



Australian
Gas Networks

Attachment 9.4

Procurement Policy & Purchasing Procedure

Final Plan 2023/24 – 2027/28

July 2022

Procurement Policy

1 PURPOSE

This policy applies to all Australian Gas Infrastructure Group (AGIG) personnel committing company expenditure. The policy identifies the key requirements and objectives for all Procurement activities within AGIG projects and operations.

2 POLICY

The goal of Contracts & Procurement is to lead the undertaking of all procurement activities in an efficient, cost effective, confidential and ethical manner to enable the achievement of the vision and strategies of the business and the continued safe operation of our assets.

An efficient procurement process is crucial to ensuring that AGIG maximises cost savings whilst mitigating the risks associated with the provision of goods and services to achieve excellence in both operational and financial performance.

To achieve this, Contracts & Procurement will lead this process to ensure that AGIG will:

- Obtain the lowest total cost for goods and services whilst maintaining quality, quantity, durability, availability, serviceability and other factors affecting service and use by AGIG projects and operations.
- Establish relationships with key vendors, forming Alliances where required, and introduce excellence into the selection, management and retention of preferred vendors.
- Where economically practical and reasonable, give preference to Australian suppliers or suppliers using Australian products.
- Maintain, refine and improve the procurement to pay process to ensure that the process is as efficient and simple as possible for the business to use.
- Maintain and improve on the information systems used to deliver the procurement service to the business.
- Keep the business educated on the procurement to pay process and ensure that the personnel within Procurement Management have the skills, knowledge and values to perform their roles.

3 BOUNDARIES

Scope: This policy applies to AGIG employees committing company funds.

Exceptions: All AGN operational procurement is managed by APA Group under the existing Operating and Management Services Agreement (TBC).

4. CHANGE MECHANISM

Owner: Head of Contracts & Procurement

Review Frequency: This policy will be reviewed every two years by the Head of Contracts & Procurement

PURCHASING PROCEDURE

Number: AGIG – PM.01.01

Rev #	Date	Prepared By	Reviewed By	Approved By	Description

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1. PURPOSE

The purpose of this procedure is to establish guidelines for procurement activities are carried out in an efficient, cost effective, confidential and ethical manner to enable the achievement of the vision and strategies of the businesses and the continued safe operation of our assets.

2. SCOPE

The scope of this procedure applies to a vast range of goods and services in the daily requirements of the operational activities. The procurement procedures, process and actions detailed in Section 5 of this document identify the process for selecting the appropriate purchasing method to be adopted and the requirements of each method.

This policy covers the procedure for managing purchase requisitions, purchase orders, good receipting and vendor payment.

3. REFERENCES

- AGIG-CM.01.03 – Request for Tender Procedure
- AGIG-PM.01.01.01 – Vendor Form
- Delegation of Financial Authority Policy
- Appendix 1 – Acceptable Purchasing Method for Goods and Services
- GIG-PM.01.06 Credit Card Procedure

4. DEFINITIONS

Australian Gas Infrastructure Group	AGIG
Contracts & Procurement	C&P
Request for Quotations	RFQ
Request for Tenders	RFT
Material Requirements Planning	MRP
Delegation of Financial Authority	DFA
Unified Computer Systems	UCS
Accounts Payable	AP

5. PROCEDURE

5.1 Responsibilities

All Managers shall ensure all colleagues in their area of responsibility follow and comply with the requirements of this procedure.

5.2 Tendering Thresholds

C&P will obtain quotations from approved vendors for the supply of goods and services requested, except when the goods are supplied under contract and pricing agreement.

Value of Transaction	Minimum Requirement	Required Documentation
<\$20,000	1 written quotation	Prices and information received by email must be recorded within the purchasing system or in an appropriate file
>\$20,000 - <\$100,000	3 written quotations	Written request for quotations (RFQ's) detailing: Goods or services required Quantities required Delivery date AGIG's term & conditions Special conditions, if any
>\$100,000 - <\$1,000,000	Tenders from a minimum of 3 vendors and up to as many suitable competitive sources available	Depending on AGIG's knowledge of market, Request for Tenders (RFT's) may be solicited from a group of specific known vendors or by public advertising
>\$1,000,000	Tenders from a minimum of 4 vendors and up to as many suitable competitive sources available	Depending on AGIG's knowledge of market, Request for Tenders (RFT's) may be solicited from a group of specific known vendors or by public advertising

Arrangements, which comprise multiple transactions, are to be dealt with on the basis of the total value.

Any deviation to the tendering process in relation to the value of transaction (e.g. sole-sourcing) must be accompanied by a Recommendation for Award and approved by the relevant General Manager. In the event the tendering process is not adhered to or managed outside of C&P the Recommendation for Award must be approved at the higher level of Delegated Financial Authority (e.g. CEO).

All quotations received shall be regarded as confidential between the tenderer and AGIG and the contents shall not be divulged to third parties.

In accordance with AGIG-CM.01.03 Request for Tender Procedure, Request for Quotations (RFQ) are called in order to sourced competitive offers and ensure economy in AGIG purchasing. RFQ's are

less formal than Request for Tenders (RFT) and require less detailed documentation and specifications. They are used where the anticipated value is less than \$100,000.

All quotations greater than \$100,000 shall be forwarded to the shared mailbox at tenders@agig.com.au. For tendering purposes additional AGIG personnel will be added to the shared mailbox to ensure that following the tender closing time the proposals are opened in the presence of two AGIG personnel, one of which must be from C&P.

The C & P Manager will have over-sight of all purchasing and will monitor all purchasing expenditure through weekly expenditure reports. All Purchasing by non-procurement staff will be monitored to ensure compliance to competitive tendering thresholds and purchasing procedures.

5.3 Vendors

All vendors are to be approved vendors whose details already exist within the relevant purchasing system or an approved request to create a new vendor. All requestors are encouraged to use existing vendors for goods and services where ever possible.

In accordance with Section 7.1, requests to establish new vendors in the purchasing system must be made by the completion of a 'Vendor Form' which is to be approved by the relevant manager with the appropriate Delegation of Financial Authority (DFA) level and the Contracts & Procurement Manager prior to the creation of the vendor in the purchasing system.

All employees who are involved in the purchasing of goods and services must demonstrate a highly developed sense of professional ethics and personal integrity.

The guiding principles to observe are:

- Open, honest and cooperative business relations with colleagues and vendors;
- Confidentiality of commercial information obtained in performing the purchasing function;
- Avoidance of conflict of interest whether real or capable of being reasonably perceived;
- Fair dealing and impartiality in the conduct of tender evaluations; and
- Fostering the highest possible standard of professional competence amongst colleagues conducting purchasing.

Purchasing from a vendor in which a colleague has an interest is prohibited, unless full disclosure of the background and facts are presented and subsequently approved by your manager. This is especially relevant where a new vendor is concerned.

5.4 Term Arrangements

All contractual arrangements irrespective of the manner in which they are documented shall be reviewed annually.

The C&P Manager shall approve any arrangement, which is likely to involve durations in excess of 12 months.

5.5 Tendering

A tender process may be adopted for orders of any value.

It should be remembered that tendering for goods and services generally requires considerable time and resources and as such this procurement strategy needs to be carefully considered to ensure value for money.

5.6 Purchasing Method

The following table outlines the purchasing method depending on the transaction value.

Value	Purchase Order	Credit Card
<\$100	Not Recommended	Recommended
>\$100 - <\$1,000	Recommended	Acceptable
>\$1,000	Preferred	Refer below

Examples of the acceptable purchasing method are detailed in Appendix 1 – Acceptable Purchasing Method for Goods and Services.

Credit cards may be used for transactions over \$1,000 (e.g. conferences, training courses etc) where the vendor will only accept this form of payment and the transaction is approved by a manager with the appropriate DFA level.

Purchase orders are not recommended for all orders less than \$100 in value, excluding GST, as the internal costs incurred when creating orders under this value will usually equal the purchase value.

The use of the corporate credit card is recommended and encouraged for all orders with a value less than \$100 excluding GST, subject to requirements of the AGIG-PM.01.06 Credit Card Procedure.

5.7 Purchase Requisition

All purchases of goods and services require the completion of a purchase requisition. The only exceptions are for:

- Office based services such as power, telephone and electricity; and
- Donations, tax payments, sponsorships and employee reimbursements.

A request may come in one of the following forms:

- Purchase requisition generated in the purchasing system;
- purchase requisitions generated via the work order process for Preventative and Corrective Maintenance; or
- Purchase requisitions generated via stores material requirements planning (MRP).

The following information must be recorded on or included in the purchase requisition:

- Project code or business unit and financial location code;
- Goods and services description;
- Quantity;
- Quality specifications, if required;
- Delivery date / required completion;
- Delivery to (address in full);
- Contact names and details (in event of multiple vendors); and
- Estimated prices.

All prices are to exclude goods and services tax (GST).

A purchase requisition is to be completed in the purchasing system by the requestor and approved by their manager including any attachments, such as quotations, specifications if applicable.

It is the responsibility of the approving manager to ensure that all details in the purchase requisition are correct. In the event that the information requirements detailed above are not met, purchasing personnel may return the requisition to the requestor to complete in accordance with the above listing.

Once approved, the requisition is forwarded to C&P who will solicit prices and complete the procurement process to satisfy the requisition in accordance with these procedures.

The requestor may obtain pricing for the goods and/or services being requisitioned and also indicate a vendor they may prefer and include these details in the information passed to C&P. If the requisition is for goods and services for which AGIG has established a Preferred Vendor C&P will normally only obtain pricing from the Preferred Vendor.

The AGIG Preferred Vendor register is located on the Procurement intranet site and the shared drive on S:\-Shared\Contracts Management\Preferred Vendors.

Once receiving the requisition C&P shall raise a purchase order in the purchasing system. C&P will record the original requisition and other supporting documentation. The purchase order will then be forwarded to the nominated authoriser for release in the purchasing system via the workflow mechanism.

Any revisions to purchase requisitions shall be approved by the originator (except where freight needs to be added by C&P).

Approvals for all purchase requisitions will be within the Delegation of Financial Authority (DFA) limits. Refer to the Delegation of Financial Authority Policy.

5.8 Purchase Orders

Purchase Orders shall be prepared from quotations received, after price, availability and delivery has been confirmed with the successful vendor.

Purchase Orders shall include the following details to enable invoice matching by Accounts Payable:

- Project and or home business unit details;
- Item quantities;
- Detailed item description;
- Quoted costs (Excluding GST);
- Freight (where applicable); and
- Reference a contract or pricing agreement number, where applicable.

Goods or services must not be obtained prior to a purchase order being raised and approved.

Purchase orders will be forwarded through the workflow system to nominated authorisers for their approval (release) in the purchasing system. Once approved, C&P will forward the purchase order to the vendor.

NOTE: Purchase orders cannot be sent to vendors for goods and services until approved in the purchasing system, unless the request originated from an approved Purchase requisition.

Each purchase order is numbered within the purchasing system and workflow actions recorded these details for each manager to retain for review and for tracking delivery against each order raised.

5.9 Blanket Order

Where a blanket order exists with a vendor each requestor can order directly from that vendor without further reference to C&P.

The blanket order must be approved by the budget holder in the same manner as stated in clause 6.8 above.

5.10 Outstanding Purchase Orders and Blanket Orders

All outstanding purchase orders will be reviewed periodically and those outstanding for more than 12 months (i.e. without any activity) may be cancelled by C&P following consultation with the originator.

Raising a blanket order for supplies with frequent transactions is encouraged where a blanket order can reduce processing time. All blanket orders will be for a maximum period of twelve months where blanket order values will not be carried over into the next financial year. New blanket orders for a new financial period will be established by C&P in consultation with the originators of existing blanket orders to determine the validity of establishing new blanket orders for the new financial period.

5.11 Urgent Purchasing Requirements

Where the procurement requirement is 'urgent' and goods and/or services are required at the earliest possible convenience to remedy issues impacting safety, customer's gas supply or AGIG's reputation, C&P will obtain the goods and/or services on a sole-source basis from an approved vendor. In the event the goods and/or services are unable to be purchased through an approved vendor and subject to the approval at the higher DFA level, C&P will locate the means of supply and liaise with finance to ensure the good/or services are purchased and the vendor paid in accordance with the agreed payment terms.

5.12 Expediting

Once a purchase order is issued, the contractual delivery date is "locked in" C&P will be responsible for expediting the purchase order to meet the delivery requirements detailed in the purchase order. Periodical checks are made to ensure that deliveries are on track and for more complex orders, manufacturing schedules have to be submitted by vendors to demonstrate activity completion and overall progress. If, during the course of these checks, problems are encountered, discussions take place between C&P and the requestor to decide what, if any action is required.

In case of major equipment, where substantial delays look likely, the issues are raised at regular meetings or, in exceptional circumstances, discussions are extended to include managers or other personnel as deemed appropriate. Any such action is initiated C&P, mindful of contractual limitations and obligations and matters of common law and the like, that may have some relevance to the action purposed. Once a problem has been identified, C&P maintains a focus on the issue to ensure that any impact on project schedules is minimised.

5.13 Goods and Services Receipting

On receipt of goods and services against purchase orders, the purchasing system requires all items ordered to be receipted in the purchasing system against the original purchase order to ensure that items and services supplied are as requested.

Delivery notes and vendor invoices will be forwarded to a receipting officer for goods receipting in the purchasing system.

Managers, supervisors and team leaders are to ensure that all delivery notes and vendor invoices received by their team members are forwarded, duly approved, to the relevant receipting officer as they are received. Delays in receiving these items for goods receipting may delay payment of

vendor's invoices and increase the requirement for costs to be manually accrued at the end of the month.

6. IT PROCUREMENT

This section applies to the purchasing of standardised computing equipment and consumer items across AGIG. The purpose is to ensure that AGIG complies with contractual obligations and is able to negotiate the best possible value for equipment and software by aggregating into volume purchasing from selected vendors. The best value is realised by enabling AGIG to implement common terms and conditions for supply and support of equipment and software to ensure that purchases are via capital expenditure where possible and not operational expenditure.

6.1 ICT Environment Owners

For the purpose of IT Procurement, approval must be sought from the appropriate ICT environment owner (or delegate). The ICT environment owners are defined below:

ICT Environment	ICT Owner
Corporate ICT	IT Manager
Telecommunications	Senior Telecommunications Engineer
Control Systems Network	Technical & Operational Support Manager
SCADA	Senior SCADA Engineer

All procurement should be based on multiple quotations in line with general procurement and utilise preferred suppliers. The AGIG IT Manager can supply quotations for items to be used in other ICT environments to leverage the corporate ICT relationships.

6.2 Hardware

All requests for equipment listed below must be submitted to the appropriate ICT environment owner (or delegate) for approval. The ICT environment owner must ensure that all equipment meets AGIG needs and complies with the AGIG Business Plan.

- Personal computers (all operating systems);
- Servers (all operating systems);
- Unified computer systems (UCS);
- Routers and switches;
- WFI based communications items;
- Desk phones;
- Small form factor computers (i.e. tablet devices);
- Mobile phones;
- Satellite phones; and
- Storage devices.

6.3 Software

All software required for the above equipment must be submitted to the ICT environment owner (or delegate) for approval. The ICT environment owner must ensure that all software purchased meets AGIG needs and complies with the AGIG Business Plan and complies with the contractual obligations.

6.4 Budget Cycle

During the annual business planning and budget process Business Unit Managers must submit their anticipated hardware and software needs to the ICT environment owner (or delegate) for inclusion in the ICT budget. Copies of the respective Business Case for capex must also be supplied to the ICT environment owner.

7. VENDOR MANAGEMENT AND PAYMENTS

7.1 Vendor Master Data

For all suppliers of goods or services to AGIG, AP shall first ascertain whether a vendor account exists. If no vendor account exists, a 'Vendor Form' shall be completed. This form must include all the vendor's details complete with their banking details supported by a cancelled cheque/confirmation letter of banking details from their bank or an extract of a bank statement and a blank invoice with banking details or a letter from the vendor (on their company letterhead) stating their banking details. The vendor form must be approved by the purchaser's supervisor with the appropriate DFA level and by the C&P Manager. Once duly approved, the form shall be forwarded to AP for checking and setting up in the AGIG Financial Reporting System. This process also applies for changing any details of an existing vendor.

It is the responsibility of C&P to review the vendor database on an annual basis to determine whether all vendors that are set up are appropriate. The review should be documented and retained for audit purposes. If C&P has any queries regarding vendors these should be referred to the Financial Controller for resolution.

7.2 Vendor invoicing for Goods and Services

Vendors shall be instructed to quote the purchase order number on their invoices and send them directly to the AP address detailed in the purchase order.

AP will match the invoice details against the original purchase order and goods receipt details. Tolerances of 5% or a maximum of \$10, excluding delivery, freight charges and GST, will be processed by AP subject to any specific instructions or notations that are detailed on the purchase order.

Invoices matching against approved purchase order and goods receipts details will be automatically processed by AP. The processing of an invoice will involve manual matching to purchase order details held in the purchasing system.

Invoices not matching approved purchase orders outside of agreed tolerances will be forwarded to the original requestor and or approving manager for approval to amend purchase order details within the purchasing system. Vendor invoices will be processed as above against the amended purchase order. Purchase order pricing amendments may require approval in the purchasing system by the nominated authoriser.

All nominated authorisers are to ensure that details are correct when approving purchase orders and they should further understand that they are committing the business to a commercially binding obligation based on this approval.

Scanned copies of all invoices will be attached to the invoice documents within the Financial Reporting System and be available for viewing.

7.3 Payment Terms

AGIG's standard payment terms are 30 days from the end of the calendar month during which invoice was received. No vendors are to receive payment terms of less than 30 days unless written authorisation is received from the C&P Manager.

No invoices shall be paid in less than the payment term as approved above, unless written authorisation is received from the Chief Financial Officer for assessment.

7.4 Manner of Payment

All vendor payments shall be made by electronic transfer where practical. Payments by cheque shall only be made in cases whereby the vendor refuses to divulge banking details. In all cases an effort must be made to obtain details to enable payment by electronic transfer.