

## PURCHASING POLICY

### Owner

Finance Department

### Stakeholders

Corporate Wide

### Revision History

<i>Version</i>	<i>Date</i>	<i>Description of Change</i>
1.01	August 2006	First draft (Adam Carter)
1.02	Nov 2006	2nd Draft – QRL changes and delegations



## PURCHASING POLICY:

## QUEENSLAND RACING LIMITED

**Introduction**

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

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

**Key Principles**

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

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

## Policy

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

- Capital works projects;
- Consulting services;
- Sponsorship contracts;
- Information technology;
- Other capital expenditure; and
- Day to day purchasing of services and supplies.

### *Capital Works Projects*

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

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

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

- Following completion of the project, the club will provide Queensland Racing Limited with a report, which addresses the outcomes of the project, including cost to budget, quality of product, and timeliness.

### *Consulting Services*

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

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

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

- The six key purchasing principles outlined above are to be applied at all times;
- For contracts under \$10,000 in value, preferred supplier arrangements\* can be used. That is, where a purchasing officer is satisfied that a consultant that has provided a high quality service in the past, has the necessary expertise to undertake the work, and is available in an appropriate timeframe, that consultant can be appointed without a formal competitive process being undertaken. If such a person is not available, three quotes from prospective consultants should be obtained and evaluated;

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

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

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

- The purchasing officer may select a consultant for a range of tasks from a panel of preferred suppliers for the type of work involved;
- Prior to such a selection, a competitive process, adhering to the six key purchasing principles of Queensland Racing Limited, to appoint the panel of preferred suppliers must have been undertaken, be appropriately documented, and be signed-off by a delegated officer;

- In selecting the preferred supplier from the panel, the purchasing officer must clearly document the reasons for the selection, and be accountable for that selection. The selection must be approved by a delegated officer; and
- Individual consultancy contracts over \$100,000 in value are not to be entered into under these preferred supplier arrangements. For such consultancies, an open tender process, as described above, must be followed.

### *Sponsorship Contracts*

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

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

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

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

### *Information Technology*

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

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

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

must be obtained. Appropriate documentation to support the purchasing decisions must be maintained at all times; and

- Additionally, for individual acquisitions over \$10,000, a lease versus buy analysis must be undertaken before the item is added to the lease schedule.

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

### *Other Capital Expenditure*

#### Motor Vehicles

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

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

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

#### Other capital purchases

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

- The six key purchasing principles outlined above are to be applied at all times;
- For items under \$10,000 in value, preferred supplier arrangements can be used;
- For capital items between \$10,000 and \$100,000, quotes should be called from at least three "preferred" suppliers. The selection of these three preferred suppliers, and subsequent evaluation of their proposals, should take into account the six key purchasing principles;

- For capital items over \$100,000, a public tender process is required. Tenders are to be evaluated, in accordance with the six key purchasing principles, by a panel of no less than two accountable officers; and
- For all capital purchases of \$10,000 or more, a lease versus buy analysis is to be undertaken.

*Day to day Purchasing of Services and Supplies.*

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

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

Delegations

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

*Over \$100,000*

- Board of Directors

*Up to \$100,000*

- Chief Operations Manager

*Up to \$10,000*

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

*Up to \$2,000*

- Business Analyst
- Board Secretary

- Information and Communications Manager
- Licensing and Training Manager
- Chief Steward
- Deputy Chief Steward – Southern Region
- Deputy Chief Steward – Northern Region
- Regional Senior Stewards
- Legal Compliance Counsel/Company Secretary
- Senior Administration Officer

#### Capitalisation of expenditure

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

The Chief Operations Manager or Finance Manager may approve the capitalisation of services expenditures of \$2,000 and above where those services have a future benefit exceeding one year. All other service expenditures shall be written off in the financial year the expenditure was incurred.

#### Compliance with Commonwealth Government GST & Australian Business Number legislation

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

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

#### Documentation and the Role of the Finance Department

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



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

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

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

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

## SPONSORSHIP AGREEMENT

**BETWEEN:**

**(The Sponsor)**

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

**(The Sponsored)**

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

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

**This Agreement provides:**

1. The Sponsor will provide the following sponsorship to the Sponsored:

Details of Sponsorship [If insufficient space annex details]

- Money (here detail the sum of any monies to be paid to the Sponsored)
- Support (here detail all support services including the value thereof to be supplied to the Sponsored)

2. The Sponsored will provide the following services to the Sponsor: [If insufficient space annex details]

- Services (here detail all services including their value to be supplied by the Sponsored in return for the sponsorship)



3. It is hereby acknowledged that:

- (a) The Sponsored will issue a recipient created tax invoice to the Sponsor to meet Goods and Services Tax obligations in relation to the supply of money and for support;
- (b) The Sponsor will issue a recipient created tax invoice to the Sponsored to meet Goods and Services Tax obligations in relation to the supply of services.

DATED this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_

**SIGNED AS AN AGREEMENT**

**SPONSOR** .....

Full name of authorised officer .....

Signature of authorised officer .....

Signed in the presence of .....

**SPONSORED** **QUEENSLAND RACING LIMITED**

Full name of authorised officer .....

Signature of authorised officer .....

Signed in the presence of .....

