



ALEXANDRA
DISTRICT HEALTH

Procurement Policy

Title:	Procurement Policy			
Section:	Procurement	PRH:	Director of Corporate Services	Policy

Document History

Document Location

This document is only valid from the day it was printed and approved. The electronic copy of this document will be stored in the Policies & Procedures Site (Prompt) on the Alexandra District Health Intranet.

Revision History

Version	Revision Date	Summary of Changes	Prepared By	Approved By

Distribution

This document has been distributed to:

Name	Title	Date of Issue	Version

Related Documents

Other internal and external documents relevant to this document:

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Purpose

To ensure that Alexandra District Health (ADH) provides safe high quality health care and experiences to our consumers by actively following the Victorian Clinical Governance Framework and through its Consumer Participation Framework actively engage and partner with consumers.

To ensure all staff are responsible and accountable for safe and high quality care, and ADH continuous improvement will be informed by regular monitoring and evaluation of performance.

The purpose of this document is to provide guidance and support to Alexandra District Health employees, contractors and health services participants for procurement activities including planning, sourcing and contract management, to ensure compliance with internal procurement procedures (aligned to Health Purchasing Victoria's Health Purchasing Policy framework) and the organisation objectives.

The Alexandra District Health Procurement Policy is aligned with Alexandra District Health's operational plan and strategic goals and will provide visibility and a tool to manage procurement activities across Alexandra District Health.

The policy applies to all Alexandra District Health Business units undertaking procurement activities. The procurement policy framework establishes processes, authorities, responsibilities and relationships within Alexandra District Health that will assist in managing an efficient and effective procurement function. The framework allows for transparency of Alexandra District Health actions and aims to ensure probity, equity, integrity and honesty in Alexandra District Health's procurement activities including all capital and construction works.

Definitions

Procurement terminology	Definition
Category Analysis	The analysis conducted to understand the category (or an individual procurement) in terms of the demand profile, total cost, business needs, specification of requirements for the goods or services, market dynamics, in particular the number of potential suppliers and level of market competitiveness, the social, technological, political, legal and economic environment of the category, the complexity and risks.
Capability	Competence, capability and capacity are often used interchangeably to describe an individual's or organisation's ability to perform tasks or activities effectively. In the context of managing procurement activity, the term 'capability' is increasingly used to describe the combination of an organisation's expertise, resourcing, systems, policies and processes to execute and manage specific procurement tasks and activities.
Chief Procurement Officer (CPO)	The CPO provides strategic expert advice and oversight of the procurement function to drive and ensure value-for-money outcomes in the organisation. The CPO is responsible for developing and monitoring a number of strategic procurement activities. The CPO for Alexandra District Health is the Executive Director Corporate & Financial Services.
Contract Management	The processes of ensuring the contractual obligations of successful suppliers are met during the life of the contract. Elements of contract management include supplier performance management, monitoring contract activity including acquittal against budgets, invoicing against contract prices/rates, review of KPI's and contract activity, and may involve regular meetings with stakeholders and/or suppliers. Proactive management will also seek to work with supplier to identify opportunities for additional benefits from the contract.

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Procurement terminology	Definition
Evaluation	Evaluation is the systematic consideration of the value, quality, importance or worth of something or someone. Procurement processes often require judgements to be made, for example deciding whether to approve a potential supplier, deciding which offer represents best value, or deciding whether to single source or adopt a different strategy. This means that the decision-making processes to evaluate alternative options need to be systematic and repeatable, and because of the obligation to demonstrate probity, decision-making also needs to be transparent and recorded.
Health Purchasing Victoria’s Health Purchasing Policies	A set of policies to promote best practice in conducting and documenting procurement practices in public hospitals or health services.
Invitation to Supply / Approach to Market	The process involved in engaging the market to provide a proposal(s) to supply the good or services to be procured. This includes the process of evaluating responses and recommending one or more suppliers to negotiate a final agreement or contract.
Probity	Uprightness, honesty, proper and ethical conduct and propriety in dealings. It is often also used in government in a general sense to mean good process.

Table 1. Organisational specific definitions

Procurement Objectives/Principles

In conducting procurement at Alexandra District Health all planning, sourcing and contract management activities will be based on the following principles shown:

- High standards of behaviour and actions in the conduct of procurement processes. Equity, confidentiality, avoiding conflicts of interest, and consumer/supplier confidence in the integrity of procurement processes
- Applying good probity practices in managing procurement activities. The CEO has the flexibility to conduct procurement activities using appropriate capability to provide value for money outcomes
- A balanced judgement of a range of financial and non-financial factors taking into account the mix of quality, cost and resources, fitness for purpose, total cost of ownership and risk
- The relationship between the complexity of a procurement project and the capability of the organisation to conduct it to achieve a good procurement outcome
- Obtain goods and services that meet specification, are delivered on time at competitive prices from financially stable suppliers
- Obtains best value for money based on whole of life cost
- Consistent procedures are followed in accordance with Alexandra District Health procurement policies

Operational, commercial, financial and legal risk is reduced; and standards of probity and contracting meet the Health Purchasing Victoria’s Health Purchasing Policy requirements.


Policy compliance

Alexandra District Health will benchmark its policy framework against other equivalent health services. Alexandra District Health policy requirements must be met and will be monitored on a regular basis by Alexandra District Health’s Chief Executive Officer and reported to the Alexandra District Health Board.

This policy must also be read in conjunction with the Alexandra District Health Procurement Strategy, and Alexandra District Health's own policies and procedures on conflict of interest; gifts benefits and hospitality; and complaints management. All the relevant documents can be found on the Alexandra District Health Intranet under the Policy and Procedures site – Prompt.

The Procurement Governance Framework includes high level management responsibilities including that of the Alexandra District Health Board, Chief Executive Officer (CEO), Chief Procurement Officer (CPO), and Executive.

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When procuring in partnership with other Hume Region Health Services, the Hume Region CPO Steering Committee provides additional governance to the procurement process.

Procurement Governance

Procurement Governance Framework

The procurement governance framework provides a basis for managing Alexandra District Health procurement and will define the mechanisms to plan and execute procurement decisions that achieve organisation objectives and ensures procurement best practice.

The CEO is responsible for establishing and implementing these roles to meet the needs of the procurement governance framework. The procurement policy clearly defines our Procurement Governance Framework. There is a clear definition of accountability and auditability of all procurement decisions made within Alexandra District Health. The governance structure is flexible enough to purchase/source in a timely manner all goods and services required by Alexandra District Health. It also provides a means of monitoring policy compliance.

- **Centralised:** All procurement processes are managed centrally by the CEO, CPO and ADH Executive which provide oversight to all other business units across Alexandra District Health.

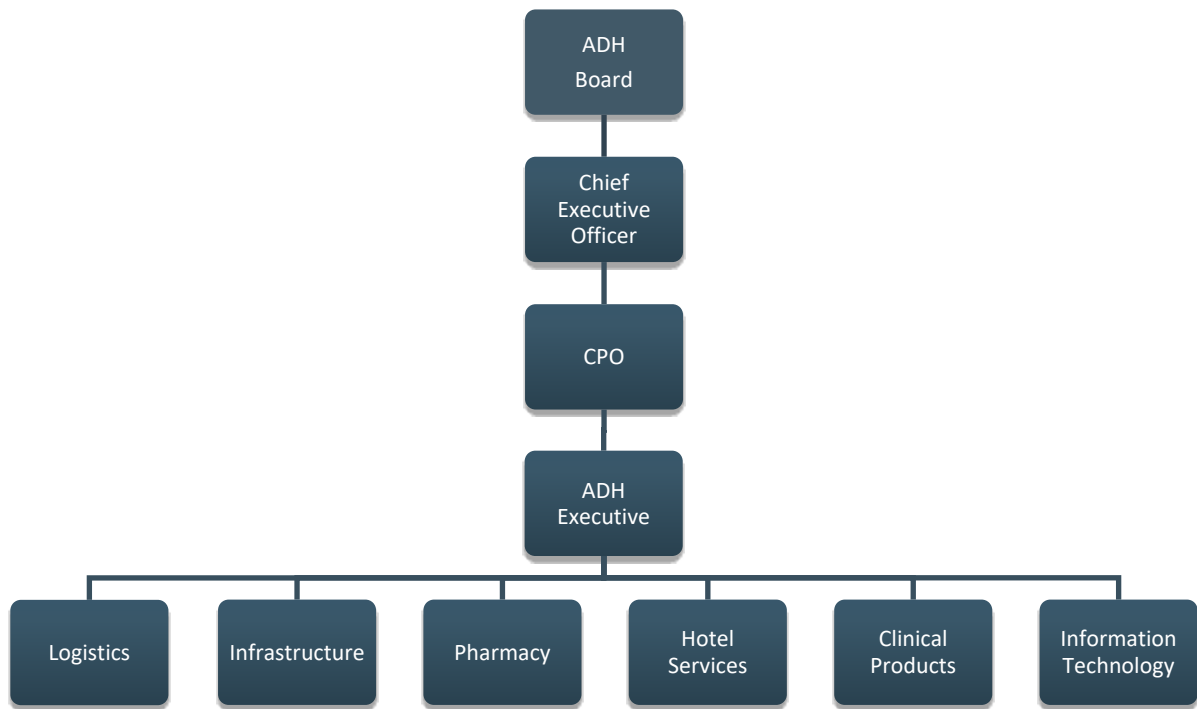


Figure 1. Procurement Governance Framework

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Roles and Responsibilities

All staff are responsible and accountable to know, understand and support each other to meet the requirements of the Victorian Clinical Governance Framework. All staff will be aware of the Consumer Participation Framework and actively engage and partner with consumers, demonstrate ownership and accountability for safe, quality care, and participate in regular evaluation and monitoring of performance to inform improvement.

The Alexandra District Health CEO has established the role of the Chief Procurement Officer (CPO) and assigned the role to the Executive Director Corporate & Financial Services. The CPO has visibility and oversight of the entire non-salary spend profile of Alexandra District Health, this includes, but is not limited to, consumable supplies including prosthesis and pharmaceuticals, capital equipment, information technology supplies and services, engineering, facilities management and support services, and professional and clinical services.

The CPO will:

- provide expert advice and guidance to the CEO on matters related to procurement governance framework and any strategic procurement initiatives
- endorse major procurement categories
- oversee the development, application and on-going assessment of the governance framework for approval by the CEO, including:
 - i. assessing the capability of Alexandra District Health and develop plans to improve capability to ensure it is appropriate for the scope, nature and complexity of the procurement activity
 - ii. identifying major procurement categories
 - iii. reviewing performance in procurement and capability at regular intervals and report annually to the CEO
- ensure that all procurement activity applies strategies, policies, procedures, practices and probity that comply with Health Purchasing Victoria’s Health Purchasing Polices and any other requirements in the *Health Services Act 1988*, the statutory or policy requirements of other governing bodies, or imposed by the CEO/Board through the Instrument of Delegation
- ensure that the procurement complaints management and reference group establishment process demonstrates due process and integrity
- develop a procurement strategy
- ensure that probity is maintained in all purchasing, tendering and contracting activities through the implementation of a probity assurance framework
- ensure there are processes in place to maintain the security of confidential and commercially sensitive information to which the it has access further to their tendering, purchasing and contracting activities

The Executive team within Alexandra District Health coordinate all procurement activities.

The Chief Procurement Officer and the Executive Team support procurement governance in the management of programs, projects and business operations to ensure compliance with our procurement policies (aligned to Health Purchasing Victoria’s Health Purchasing Polices requirements).

Procurement Process

The procurement process is based on the types of procurement that is undertaken by Alexandra District Health. In all procurement activities Alexandra District Health will adopt a strategic approach, using category segmentation to guide the procurement approach for any given good or service, to derive best value for money outcomes.

Approval of spend at Alexandra District Health is managed by the Instrument of Delegation approved by the Board. The CPO must approve the categorisation of spend and the intended approach to market for each category.

Review and update of key procurement policies and procedures annually.

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Market Approach and Contract Management

The category analysis and complexity assessment provides Alexandra District Health with an in depth understanding of the market and the various factors that influence a procurement activity. Once a complexity assessment is completed, the options on how to approach the market can be narrowed. Further analysis will assist in choosing the optimal approach to market and how best to engage with the market. It is important to note that the level of probity oversight should match the procurement strategy undertaken for any procurement activity, as well as the level of probity risk. See the Alexandra District Health Probity Procedures for further information. *Table 1* (below) provides a list of approaches to market for each complexity quadrant and the level of probity required.

Complexity Quadrant	Level of Probity Oversight	EOI*	RFI	RFQ	RFT	RFP
Transactional	Probity oversight provided by trained Procurement staff			✓	✓	
Leveraged	Probity oversight provided by Senior Procurement staff	✓		✓	✓	
Focused	Probity oversight provided by experienced Senior Procurement staff			✓	✓	✓
Strategic	Auditor may be applicable in some instances	✓	✓	✓	✓	✓

* *EOI – Expression of Interest; RFI – Request for Information; RFQ – Request for Quotation; RFT – Request for Tender and RFP – Request for Proposal*

Departure from the recommended options for the approach to market for a procurement process as detailed above should only be considered in exceptional circumstances and cannot be used for the purpose of avoiding competition, and must be approved by the relevant delegate for approving the procurement process.

Alexandra District Health category and supplier management framework aligns the contract management approach (refer to Alexandra District Health Contract Management Strategy for further information) to the category segmentation, and aims to:

- deliver on-going value for money outcomes as contemplated by the approved sourcing strategy and market outcomes;
- provide on-going analysis of business drivers and market dynamics;
- identify further opportunities and manage service and cost improvement; and
- drive contractual performance and value optimisation throughout the contract life to inform subsequent sourcing events in the category.

Critical Incident

Critical incident protocols and processes (as per Alexandra District Health Emergency Manual) are invoked when a relevant Minister or the CEO declares a critical incident to exist by reason of at least one of the following:

- An emergency within the meaning of the *Emergency Management Act 1986*
- An incident that causes Alexandra District Health’s business continuity plan to be activated
- An incident that represents a serious and urgent threat to the health, safety or security of a person or property
- A situation that represents a serious or urgent disruption to services, including patient care, provided by Alexandra District Health

In a critical incident, Alexandra District Health will adopt streamlined and flexible procurement processes to facilitate an immediate response to an emergency, crisis or disaster as per the Alexandra District Health’s Critical Incident Procurement Procedure.

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Alexandra District Health’s CEO will annually provide the Board, the following information regarding any procurement activities undertaken during a critical incident:

- Total value of goods purchased
- Total value of services purchased
- The nature of the critical incident
- The date the critical incident ceased

Probity

Alexandra District Health must ensure probity in its entire procurement process. Probity is the evidence of ethical behaviour in a particular process. It contributes to sound procurement processes that accord equal opportunities for all participants. A good outcome is achieved when probity is applied with common sense.

Personal and Corporate Sponsorships

From time to time suppliers offer personal and/or corporate sponsorship to Alexandra District Health, open days, clinical symposiums, and functions such as Research Week. It is accepted practice for Alexandra District Health to accept appropriate sponsorship where there is a demonstrable benefit to Alexandra District Health and where the sponsorship allows Alexandra District Health to optimise its limited resources. All sponsorships must be approved by the Alexandra District Health CEO and Board of Directors. However personal or corporate sponsorship cannot be considered from a company while Alexandra District Health is undertaking a procurement process for which the company may be a bidder.

Such offers should also be reported to your Executive Director and entered on the Gifts, Benefits and Hospitality Register (maintained by CEO) to ensure transparency. In these circumstances the cost of the Gift must be reported to the Alexandra District Health Chief Executive Officer. At all other times Alexandra District Health encourages its suppliers and local business to support the hospital. The distinction between corporate sponsorship (permitted except during a tender) and personal gifts (prohibited) is that corporate sponsorship benefits the hospital or a department as a whole, rather than individual staff members.

Confidentiality

Documents on purchasing and information received from tenderers must be kept confidential. The identity of bidders should not be disclosed during the selection process. A “clear desk” policy is recommended when handling tender information. It is the responsibility of the manager of the procurement process to ensure bids are seen only by tender evaluation panel members. All Invitation to Supply documentation must be kept in a secure location when not in use.

Tender Evaluation

Tender evaluation panel members should be selected on the basis of their expertise in and knowledge of the evaluation criteria. Establish an official Alexandra District Health file at the beginning of the process and ensure that all communications with bidders and the deliberations of the tender evaluation panel are properly recorded. Brief all panel members on their responsibilities with regard to advising of potential or actual conflicts of interest both before and during the process, and act swiftly when conflicts of interest arise. The appointed Project Manager is responsible for monitoring the tender process. Negotiations after the closure of the tender must not adversely affect the confidence of participants in the process. Manage both written and telephone communication carefully to ensure that all bidders receive the same information.

Gifts, Benefits and Hospitality

Gifts, improper payments and bribes are covered in detail in the Alexandra District Health ‘s Gifts, Benefits and Hospitality Policy, all staff involved in the procurement process should familiarise themselves with the content of this policy.

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Procurement Complaints Management

To minimise or avoid supplier complaints, Alexandra District Health must:

- ensure clarity of sourcing documentation
- provide sufficient time to allow potential respondents to prepare and lodge a response to an approach to the market
- ensure that procurement rules and the evaluation plan are followed
- ensure that insurance and liability capping requirements are appropriate for the procurement before the process begins
- that evaluation criteria weightings are provided as part of the published documentation

However, complaints may still arise and Alexandra District Health must promote a robust complaints management process. To ensure transparency, accountability and effective complaints handling, Alexandra District Health must follow the process in the Alexandra District Health's Complaints Management Procedure in handling complaints received. Where a complainant is unhappy with the outcome of the complaint investigation or would like to escalate the issue, Alexandra District Health must provide details of other government organisations that can be approached by the complainant.

A complainant can refer a complaint to the HPV Board for review if not satisfied with the findings and actions of the Alexandra District Health involved. This could be related to the management of the complaint or the application of the Health Purchasing Policies (refer to Figure 3 – Procurement Complaints management model).

Complaints submitted to the HPV Board must be lodged by letter, email or fax within 10 working days of the receipt of the findings by the organisation to:

The Chair
 HPV Board
 Health Purchasing Victoria
 Level 34, 2 Lonsdale Street
 Melbourne Victoria 3000

The complainant must provide the following material:

- evidence that Alexandra District Health did not correctly apply Health Purchasing Policies in relation to a procurement activity
- evidence that Alexandra District Health's complaints management procedures were not applied correctly
- a copy of all relevant correspondence between the complainant and Alexandra District Health in relation to the nature of the complaint
- any additional material requested by the HPV Board to assist it in its findings

The HPV Board:

- will inform Alexandra District Health and complainant of its findings and any further action it intends to take in relation to the matter
- can require the Alexandra District Health's CEO to audit its application of Health Purchasing Policies in relation to the procurement activity
- can inform the Minister of Health of its review of a complaint and advise the Minister of further action that could be taken
- may note the outcome of a review in relation to any complaint in its annual report to Parliament

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Local Procurement

Improving access for Small to Medium Enterprises (SME)

Alexandra District Health will participate in procurement practices that facilitate and encourage small medium enterprises to access procurement opportunities at Alexandra District Health. As defined by the Australian Bureau of Statistics, small to medium enterprises are organisations with 0-199 employees and, for the purpose of this policy, include local businesses, Victorian social enterprises, Victorian based Australian Disability enterprises, Victorian Aboriginal businesses and not for profit organisations.

To facilitate SME engagement, Alexandra District Health is required to (where appropriate):

- Allow for continuity of any arrangements with local businesses, where the impact and benefit to the local community is the best value outcome for the particular good or service
- Implement procurement practices that provide opportunities for SMEs to participate in new and upcoming procurement activities
- Encourage supply chain management within existing and new agreements to involve more SMEs

Social Procurement Framework

Social Procurement

In line with your social procurement strategy, implement social procurement practices that provide opportunities for Victorian social benefit suppliers identified through the social procurement marketplace including Map for Impact directory, VendorPanel, Social Traders, Supply Nation, Kinaway and Buyability. For instance,

- Identify priority categories for social procurement, set up Victorian social benefit suppliers with the correct ABN in your system to assist with direct social procurement reporting and educate purchasing or procurement staff or facilities maintenance officer to invite the Victorian social benefit suppliers to engage in the chosen market approach.
- Consider different social procurement tactics
 - If there are multiple Victorian social benefit suppliers in categories of lower complexity – Transactional – consider creating a panel to abide by rules of probity.
 - Unbundling a package of work and inviting social benefit suppliers to provide a quote or tender.
- Consider how Victorian social benefit suppliers will keep abreast of health service opportunities. Is there a channel you currently have or need to create to advertise opportunities for social benefit suppliers?
- Review payment terms and check if this is conducive for Victorian social benefit suppliers. Some Victorian Government departments have revised payment terms to 7 or 14 days from delivery of goods and services.
- Reporting annually to the Department Treasury and Finance, in line with SPF Measurement and Reporting guidelines:
 - Direct social procurement benefits reporting – Spend and no. of Victorian social benefit suppliers engaged reported using the ABN Wash tool.
 - Indirect social procurement benefits reporting - commitments made and delivered by suppliers in line with the Measurement and Reporting guidelines and your social procurement strategy or commitment.

Sustainable Purchasing

Alexandra District Health objectives include a commitment to embed sustainable procurement practices. This is because over 60% of the environmental impact of healthcare provision occurs as an indirect result of purchased goods and services.

Alexandra District Health's commitment to improve sustainable health procurement practices includes:

- Identifying those categories within the supply chain, that have significant environmental impacts, social impacts, or other sustainability risks and then investigating viable means of mitigating these impacts or risks

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- Evaluating environmental management, by potential suppliers, within the assessment of value for money during Invitations to Supply (ITS)
- Seeking to procure, within ITS, environmentally-preferred goods and services that meet Alexandra District Health needs and provide value for money
- Reporting to the Department of Health and Human Services and Department of Treasury & Finance on metrics relating to the environmental sustainability of health supply chain

Procurement Performance Monitoring

The CEO is responsible for ensuring Alexandra District Health procurement policies, strategy and procedures comply with the Health Purchasing Victoria’s Health Purchasing Policies, and other relevant government legislation and requirements e.g. the Local Jobs First Policy and Social Procurement Framework, and good probity practice. All Alexandra District Health staff are responsible for ensuring that procurement practices within Alexandra District Health are conducted in accordance with the Alexandra District Health policy and procurement strategy. The CPO is delegated responsibility by the CEO for ensuring compliance to the Alexandra District Health procurement policy, procedures and practices.

The Alexandra District Health Board will conduct regular audits to ensure procurement and probity practices are in alignment with policy.

Alexandra District Health is obligated to:

- purchase from HPV collective agreements
- report compliance with HPV collective agreements and provide periodic purchasing and associated details as requested by HPV
- provide annual attestation of compliance with the HPV’s Health Purchasing Policies as part of its annual report of operations identifying any material non-compliance issues
- report any material non-compliance issues that arise in relation to the HPV Health Purchasing Policies as soon it becomes aware of the issue, and remedial actions relating to the issue(s) to HPV
- comply with the “Guide to Exemptions from HPV Collective Agreements”
- establish appropriate processes to ensure the security of all confidential and commercially sensitive information; in particular, supplier pricing information
- refrain from any activity that subverts the effectiveness of HPV contracts or functions
- assist HPV to identify any aggregation opportunities
- provide input into business case development
- inform HPV about warehousing and logistics services that Alexandra District Health provides to other entities

Asset Disposal

Assets considered to be redundant, unserviceable, obsolete or surplus to requirements are to be disposed of by business units in accordance with the Asset disposal procedures and the Instrument of Delegation.

.Acceptable methods of disposal are:

- Sale by public tender
- Sale by public auction
- Public sale by advertisement
- Donation of the asset to a community service organisation
- Trade-in
- Scrap, destroy or ‘cannibalise’ parts to meet other needs

The choice of the most appropriate disposal option will normally be determined by the nature of the goods to be disposed and by the relevant location and market value of the asset.

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Responsibilities of Alexandra District Health Managers:

- Manage the disposal of relevant surplus assets
- Conduct an annual review of the functionality of assets under their control – this review may involve the IT Department, HRHA and Bio-Medical Engineering contractors
- Document all decisions made in the disposal process
- Take into account the costs of undertaking disposal activities
- Observe appropriate accounting and audit procedures
- Provide clear instructions to agents engaged to undertake selling activities
- Specifically consider disposals that involve potentially hazardous and pollutant assets
- Business units must assess the most viable form of disposal based on the following:
 - initial cost of the asset
 - estimated sales price of the asset (net of disposal costs)
 - the existence of an active market for the goods proposed for disposal

Related Documents

- Procurement Strategy
- Procurement Activity Plan
- Capability Development Plan
- Supplier Engagement Plan
- Contract Management Strategy
- Instrument of Delegation
- Emergency Management Plan
- Other Policies/Procedures
- Conflict of Interest Procedure
- Gifts, Benefits and Hospitality
- Procurement Complaints Management
- Code of Conduct
- Financial Code of Practice
- Asset Management Policy & Procedure

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