

2 – Purchase & Sale of Goods & Services

1.0 Purpose

- 1.1 To establish uniform procedures for the purchase and sale of goods and services (including assets) across Ministries, Island Administrations and Crown Funded Agencies.
- 1.2 To ensure that staff delegated authority to purchase or sell goods or services shall make such purchases and sales within the limit of that authority.
- 1.3 To ensure that purchases and sales transactions comply with suitable standards of accountability and transparency.

2.0 Mandatory Requirements

- 2.1 Parliamentary approval for all operating and capital expenditure.
- 2.2 All staff responsible for the purchase and sale of goods & services are delegated the appropriate authority to do so.
- 2.3 All Ministries, Island Administrations and Crown Funded Agencies follow appropriate procedures for all purchases and sales.
- 2.4 Purchases and sales may not be divided up (eg into component parts), or paid via instalment transactions, in order to circumvent these requirements.
- 2.5 Capital purchases can only be made for the net total in the Appropriation Bill. It is not permissible to “top up” a capital purchase with operating funds.
- 2.6 Where identified this procedure refers directly to *Part D Section 3 - Public Tendering*.

3.0 Process

3.1 Delegation of Authority

- 3.1.1 Parliament appropriates funds to crown funded agencies.
- 3.1.2 The Head of Ministry is responsible for the use of the funds, as set down in Section 39 of the MFEM legislation.
- 3.1.3 The Head of Ministry must delegate the appropriate authority in writing to Heads of Department, Finance & Purchasing personnel and/or any other relevant personnel.
- 3.1.4 When delegating authority to purchase goods and services to people not employed by the organisation concerned it must be subject to the procedures issued particularly as they relate to obtaining quotations and tendering.

- 3.1.5 Members of Parliament or Island Councils may not be delegated authority to purchase goods or services. This does not mean that they cannot be consulted or offer advice. It just means that they cannot act as agents.
- 3.1.6 Any payments to the Head of Ministry must be countersigned by the Senior Finance Officer and where possible another manager. A copy of this approved invoice must be kept on a separate file and be made available to Audit.
- 3.1.7 Documentation of the level of authority delegated should include the following information:
 - 3.1.7.1 The type of transaction authorised, e.g. operating expenditure or capital expenditure
 - 3.1.7.2 The level of expenditure authorised.
 - 3.1.7.3 The area of the organisation, or the appropriation, to which the authority extends. E.g. Management Accounting Division of MFEM only.
- 3.1.8 Delegation authorities should take any relevant legislation into account, e.g. MFEM, PERCA, PSC Acts etc.

3.2 Transactions requiring a contestable process.

- 3.2.1 If the transaction is likely to be contestable, or be subject to public interest, then a competitive process must be undertaken.
- 3.2.2 The process must comprise the following attributes:
 - 3.2.2.1 Contestable
 - 3.2.2.2 Transparent
 - 3.2.2.3 Accountable
 - 3.2.2.4 Arms Length
 - 3.2.2.5 Without favouritism
- 3.2.3 The formal process for certain types and size of transactions is set out in Attachment 1

3.3 Tender Process

- 3.3.1 See *Part D Section 3 - Public Tendering*.

3.4 Quotations

- 3.4.1 Quotations should only be obtained from those genuinely interested in supplying the goods or service.
- 3.4.2 At least 3 quotes should be obtained, unless circumstances dictate that fewer quotes are obtainable.

- 3.4.3 Ensure the same instructions/specifications are supplied to all parties furnishing quotations. Attachment 2 is list of issues to consider when obtaining a quote. This list is indicative only as each situation is different.
- 3.4.4 Ensure the requirements of Section 3.2.2 above are adhered to.
- 3.4.5 In the case of Asset Sales, at the very least, the sale of the asset must be advertised on the staff notice board(s) for one week before the closing of the quotes.
- 3.4.6 Ensure that the detail of the quotes is sufficient to be able to make valid comparisons e.g. if freight is included, make sure included as a separate line in all quotes.

3.5 Sale of Assets

- 3.5.1 All vehicles must be sold via the tender process
- 3.5.2 All other assets over \$3,000 in value must be sold via the tender process
- 3.5.3 Other assets under \$3,000 can be sold via advertising (paper, other media etc) on a “first-come, first-serve” basis

3.6 Conflict of Interest

- 3.6.1 Anyone intending to supply goods & services to the Ministry or to purchase an asset from the Ministry must not be involved in the process of evaluation of quotations or tenders.

3.7 Discounts for prompt payment should be taken advantage of as far as practical in all situations.

3.8 Where a Head of Ministry is unsure about deviation from these procedures clarification may be sought from MFEM.

3.9 All associated documentation should be filed and made available for Audit.

Attachment 1 – Transactions requiring a formal process

Attachment 2 – Instructions/specifications when obtaining a quotation

Attachment 3 – Check list for purchase of goods and services

Attachment 4 – Check list for sale of goods and services

Attachment 1

Transaction requiring a formal process

Transaction Type	Estimate Cost / Sale price	Specific Process	See Section
Capital Projects	Over \$30,000	Tender	3.3
	\$1,000 - \$29,999	Quotations	3.4
Operating Projects	Over \$30,000	Tender	3.3
	\$5,000 - \$29,999	Quotations	3.4
	Under \$5,000	HOM Approval	
Asset Sales	All Vehicles Other Assets over \$3,000	Tender	3.3, 3.5
	Under \$3,000	Advertising, First- come, First-serve basis	3.5

Attachment 2

Instructions/Specifications when obtaining a quote.

This list is indicative only and instructions/specifications should not be limited to just those contained in this Attachment.

- Full description of the purchase/sale item including, where relevant, size, weight
.....
- Gross Amount
- Tax Amount
- Delivery date and availability
- If second hand, condition
- Warranty conditions
- Maintenance – is it available, is it included in price, what is the average maintenance cost?
- Levies
- Freight
- Payment requirements – discounts, payment terms and dates

Attachment 3

Where any points in the checklist have been marked ‘NO’, then immediate steps must be taken to resolve the issues in order to proceed any further into the Tender process.

CHECK LIST FOR PURCHASE OF GOODS AND SERVICES

- | | Yes | No |
|---|--------------------------|--------------------------|
| 1. Do you have authority, as HOM or through written delegation? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Have you ensured that all those involved in the evaluation of the quotations or tenders are not intending to supply goods and services or have any other conflict of interest? | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Have you identified from Attachment 1 which process you are required to follow? | <input type="checkbox"/> | <input type="checkbox"/> |
| a. If a tender process is required, follow <i>Part D Section 3 – Public Tendering</i> | | |
| b. If a quotation process is required: | | |
| i. Have you fully considered and documented what instructions/specifications are to be given to all parties furnishing quotations? | <input type="checkbox"/> | <input type="checkbox"/> |
| ii. Have the same instructions/specifications been given to all parties furnishing quotations? | <input type="checkbox"/> | <input type="checkbox"/> |
| iii. Have you obtained <u>three</u> quotes? | <input type="checkbox"/> | <input type="checkbox"/> |
| iv. If the quote accepted is higher than the other two quotes, do you have written justification as to why the higher quote was decided on? | <input type="checkbox"/> | <input type="checkbox"/> |
| v. If you been unable to obtain three quotes have you fully documented the circumstances dictating that fewer quotes were obtainable? | <input type="checkbox"/> | <input type="checkbox"/> |
| vi. Have you ensured that all quotes have the same level of detail to enable comparison? | <input type="checkbox"/> | <input type="checkbox"/> |

Authorised purchaser’s name

_____/_____/_____
Date

Attachment 4

Where any points in the checklist have been marked 'NO', then immediate steps must be taken to resolve the issues in order to proceed any further into the Tender process.

CHECK LIST FOR SALE OF GOODS AND SERVICES

- | | Yes | No |
|---|--------------------------|--------------------------|
| 4. Do you have authority, as HOM or through written delegation? | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Have you ensured that all those involved in the evaluation of the quotations or tenders are not intending to purchase goods and services or have any other conflict of interest? | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Have you identified from Attachment 1 which process you are required to follow? | <input type="checkbox"/> | <input type="checkbox"/> |
| a. If a tender process is required follow <i>Part D Section 3 – Public Tendering</i> | | |
| b. If a quotation process is required: | | |
| i. Have you fully considered and documented what instructions/specifications are to be given to all parties furnishing quotations? | <input type="checkbox"/> | <input type="checkbox"/> |
| ii. Have the same instructions/specifications been given to all parties furnishing quotations? | <input type="checkbox"/> | <input type="checkbox"/> |
| iii. Have you obtained <u>three</u> quotes? | <input type="checkbox"/> | <input type="checkbox"/> |
| iv. If the quote accepted is lesser than the other two quotes, do you have written justification as to why the lower quote was decided upon? | <input type="checkbox"/> | <input type="checkbox"/> |
| v. If you have been unable to obtain three quotes have you fully documented the circumstances dictating that fewer quotes were obtainable? | <input type="checkbox"/> | <input type="checkbox"/> |
| vi. Have you ensured that all quotes have the same level of detail to enable comparison? | <input type="checkbox"/> | <input type="checkbox"/> |

_____/_____/_____

Authorised seller's name

Date