



# **CAUDIT Procurement Guidelines**

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Version 0.7

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## 1 About CAUDIT

### 1.1 Summary

The Council of Australian University Directors of Information Technology (CAUDIT) is an incorporated entity with membership drawn from the Information Technology (IT) Directors/Chief Information Officers of higher education institutions in Australia, New Zealand, the South Pacific and Papua New Guinea, as well as the Commonwealth Scientific & Industrial Research Organisation (CSIRO) and the Australian Institute of Marine Science.

CAUDIT negotiates collective procurement agreements, provides professional development, undertakes projects and fosters collaboration through the sharing of ideas, experiences and best practice amongst its members.

### 1.2 Vision

CAUDIT's Vision is that leaders in Australian universities, Australian Government Department and industry recognise both CAUDIT and its members as an important source of strategic advice on the use of Information Technology in Higher Education.

### 1.3 Mission

CAUDIT's Mission is to enhance its members' ability as key strategic advisers on the use of information technology in higher education. To achieve its mission CAUDIT has focused its activities around the following strategic pillars:

#### ***Thought Leadership***

CAUDIT takes a leadership role in developing the intellectual capital of the organisation and its members through a range of activities that encourage high level strategic thinking. CAUDIT provides advice to government and its agencies regarding the strategic application of ICT within the research and education sector.

#### ***Strategic Procurement***

CAUDIT negotiates with ICT vendors on a sector wide basis to derive maximum mutual value. CAUDIT ensures that members have a good understanding of future technology roadmaps and works with AARNet to ensure that its services and road map continue to remain relevant and add value for the sector.

#### ***Professional Development and Sharing Knowledge***

CAUDIT encourages the adoption of best practice amongst members and the Higher Education community more broadly by facilitating knowledge sharing and by enabling members to access examples of policy and procedure from the membership through CAUDIT Connect. CAUDIT helps create the next generation of IT Directors/CIO's through the CAUDIT Leadership Institute and through other professional development opportunities.

## ***Engaging our Membership***

CAUDIT creates an environment whereby members and their staff can access information to support them in their role as IT Directors/CIO's. CAUDIT staff engage with members at a personal level to promote effective client service. CAUDIT facilitates and fosters peer and professional support networks, assist regional Director/CIO groups and supports the CAUDIT alumni.

## ***Facilitating Sector Wide Services***

CAUDIT works with members to identify opportunities to de-duplicate service delivery and facilitates the ongoing management of sector wide identity management. CAUDIT assists sector wide service providers to improve the quality and consistency of services and works with members to harmonise policies and procedures.

## ***Evidence Based Practice***

CAUDIT takes a questioning approach to IT practice within Higher Education by facilitating the collection of benchmarking data and the measurement of the quality of IT service delivery. CAUDIT maintains a watching brief of member activities to identify best practice and develop sector-wide standards.

CAUDIT's focus on strategic procurement enables significant savings to members across the Higher Education sector. Collectively, CAUDIT member institutions spend approximately AU\$2.0B on ICT products and services annually. The benefits of CAUDIT's strategic procurement efforts include improved value for money due to economics of scale, greater leverage in the marketplace to influence product development and direction, and sector savings in procurement staff resources. In 2011, CAUDIT procurement activities saved the Higher Education sector more than AU\$12M.

## 2 Introduction

### 2.1 Strategic Procurement

Strategic procurement from a sector wide standpoint has many benefits for CAUDIT members. These benefits include:

- » Improved value for money due to economies of scale. The membership has a large staff and student base which when leveraged collectively can result in better arrangements.
- » Greater leverage in the marketplace to influence product development and direction. By acting collectively the membership has leverage on the direction vendors take with product or service development.
- » Economies of scale with respect to staff resources; time and resources efforts are shared by CAUDIT and the sector (as opposed to individual members).

### 2.2 Summary of the CAUDIT Procurement Guidelines

These guidelines have been established in order to ensure that procurement arrangements established by CAUDIT:

- 1) Are value for money;
- 2) Encourage competition;
- 3) Are efficient, effective, economical and conducted in an ethical manner;
- 4) Encourage accountability and are transparent;
- 5) Provide a consistent procurement method meeting the requirements of member organisations;  
and
- 6) Are compliant with legislative requirements.

These guidelines are based closely on the Commonwealth Procurement Rules (CPRs).

### 2.3 Scope and use of the CAUDIT Procurement Guidelines

These guidelines establish a framework used by CAUDIT to support its procurement processes and provide the necessary transparency to satisfy members that CAUDIT has conducted its procurement activities in an appropriate manner.

These guidelines are based in part on the Commonwealth Procurement Rules (July 2012). Further information and guidance on Commonwealth procurement policy is available at [www.finance.gov.au/procurement](http://www.finance.gov.au/procurement).

## 3 Governance Structure

### 3.1 CAUDIT Executive

The CAUDIT Executive Committee:

- 1) Governs the Council and manages its affairs in accordance with the Act, the Regulations, its constitution and any resolution passed by the Council an Annual General Meeting or General Meeting;
- 2) Exercises all functions of the Council other than those with are required to be exercised by a General Meeting;
- 3) Has the power to perform all acts and do all things that appear to the committee to be necessary or desirable for the proper management of the affairs of the Council; and
- 4) Prepares the Council's Annual Business Plan to be presented at the General Meeting.

### 3.2 Strategic Procurement Governance Committee

The Strategic Procurement Governance Committee is an independent committee responsible for providing oversight for all purchasing arrangements established by CAUDIT. The Committee has the following characteristics:

- 1) It is independent of the Director Strategic Procurement, the Strategic Procurement Advisory Committee and does not take part in any vendor negotiations.
- 2) Provides assurance to the CAUDIT Executive and Membership with respect to the procurement process and probity.
- 3) Grants final approval for all procurement offers and arrangements.

### 3.3 Strategic Procurement Advisory Committee

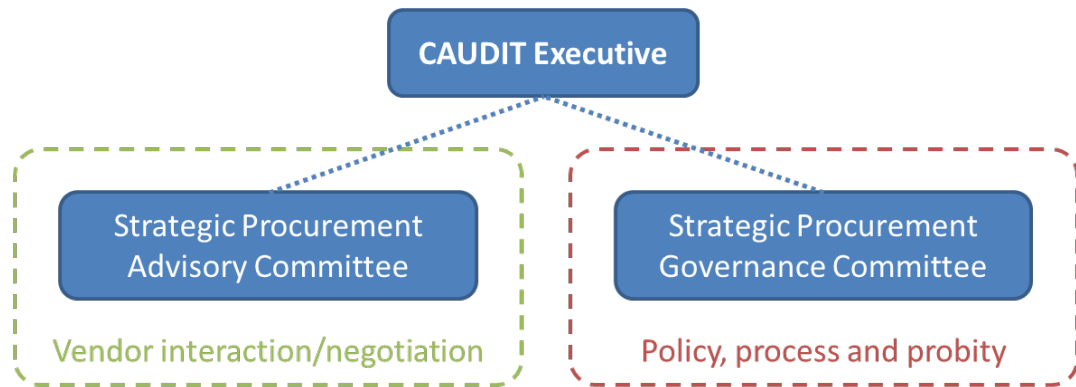
The Strategic Procurement Advisory Committee provides advice and guidance to the Director, Strategic Procurement in achieving CAUDITs strategic objectives, taking into consideration the needs of members, the CAUDIT Strategic Plan and objectives given by the CAUDIT Executive Committee.

The goals of the committee are:

- 1) To deliver increased value to members through strategic partnerships with a selected set of vendors; and
- 2) To ensure that the Strategic Procurement activities of CAUDIT are aligned with the objectives of the membership.

### 3.4 Director, Strategic Procurement

This position is responsible for managing and coordinating strategic ICT procurement and vendor relationships on behalf of the membership including, where appropriate, taking a lead role in negotiating with vendors on behalf of CAUDIT and its members. The position is also responsible for maintaining an information base to support the procurement activities of member institutions and their procurement staff.



**Figure 1:** Broad outline of Procurement Governance Structure

## 4 Objectives

The objectives of CAUDIT's Strategic Procurement activities are as follows:

### 4.1 Cost Reduction

A reduction in the cost to do business; these cost savings should be evident for both the vendor and the CAUDIT membership:

- » Reduced costs associated with engagement (lower bureaucratic burden and effort required with respect to quotations, purchase orders, invoices, statement and support);
- » A reduction in the price charged to CAUDIT members for products and services; and
- » Exploration of new business models.

### 4.2 Demand Aggregation

An improved ability for CAUDIT to aggregate demand for products and services:

- » Term commitments;
- » Group purchasing commitments; and
- » Volume purchasing commitments.

### 4.3 Standardisation

Improved coordination between the CAUDIT membership with respect to products and services being used in order to simplify:

- » The technology mix in use within CAUDIT Members; and
- » Support processes within and between CAUDIT Members (allowing information sharing, demand aggregation, simplified processes and the ability to share or transition staff between members).

### 4.4 Simplified Processes

A reduction in the bureaucracy required to engage with vendors and members, including but not limited to:

- » A single set of negotiated and agreed terms and conditions for products and services;
- » A single price list for negotiated products; or a clearly stated discount against list pricing;
- » Improvement in the handling of tenders, quotations, purchase orders, invoices, statements and payments.

### 4.5 Information Sharing

Improved communication between vendors and the CAUDIT Membership:

- » Technology roadmaps (particularly industry-specific information);
- » Support and process information; and
- » General communications.



## **5 Procurement Framework**

### **5.1 Commonwealth Procurement Rules**

The CAUDIT Procurement Guidelines are broadly based upon the Commonwealth Procurement Rules (CPRs) as updated from time to time. The CPRs are issued by the Minister for Finance and Deregulation (Finance Minister) under Regulation 7 of the *Financial Management and Accountability Regulations 1997* (FMA Regulations).

### **5.2 Jurisdiction**

The CAUDIT membership is spread over 12 jurisdictions within Australasia.

For consistency, CAUDIT shall use New South Wales law in preference to that of other jurisdictions, including that of the vendor.

### **5.3 Lead Agency**

It should be noted that CAUDIT may not be lead agency for all procurements for which it may be involved. Under these circumstances, CAUDIT shall seek to maintain consistency with these guidelines, but should a variation occur this shall be clearly documented within the records of the particular procurement process.

## 6 Approach

### 6.1 Value for money

Achieving value for money is the core objective of these guidelines. Approvers must be satisfied, after reasonable enquiries, that the procurement has achieved a value for money outcome. Value for money in procurement requires:

- a) Encouraging competitive and non-discriminatory processes;
- b) Using public resources in an efficient, effective, economical and ethical manner that is consistent with policy;
- c) Making decisions in an accountable and transparent manner;
- d) Considering the risks; and
- e) Conducting a process commensurate with the scale and scope of the procurement.

The price of the goods and services is not the sole determining factor in assessing value for money. A comparative analysis of the relevant financial and non-financial costs and benefits of alternative solutions throughout the procurement will inform a value for money assessment. Factors to consider include, but are not limited to:

- a) Fitness for purpose;
- b) A potential supplier's experience and performance history;
- c) Flexibility (including innovation and adaptability over the lifecycle of the procurement);
- d) Environmental sustainability (such as energy efficiency and environmental impact); and
- e) Whole-of-life costs.

### 6.2 Encouraging competition

Effective competition requires non-discrimination and the use of competitive procurement processes.

Suppliers must be treated equitably based on their commercial, legal, technical and financial abilities and must not be discriminated against due to their size, degree of foreign affiliation or ownership, location, or the origin of their goods and services.

### 6.3 Efficient, effective, economical and ethical procurement

All CAUDIT members are publically funded and there is therefore an obligation to ensure that resources are properly used; proper use means efficient, effective, economical and ethical use that is consistent with policies.

#### ***Efficient***

The procurement method used shall be appropriate for each procurement activity given the scale, scope and risk of the procurement. CAUDIT may use published offers, negotiated pricing and/or

formal tenders depending upon these factors, and based upon feedback received from the CAUDIT membership.

### ***Effective***

A key consideration of the process shall be a need to ensure that outcomes are achieved, in particular with regards price, quantity and quality.

### ***Economic***

The procurement process shall avoid waste and minimise cost.

### ***Ethical Behaviour***

All parties to a procurement must act ethically throughout the process. Ethical behaviour includes:

- a) Recognising and dealing with actual, potential and perceived conflicts of interest;
- b) Dealing with potential suppliers, tenderers and suppliers equitably, including by:
  - i. Seeking appropriate internal or external advice where probity issues arise; and
  - ii. Not accepting inappropriate gifts or hospitality.
- c) Handling complaints and disputes in a non-discriminatory manner.

## **6.4 Accountability and transparency in procurement**

### ***Notification***

The market must be notified in a timely manner of any procurement being performed by CAUDIT on behalf of the membership. The notification must have the following characteristics:

- a) It must be readily available to all interested parties in a consistent manner;
- b) It must include evaluation criteria to enable the proper identification, assessment and comparison of submissions on a fair, common and appropriately transparent basis;
- c) It must include clear contact information and return addresses; and
- d) It must include a closing date and time (along with clear rules associated with closing).

At the conclusion of the process, all successful and unsuccessful respondents should be notified of the outcome.

### ***Records***

Appropriate documentation is to be maintained for each procurement, and made available to all members on the CAUDIT website. As a minimum, the following shall be maintained:

- a) The requirement for the procurement;
- b) The process that was followed;
- c) How value for money was considered and achieved;
- d) Contracts, terms, conditions and other agreement documentation and
- e) Relevant decisions and the basis for those decisions.

## ***Limitations on vendors and suppliers***

Vendors or suppliers involved in any part of the procurement process shall not provide any hospitality, gifts or anything else that might be perceived as an inducement to any members of the Strategic Procurement Governance Committee or the Strategic Procurement Advisory Committee either directly or at an event at which they might attend, including general CAUDIT events.

## ***Communication***

During the process, communication with respondents must be clear, concise and consistent. Answers and further information provided should be circulated to all prospective respondents.

## **6.5 Tender Guidelines**

### ***Conditions for limited tender***

A limited tender may only be operated under the following circumstances:

- a) Where eligibility for pricing arrangements is limited (for example, preferred pricing from Microsoft is only available through their Large Account Resellers);
- b) Where no submissions have been received under a previous open tender (and there is no significant change in circumstance); and
- c) Other conditions that may be applied based upon the CPRs.

### ***Specifications***

Specifications within a tender must be structured in order that:

- a) They do not create an unnecessary obstacle to trade;
- b) Are based upon performance and functional requirements;
- c) They do not specify any trademark, patent, copyright design or type, specific origin, producer or supplier unless there is no other sufficiently precise way of describing the requirement.

### ***Modification of evaluation criteria or specifications***

In the event of a change requiring modification of evaluation criteria or specifications, the following must occur:

- a) All potential respondents that are participating at the time a change are provided with complete information in a timely manner; and
- b) In adequate time to allow modification or re-lodging of their submissions.

### ***Minimum time limits***

A common deadline shall be established for all potential respondents, providing a reasonable period of time to provide an adequate response.

### ***Late submissions***

Late submissions shall not be accepted unless it is the consequence of mishandling by CAUDIT, or if an alternative process for handling late submissions is provided within tender documentation.

## ***Receipt and opening of submissions***

Procedures to receive and open submissions must guarantee fairness and impartiality and must ensure that submissions are treated in confidence. As a minimum, responses shall be received in e-mail to [tenders@caudit.edu.au](mailto:tenders@caudit.edu.au).

## ***Evaluation Panel***

A representative evaluation panel, commensurate with the size and complexity of the tender, shall be convened from the CAUDIT membership and/or independent persons as necessary.

The panel must be without conflict of interest and endorsed by the CAUDIT Executive.

## ***Awarding contracts***

Responsibility for the awarding of contracts shall generally remain with member institutions and not CAUDIT. Inclusion of respondents within a panel arrangement (should this be the desired outcome of the process) may be documented by CAUDIT as required.

## **7 Procurement Method**

### **7.1 Approach**

CAUDIT shall ensure that the most efficient, effective, economical and ethical approach to procurement shall be taken where the process is conducted by CAUDIT on behalf of the membership. In making decisions about the approach, CAUDIT shall consider the best interest of the membership, always remembering that public money is involved.

There are three main approaches that may be undertaken; not including combinations of approach that may be used from time to time.

### **7.2 Offer and Acceptance**

Pricing offers are often received by CAUDIT on behalf of the membership. These offers generally provide a discount to normal pricing arrangements for a specific time period, or for a particular sector of the market.

Offers of this type are subject to the acceptance of CAUDIT and the acceptance members that are willing to take up the offer. Such offers may be accepted by CAUDIT on the following basis:

- » That the offer provides favourable pricing that is unique to the CAUDIT membership and appears to present good value for money; and
- » That the offer does not prejudice any other offer, tender, negotiation or arrangement that may be in place, or may be negotiated in the future.

This process is very lightweight and as such provides a commensurate level of assurance.

### **7.3 Negotiation**

Direct negotiation with a vendor or supplier may be undertaken where the following is true:

- » The vendor is a sole supplier of a particular product or service; and
- » A tender process is not likely to provide a better outcome (or has failed to provide a good outcome).

Negotiations shall not prejudice any other offer, tender or arrangement that may be in place, or may be negotiated in the future.

### **7.4 Tender**

A tender is the most complicated and expensive means of conducting a procurement process and may be necessary depending upon the size and type of the procurement.

Type	Characteristics	Comments
<b>Offer / Acceptance</b> e.g. Cisco price offer – a standard discount against various product lines.	<ul style="list-style-type: none"> <li>» Simple</li> <li>» Low assurance</li> <li>» Low documentation</li> <li>» Opportunistic</li> </ul>	This is the simplest form of offer available to CAUDIT members. The level of assurance of competitiveness of pricing is low.
<b>Negotiation</b> e.g. Microsoft Enterprise Agreement; negotiated every three years as a single supply arrangement.	<ul style="list-style-type: none"> <li>» Complex, undefined</li> <li>» Moderate assurance<sup>1</sup></li> <li>» Moderate documentation</li> <li>» Useful in sole supplier scenarios</li> </ul>	Used to obtain the best possible price and pricing structure for widely-used and strategic goods and services.
<b>Tender</b> e.g. Microsoft Large Account Reseller Tender; run in order to obtain the best possible margin for purchase from multiple resellers.	<ul style="list-style-type: none"> <li>» Complex, defined</li> <li>» High assurance</li> <li>» High documentation</li> <li>» Costly</li> <li>» May be required under certain circumstances (funding dependencies, etc).</li> </ul>	This method is used to test the market for products that are available from multiple sources.

Figure 2: Procurement Approach Comparison

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<sup>1</sup> Note that this process is usually used for monopoly products, therefore moderate assurance is reasonable.  
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## Supporting Documentation

The following documents should be considered in conjunction with these guidelines:

- » Strategic Procurement Advisory Committee Terms of Reference
- » Strategic Procurement Governance Committee Terms of Reference
- » CAUDIT Code of Conduct (which addresses conflict of interest, and acceptance of gifts)