



## GOVERNMENT OF NIUE

# PROCUREMENT POLICY

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# **1 OVERVIEW**

## **1.1 AUTHORITY, SCOPE, AND RELATED DOCUMENTS**

This policy is approved by Cabinet, and controlled and enforced by Treasury.

This policy applies to all departments and boards within the Government of Niue. The general principles of this policy also apply to all state owned entities, but the state owned entities will have their own financial thresholds and may implement different processes that better reflect their nature and size.

This policy applies to all purchases of goods and services, except employment agreements.

Related documents include:

- Public Revenues Act 1959.
- Niue Treasury Instructions 2002 (issued under section 35 of the Niue Public Revenues Act 1959).
- Public Revenues Treasury Rules 1960.
- Niue Public Service Regulations 2004.
- Travel Policy 2019.
- Fraud Policy 2024.
- Tender Terms of Reference.
- Treasury Purchase Order Procurement Guidelines.

## **1.2 PRINCIPLES OF PROCUREMENT**

All purchases must:

- Be for justifiable and legitimate Government purposes, in line with other Government policies and priorities.
- Be value for money.
- Be conducted through a fair and open competition, selecting the offer that provides the best value for money based on a balanced evaluation of price, quality, and other relevant factors. Preference should be given to suppliers within Niue, but only if these are not significantly more expensive than overseas suppliers.
- Be fit for their stated purpose.
- Enhance meaningful relationships with trustworthy suppliers.
- Minimise wastage.
- Consider and mitigate potential risks associated with suppliers or purchases.
- Be conducted with probity, i.e. be procurement decisions should be ethical, honest, legal, transparent, fair, efficient, and robust.
- Be properly authorised.
- In cases where the Government has selected preferred suppliers for certain goods and services: can only be made from preferred suppliers. The list of preferred suppliers must be updated and published annually.
- Avoid or manage conflicts of interest – actual (already existing), potential (which could happen) or perceived (others may reasonably think that a conflict exists).
- Be decided on transparently, i.e. being open about the spending, and being prepared to explain spending decisions.
- In the case of sensitive expenditure, be moderate and not excessive, and be properly authorised.

### 1.3 CODE OF CONDUCT

All staff involved with procurement must act with integrity. This includes but is not limited to:

- Staff must conduct themselves with probity and honesty.
- Before any procurement process commences and at any time during the procurement process, staff must report any actual, potential or perceived conflicts of interest in relation to that procurement to their manager and to the Financial Secretary. Actual, potential or perceived conflicts of interests may arise especially where staff have family, friendship or other relationships with suppliers who may be involved with the procurement, or where staff are themselves suppliers of goods and/or services, or where staff may have received or been promised gifts or other inducements.
- Staff must treat all qualified suppliers with fairness and impartiality throughout the procurement process.
- Procurement decisions will be made transparently, with clear documentation of the evaluation process.
- Confidentiality: staff must not divulge procurement information to external parties unless necessary to undertake the procurement process, or unless legally obliged to do so (e.g. in a Court of Law or to meet audit requirements). Also, staff must not use confidential information received as part of the procurement process for private benefit.
- Staff must not bring the Government into disrepute through their procurement activities.
- Staff are accountable for adhering to this Code of Conduct and for reporting any suspected violations.

### 1.4 DEFINITIONS

- Conflict of interest: a situation where a staff member involved with a procurement may have actual, potential or perceived interests or associations which could influence decision making.
- Procurement thresholds: amounts of purchases to which different requirements (e.g. multiple quotes or tenders) apply.
- Authority levels: amounts of purchases to which different levels of authorisation apply.
- Treasury approval levels: amounts of purchases to which different levels of Treasury approval apply.
- Tender: a formal procurement process, controlled by a Tender Board, whereby offers are invited from multiple suitable suppliers, enabling a rational selection of the best solution for the organisation. The Tender Board and the tender process are governed by the Board's Terms of Reference.
- Capital expenditure: the purchase of assets that are used over a longer period of time. Examples include: buildings, furniture, vehicles, tools and machinery, site improvements, etc. Purchases of assets with a value of less than \$5,000 (including freight and import charges) are not treated as capital expenditure, as long as they are not considered sensitive assets.
- Sensitive assets: assets that have a higher risk of more than incidental personal use or that need tracking for other purposes. These assets are subject to the capital expenditure regime even if their value is less than \$5,000 (but more than \$1,000). Examples include: computers, printers, mobile phones, and wifi routers. Refer section 4, below. N.B. sensitive assets are different from sensitive expenditure; they are two different concepts.

- Sensitive expenditure: expenditure that could be seen to give private benefit to employees and/or their families and friends, or that could embarrass the Government or bring it in disrepute if it is not managed with care. N.B. sensitive expenditure is different from sensitive assets; they are two different concepts.

## 2 PROCUREMENT THRESHOLDS AND AUTHORITY LEVELS

### 2.1 DIFFERENT REQUIREMENTS

The amount of the purchase determines three different types of requirements:

- Procurement thresholds: what is required in terms of quotes and tenders.
- Authority levels: who in the department or wider organisation can authorise the expenditure.
- Treasury approval levels: who in Treasury can approve the purchase, once properly authorised.

### 2.2 PROCUREMENT THRESHOLDS

Procurement thresholds apply to some types of procurement, and determine what process must be followed, e.g. whether quotes are required from multiple suppliers, or whether a closed or open tender is required through the Tender Board. The following procurement thresholds apply.

Amount of Purchase	Requirement
Capital expenditure for sensitive assets between \$1,000 and \$25,000 (NCT inclusive)	Either (a) invite quotes from at least three suppliers, or (b) engage a preferred supplier.
Capital expenditure for other assets between \$5,000 and \$25,000 (NCT inclusive)	Either (a) invite quotes from at least three suppliers, or (b) engage a preferred supplier.
Capital expenditure purchases of \$25,000 (NCT inclusive) or higher	Requires tender through the tender process.
Contracts for services with an amount of more than \$5,000 (NCT inclusive) per annum	Either (a) invite quotes from at least three suppliers, or (b) engage a preferred contractor, or (c) tender through the tender process, or (d) obtain Cabinet approval.
All other purchases	Follow the Treasury Purchase Order Procurement Guidelines (refer Appendix 1, below).

It may from time to time be considered suitable to establish a longer term relationship with a supplier and make repeated purchases under a master agreement or from designated preferred suppliers; advantages include potential savings, a good and valued relationship with the supplier, and improved support and warranties. Where a master agreement is being negotiated, the above procurement thresholds apply to the expected value of purchases within the first year of the master agreement (or the period of the master agreement if it is shorter than a year). Master agreements and other preferred supplier arrangements must not have a term of more than three years, and must be approved and signed by the Secretary of Government.

If the Government has designated preferred suppliers or entered into master agreements, then the requirement for multiple quotes or tenders does not apply.

### 2.3 AUTHORITY LEVELS

Depending on the amount of the purchase, expenditure can be authorised within the department, or at a higher level in the organisation. The following authority levels apply to each individual purchase.

<b>Amount of Purchase</b>	<b>Minimum Authority Required</b>
All Government related overseas travel	Cabinet.
Capital expenditure	Cabinet. Refer section 4, below
Grants and subsidies	Cabinet.
All expenditure where the department's total expenditure for the year will exceed its overall budget.	Cabinet.
Health patient referrals and medical evacuations (following recommendations from Director of Health and Minister of Health)	Financial Secretary and Minister of Finance.
All hospitality costs over \$500 (NCT inclusive)	The Secretary of Government and the Financial Secretary. Refer section 5, below.
All overseas fuel purchases	The Bulk Fuel Manager and the Financial Secretary.
Other purchases under \$500 (NCT inclusive)	Approved requisition officers.
Other purchases between \$500 and \$10,000 (NCT inclusive)	Heads of Department.
Other purchases between \$10,000 and \$25,000 (NCT inclusive)	Directors and the Financial Secretary.
Other purchases between \$25,000 and \$50,000 (NCT inclusive)	The Financial Secretary and Secretary of Government.
Other purchases of \$50,000 (NCT inclusive) or higher	Cabinet.

### 2.4 TREASURY APPROVAL LEVELS

Even once expenditure has been authorised, it still needs to be reviewed and approved by Treasury, to ensure that all requirements (e.g. are funds available within the budget) have been met. The following Treasury approval levels apply to each individual purchase.

<b>Amount of Purchase</b>	<b>Minimum Approval Required</b>
Hospitality costs of \$500 (NCT inclusive) or higher	The Financial Secretary.
Capital expenditure	The Financial Secretary.
Other purchases under \$200 (NCT inclusive)	The Accounts Payable team.
Other purchases between \$200 and \$1,000 (NCT inclusive)	The assistant accountants.

<b>Amount of Purchase</b>	<b>Minimum Approval Required</b>
Other purchases between \$1,000 and \$10,000 (NCT inclusive)	The Financial Accountant.
Other purchases of \$10,000 (NCT inclusive) or higher	The Financial Secretary.

### **3 GENERAL PROCUREMENT REQUIREMENTS**

Purchase orders must be obtained from Treasury before a purchase is placed with a supplier. The Financial Secretary may allow exceptions where he or she agrees that this is not practical. Refer Appendix 1, below.

The Premier may allow emergency purchases where it is deemed in the national interest to make purchases without any delays, e.g. in the face of, during or in the aftermath of a natural disaster.

Procurement can only be approved if either the account line has sufficient funds remaining in the budget, or the project has sufficient funds remaining. If a procurement would result in the expenditure against the correct account line exceeding the budget for the year, then the authorising manager must identify savings from other account lines in his or her budget and request the Financial Secretary to transfer budget funds from those account lines. If a procurement would result in budget over-expenditure at a departmental level, then the Financial Secretary must obtain Cabinet approval of this over-expenditure and in accordance with Assembly appropriation.

### **4 CAPITAL EXPENDITURE**

Capital expenditure is approved according to sections 2 and 3.

Small asset purchases are not treated as capital expenditure. The current capital expenditure thresholds, from which Cabinet approval is required, are:

- Sensitive assets: \$1,000 (NCT inclusive) and higher.
- Other assets: \$5,000 (NCT inclusive) and higher.

Sensitive assets are assets that have a higher risk of more than incidental personal use or that need tracking for other purposes. These therefore have a lower capitalisation threshold of \$1,000. An example of sensitive assets is personal computers, because there is a higher than normal risk of more than incidental personal use. Refer Appendix 2, below, for a list of currently identified sensitive assets.

All other assets (i.e. those that are not listed in Appendix 2) are not considered sensitive assets. In other words, the capitalisation threshold for these assets is \$5,000 (NCT inclusive). It is impossible to provide a complete list of non-sensitive assets, but here is a non-exhaustive list:

- Buildings and building renovations (other than normal maintenance).
- Containers for storage.
- Vehicles.
- Machinery and equipment.
- Medical equipment.
- Larger printers (i.e. other than personal desktop printers).

- Air conditioners and other building fit-outs.

The Financial Secretary may, from time to time, review the list of sensitive and non-sensitive assets and amend the list.

(The concept of sensitive assets applies in practice only to the Government. Because state owned entities are smaller and cannot always implement internal controls that are typically maintained in larger organisations, all assets acquired by state owned entities are considered sensitive assets, and the lower capitalisation threshold always applies to them. In addition, for materiality reasons, their Boards may determine a capitalisation threshold even lower than \$,1000 (NCT inclusive) if the small size of their entities so justifies.)

It should be noted that sensitive assets are not the same as sensitive expenditure (as described in section 5, below); they are two different concepts.

## **5 SENSITIVE EXPENDITURE**

Sensitive expenditure is expenditure that could be seen to give private benefit to employees and/or their families and friends, or that could embarrass the Government or bring it in disrepute if it is not managed with care.

It should be noted that sensitive expenditure is not the same as sensitive assets (as described in section 4, above); they are two different concepts.

Examples include expenditure regarding:

- Staff entertainment and refreshments. Expenditure under \$500 (NCT inclusive) can be authorised by Heads of Department, expenditure of \$500 (NCT inclusive) or higher for any single event must be authorised by the Financial Secretary and the Secretary of Government.
- Gifts to staff. This is covered under the Public Service Regulations 2004, Public Service Manual and Niue Public Service Code of Conduct.
- Entertainment and hospitality for external parties, such as customers, suppliers, foreign officials, etc. Expenditure under \$500 (NCT inclusive) can be authorised by Heads of Department, expenditure of \$500 (NCT inclusive) or higher for any single event must be authorised by the Financial Secretary, the Secretary of Government.
- Gifts for and from external parties:
  - Gifts for external parties must be authorised by the Financial Secretary or the Secretary of Government.
  - Gifts received from external parties (including hospitality) must be approved by the recipient's manager if the gift has an estimated value of less than \$100 (NCT inclusive), and by the Financial Secretary or the Secretary of Government, if the gift has an estimate value of \$100 (NCT inclusive) or higher. Evidence of estimating the value must be documented.

In addition to the extra requirements listed above, all other procurement requirements, including the general Principles of Procurement listed in section 1.2, must be met. This includes the requirement for sensitive expenditure to be for justifiable and legitimate Government purposes; moderate expenditure to promote staff wellbeing and team development are generally considered to meet this requirement.

Reciprocal authorisation of sensitive expenditure (i.e. where two persons approve each others' sensitive expenditure) is not allowed. If a higher level manager is not available to

authorise sensitive expenditure, then authorisation should be sought from two other managers at the highest possible level, or from the Public Service Commission.



## APPENDIX 1) THE OVERALL PROCUREMENT PROCESS

The overall procurement process is as follows:

- 1 The requestor must define the goods or services to be purchased and the cost. Where quotes or tenders are required (refer section 2.2), this process must be followed, and the request must include the offers received. The requestor may express a preferred option, with reasons stated.
- 2 The requestor must obtain authorisation according to the authority levels listed in section 2.3. Where applicable, the authoriser will select a preferred option.
- 3 The requestor will send the authorised request to the purchase order team in Treasury.
- 4 The purchase order team will review the request, in particular with regards to:
  - a Correct coding (to cost centre, general ledger account, and (if applicable) project).
  - b Whether enough funds are available in the budget (by account line) or project.
  - c Whether the request is properly authorised.
  - d Whether, given the size of the request, the correct procurement thresholds have been applied (i.e. are multiple quotes required or is a tender required).If shortcomings are identified, the purchase order team will return the request, stating the reason(s) for doing so. The purchase order team will *not* by itself amend the request.
- 5 If no shortcomings are identified, the purchase order team will forward the request to a Treasury approver in accordance with the Treasury approval levels stated in section 2.4. The Treasury approver will either reject the request (stating the reason(s) for doing so), or approve it. If quotes or tenders are required, the Treasury approver will select an option; the option preferred by the authorising manager will not be dismissed without good reason.
- 6 If the request is approved, the purchase order team will generate a purchase order and return this to the requestor. If the request is denied, then the purchase order team will inform the requestor and the authorising manager, stating the reason(s) for the denial.
- 7 The Financial Secretary may issue Treasury Purchase Order Procurement guidelines from time to time.

## **APPENDIX 2) SENSITIVE ASSETS**

The Financial Secretary has identified the following assets as sensitive assets. As a result, procurement of these assets are subject to the capital expenditure regime even if their amount is less than \$5,000 (NCT inclusive) (but more than \$1,000 (NCT inclusive)).

- Personal computers. (It is recommended that personal computers are purchased in bulk and kept in inventory until required.)
- Core electronic equipment such as switches and other Internet devices.
- Furniture and whiteware.
- Larger printers (i.e. other than personal desktop printers).
- Mobile phones.
- Air conditioners and other building fit-outs.

In addition to the assets listed above, all assets belonging to the state owned entities are considered sensitive assets. In other words, the capitalisation threshold for all assets acquired by state owned entities is \$1,000 (NCT inclusive).