completed** to my satisfaction.

Signed _____

[Name of CFO] attests that:

- all financial and governance matters have been considered and **dealt with satisfactorily**;
- Contract procurement has been designed to **avoid** all actual, perceived or potential conflicts;
- All relevant WVA policies and procedures have been **complied** with and, to the extent that any have not been complied with, a satisfactory exemption has been granted and is outlined above;
- the **Chief Information Officer has signed off** on all relevant IT issues;
- the **Finance Checklist has been completed** to my satisfaction.

Signed _____

[Name of CEO] attests that:

- the contract represents **good value for money** and is a **good use of donor funds** in pursuit of our mission;
- all relevant WVA policies and procedures have been **complied** with and, to the extent that any have not been complied with, a satisfactory exemption has been granted and is outlined above.

Signed _____

Approval

[Name of Chair of ARC or Chair of the Board]:

Approved on the basis of the attestations of Management above, and any other enquiries deemed necessary.

Signed _____

POST EXECUTION CHECKLIST

All applicable attestations have been signed

Electronic copy of the signed contract is saved [[add directory/folder link](#)]

Electronic copy of the signed contract summary and compliance certificate is saved [[add directory/folder link](#)]

Original copy of the signed contract together with the original contract summary and compliance certificate are stored [[specify where, eg with Legal department](#)]

Contract review date has been diarised for [[insert date](#)]

Key expiry dates, if applicable [e.g, bank guarantees], have ben diarised [[insert date](#)]

Signed _____