

Financial Direction No 5.1

Purchasing of Goods and Services

States of Jersey

October 2014

1 SUMMARY AND OBJECTIVE

1.1 This Financial Direction is applicable to:

- all Accounting Officers;
- budget holders;
- Finance Directors; and
- anyone with authority delegated to them under a [Scheme of Delegation](#).

1.2 The purpose of this Financial Direction is to provide departments with the mandatory requirements when purchasing goods and services. Specifically it includes:

- procedures to be followed for all purchases;
- using purchase cards;
- purchases using the internet; and
- committing a future year's expenditure.

1.3 Financial Directions are issued by the Treasurer of the States under Article 34 the Public Finances (Jersey) Law 2005 (hereafter referred to as "the Law"). Compliance with Financial Directions is mandatory and not following them may lead to an offence being committed under Part 7 of the Law.

1.4 Section 2 allows exemptions from the specific requirements to be approved by the Accounting Officer and/or the Director of Strategic Procurement. Any other departure from the procedures set out in section 2 of this Direction must have an exemption approved by the Treasurer of the States.

1.5 Who should I contact if I have a question / need further guidance?

Further information and advice can be obtained from your departmental finance team in the first instance, then if necessary finance may need to contact the following:

Procurement (purchase of goods and services) – e mail
procurement@gov.je

Processing of payments – Contact the Team Manager – Accounts Payable (Tel: 440407 or e-mail FP Accounts Payable Enq @gov.je)

Purchase cards – Contact the Treasury Business Support Group – Shared Services (e-mail Try Business Support Group) or your departmental Purchase Card Administrator (applicable to Education, Sport and Culture and Health)

Purchasing IT assets / IT projects – Contact your Business Support Group (BSG) Manager

All other queries should be directed to the Financial Accounting and Control Team (FACT@gov.je)

2 SPECIFIC REQUIREMENTS

Specific requirements cover the following:

	Page
2.1 Procedures to be followed for all purchases	5
2.2 Using purchase cards	19
2.3 Purchases using the Internet	23
2.4 Committing a future year's expenditure	26
2.5 Expenditure on Information Technology, Systems and Services	27

NB – This Financial Direction provides guidance on **HOW** to make a purchase. There *may* be additional procedures which must be followed depending on **WHAT** it is that you are buying. These additional procedures can be found in the following Financial Directions:

- 5.2 Pensions
- 5.3 Insurance
- 5.4 Staff Payments
- 5.5 Management of Grants
- 5.6 Management of Consultants
- 5.7 Management of Travel
- 5.8 Management of Leases

2.1 Procedures to be followed for all purchases

2.1.1. This section sets-out the requirements in respect of the following:-

- [Purchasing using an approved corporate contract](#);
- [Purchasing where an approved corporate contract does not exist](#);
- [Additional procedures for all contracts greater than £25,001](#);
- [Procedures prior to raising a purchase order](#);
- [Raising purchase orders](#);
- [Authorising purchase orders](#);
- [Goods and Services Tax \(GST\)](#);
- [Value Added Tax \(VAT\)](#);
- [Placing the order with the supplier](#);
- [Receipting of goods and services](#);
- [Processing for payment](#); and
- [Document retention](#).

Purchasing using an approved corporate contract

2.1.2. The Director of strategic Procurement must publish all approved contracts on the States intranet. Before commencing the procurement process Accounting Officers (or their delegate) must establish whether an approved corporate contract already exists (see [How to buy goods and services \(procurement advice\)](#)), which can be found by going to the States Intranet site and accessing Corporate Procurement via the 'Departments' dropdown) already exists. Guidance can be obtained from the Corporate Procurement team if required.

Where an approved contract is in place, it must be used unless exemption is agreed in writing by the Accounting Officer and the Director of Strategic Procurement. Such agreement must be recorded and this documentation retained by the Director of Strategic Procurement for audit purposes. A copy of the exemptions documentation must be submitted to the relevant Finance Director.

When using SupplyJersey requisitioners must ensure that they have selected an approved corporate contract, if one exists. (see [How to buy goods and services \(procurement advice\)](#)).

Purchasing where an approved corporate contract does not exist

Calculation of contract values and duration of contracts

2.1.3. Before considering thresholds (and before contracting) an estimate of the expense value must be calculated.

The calculation of the estimated value of a contract must be based upon the total amount payable (i.e. the total 'whole life cost') net of Goods and Services Tax. The calculation must include any form of contractual 'options' (e.g. maintenance services) and any potential renewals of the contract. For example, a piece of equipment has a quoted purchase price of £22,500. After determining other fixed and variable whole life costs such as delivery, installation, training, commissioning, consumables, maintenance and decommissioning costs the contract value for this equipment during its serviceable life is now £37,500 – a contract value that requires a minimum of three quotations.

The selection of the valuation method; the division or apportionment of contracts; or the deferral of payments, must not be used as a means of obscuring the actual total estimated value of the contract, in order to avoid the necessary provisions contained in this Financial Direction. For example, a car park building is jet washed every year, at an average annual cost of £35,500. As the demand is ongoing and will be repeated over the next few years, then the annual spend figure alone should not be used as the total contract value. The value should be calculated over a realistic period such as a 4 or 5 year requirement. This means that the actual contract value will be at least £140,000 and therefore must be openly tendered. Establishing a longer term contract through an openly advertised tender is more cost effective than obtaining 3 quotations every year for the same service both in terms of time and effort and the prices submitted.

Please refer to the [How to buy when there is no existing contract \(toolkit\)](#) for further information on estimating contract values.

Purchases originally estimated to be less than the thresholds set out in section 2.1.4 below, above which additional tendering procedures are required, but which subsequently prove to have a higher value, must be reported to the Accounting Officer and be recorded and retained for audit purposes.

Contract duration must not be longer than 60 months unless there is a cancellation clause or otherwise approved by the Accounting Officer and agreed with the Director of Strategic Procurement.

Existing contracts may only be extended where the original tender advert and/or tender documentation contained the extension options available. The extension period must not go beyond that originally stated.

Thresholds for determining purchasing procedures

2.1.4. The procedures for obtaining quotes and tendering are set out in Table (1) below. They **do NOT apply** where an existing [approved corporate contract](#) is in place. The procedures in Table (1) are the minimum that you must adhere to for each threshold; for more complex / high profile

purchases it may be more appropriate to use one of the more formal methods set out below.

Purchases must not be disaggregated to circumvent the thresholds set out below.

Table (1) – Thresholds for determining purchasing procedures

Total Estimated Value	Procedures for obtaining quotes and tendering
Less than £1,000	<ul style="list-style-type: none"> • No additional procedures
£1,000 - £25,000	<ul style="list-style-type: none"> • At least one written quotation must be obtained. Prices taken from SupplyJersey, trade catalogues or the internet may be sufficient for the request for a quotation. • If you are unable to follow these procedures (e.g. there is only one supplier of the product or service, project is time critical) then you must have an exemption approved by your relevant Accounting Officer (or their delegate). Records of this approval must be kept for audit purposes.
£25,001 - £100,000	<ul style="list-style-type: none"> • At least 3 written quotations must be obtained. • A written specification or description of the goods or services must accompany the request for quotations and this must be consistent for each supplier for comparability (please refer to the How to buy goods and services (procurement advice) for further information). • Suppliers who are invited to submit a quotation must be given sufficient time to do so, consistent with the complexity of the requirement. • The States standard Terms and Conditions must be used (please refer to the How to buy goods and services - Standard terms and conditions for further information). If not, the terms and conditions of the supplier must be reviewed by the Accounting Officer (or their delegate) to ensure that they are fit for purpose. • You may use the States e-sourcing portal to seek at least 3 quotations. Refer to How to buy goods and services - E-sourcing portal for guidance. • The Accounting Officer (or their delegate) must comply with the process set out in Additional Procedures for all contracts greater than £25,001 (see sections 2.1.8 to 2.1.24). • Following the evaluation of quotations (but before the contract is awarded), an evaluation report must be prepared and the Accounting Officer (or their delegate) must satisfy him/herself that value for money will be achieved and the procedures contained within this Financial Direction have been complied with. This report must contain a summary of the procurement process (including the evaluation of the quotations) and must recommend the preferred supplier. • A formal contract must be signed by both parties. • If you are unable to follow these procedures (e.g. there is only one

	<p>supplier of the product or service, project time is critical) then you must have an exemption approved by your relevant Accounting Officer (or their delegate). Records of this approval must be kept for audit purposes.</p>
<p>£100,001- £250,000</p>	<ul style="list-style-type: none"> • A minimum of 3 suppliers must be invited to submit competitive tenders by using an open, fully advertised tender process. • A formal Procurement Strategy document must be completed and approved by the Accounting Officer (please refer to the How to buy goods and services - Step 1 - Procurement strategy for further information). • You must use the States e-sourcing portal to run the advertised tender process in order to invite at least 3 suppliers to submit their bids. If you are unable to follow this requirement, you must obtain an exemption approved by the Director of Strategic Procurement in advance. • First time users of the e-portal will need to register and should contact the Procurement team to assist with this. • A written specification or description of the goods or services must accompany the Invitation to Tender. • A contract notice must be advertised on the e-sourcing portal for a minimum of 10 days. In order to encourage competition within Jersey and to promote new initiatives, a tender notice must also be placed in the JEP. Other sources of advertising should also be considered to ensure full competition – e.g. trade publications or the Official Journal of the European Union (OJEU) • A date for receipt of tenders must be set (normally a minimum of at least 4 weeks from the date the advert ends) and the Accounting Officer (or their delegate) must comply with the process set out in Additional Procedures for all contracts greater than £25,001 (see sections 2.1.8 to 2.1.24). • The States standard Terms and Conditions must be used (please refer to the Toolkit for further information). If not, the terms and conditions of the supplier must be reviewed by the Accounting Officer (or their delegate) to ensure that they are fit for purpose. • Only in the exceptional circumstances listed at 2.1.24 should a contract be awarded without a competitive tender. You must get an exemption approved by your Accounting Officer (or their delegate) after having discussed it with the Director of Strategic Procurement. Records of this approval must be kept for audit purposes. • A formal contract must be signed by both parties
<p>£250,000 and above</p>	<ul style="list-style-type: none"> • A more rigorous formal Procurement Strategy document must be completed and approved by the Accounting Officer and the Director of Strategic Procurement (please refer to the How to buy goods and services - Step 1 - Procurement strategy for further information). • All other procedures noted for purchases between £100,001 and £250,000 above must be followed. • An exemption under 2.1.24 must be approval by your Accounting Officer (or their delegate) and counter signed by the Director of

	Strategic Procurement. Records of this approval must be kept for audit purposes.
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2.1.5. Where SupplyJersey is used as the procurement system, quotations received must be uploaded as attachments to the requisition on SupplyJersey. If held separately in a formal system a reference must be included instead.

Exemptions from the procedures for obtaining quotations and tendering

2.1.6. Where an exemption is approved by the Accounting Officer (or their delegate) and where necessary the Director of Strategic Procurement a copy of the exemptions form must be submitted to the relevant Finance Director.

2.1.7. Where SupplyJersey is used then exemptions must be uploaded as attachments to the requisition in SupplyJersey.

Additional Procedures for all contracts greater than £25,001

Clarification procedures

2.1.8. Prior to the closing date, it is permissible for further clarification to be provided to a potential supplier or an actual supplier, in support of an Invitation to quote and tender either in writing or by way of a formal meeting. Information relevant to the quote or tender process must also be provided at the same time (or as soon as is practicable afterwards in the case of meetings) to all the other potential suppliers so that a fair and transparent process is maintained.

Late submission of quotations and tenders (bids)

2.1.9. Where a date for return has been specified for the submission of quotations and tenders no submission (irrespective of value) received after the specified date and time (other than where evidence as to posting / uploading in good time exists) will be considered, unless the Accounting Officer or the Director of Strategic Procurement is of the opinion that special circumstances exist.

In such circumstances, the reason must be recorded and retained by the relevant department for audit purposes.

Receipt and opening of quotations and tenders

2.1.10. Where quotations and tenders have been managed through the States e-portal:-

- All quotes may be viewed as and when they are submitted by bidders.

- Formal tenders must be opened at the same time, when the period of submission has ended. As the e-sourcing portal keeps a permanent copy of the suppliers bid and an audit trail of the opening, there is no requirement for have more than one person present for tender opening
- The Accounting Officer (or their delegate) must record a summary of the main terms of each bid. The confidentiality of the bidders must be preserved at all times.

Where quotations have been managed 'manually' (i.e. either by use of supplier catalogues or by emailed quotes):-

The Accounting Officer (or their delegate) must record a summary of the main terms of each bid. The confidentiality of the bidders must be preserved at all times.

Examination of quotations and tenders

- 2.1.11.** All quotations and tenders submitted must undergo an evaluation process designed to ensure that the specification, financial and technical requirements are satisfied.

The numerical calculations in compliant quotations and tenders must be checked.

If errors are found, the bidder must be notified; must acknowledge the error and correct or withdraw their bid. In an erroneous bid, if the rates in the quotation / tender (rather than the overall price) were stated as being dominant within the Invitation to quotation / tender, an amended overall price must be requested to accord with the rates given by the bidder.

Bid Evaluation Process

- 2.1.12.** A formal tender evaluation panel must be appointed by the Accounting Officer (or their delegate) when the value of the contract is (or is expected to be) above £100,000. The composition of which is decided by the value of the contract, complexity and subject. For contracts between £25,001 and £100,000 the evaluation review and recommendation should be made by a minimum of two people
- 2.1.13.** The evaluation criteria must be determined and recorded for each process in advance of requesting the quotes or tenders from potential suppliers. Bids received must be evaluated in accordance with these criteria only.
- 2.1.14.** Following the evaluation of tenders (but before the contract is awarded), an Evaluation Report must be prepared and submitted to the Accounting Officer for approval, or to their delegate where the value of the contract is (or is expected to be) between £25,001 and £100,000. This Report must contain a summary of the procurement

process, an evaluation of the bids and recommend the preferred supplier.

- 2.1.15.** The quote or tender that represents the best value for money for the States may not necessarily be the cheapest. The [Procurement Team](#) should be contacted if users are in doubt of how to complete the evaluation.

Due diligence and award of contract

- 2.1.16.** Prior to awarding the final contract the Accounting Officer (or their delegate) must ensure that appropriate due diligence has been undertaken on the supplier, including checks on creditworthiness, legal standing (including outstanding claims) and the provision of a performance bond if necessary. If the purchase exceeds £100,000 a formal credit check must be performed by the States approved Credit Checking Agency; contact your finance team to facilitate this. A nominal fee will be charged by the external agency. For values less than £100,000 consideration should also be given to a formal credit check where commercial risks are present (e.g. the supplier requires payment up front or 'stage payments' not associated with project deliverables or the goods or services are quite new or innovative to the market).
- 2.1.17.** Where the winning bidder is rejected following due diligence then the next most favourable bid must be selected.

Acceptance of quotations and tenders

- 2.1.18.** All quotations and tenders must be accepted on the basis of offering the best value for money. This is also referred to as the most economically advantageous tender (also called 'MEAT'). Where the quality of the goods or services required is a key factor then the selection of the preferred bidders will not just be based upon the lowest cost.

Notification of results and debriefing the supplier

- 2.1.19.** The Accounting Officer (or their delegate) must inform the successful and the unsuccessful bidders of the outcome of the competitive process (obviously, where quotes have been obtained via a suppliers catalogue, this requirement does not apply)

For quotes and tenders above £25,000, the Accounting Officer (or their delegate) must offer to debrief all those candidates who have submitted a bid. The same information must be given to those who responded in any pre-selection process.

Post Contract Monitoring and Performance Measurement

2.1.20. During the life of the contract, the Accounting Officer (or their delegate) must monitor the contract in respect of:-

- Performance
- Compliance with specification and contract
- Cost
- User satisfaction
- Risk management

For additional monitoring / performance evaluation procedures please refer to the Financial Directions 'Management of Consultants', 'Major Projects' and 'Minor Projects' as appropriate.

Extensions to Contracts

2.1.21. Subject to any statutory restrictions and compliance with Financial Directions, the Accounting Officer may authorise the following extensions to an existing contract:-

- An extension for a particular period provided for within the terms of the contract (but subject to satisfactory outcomes of contract monitoring)
- A single extension of the contract by up to twelve months, or half the contract term (whichever is less)

No contract can be extended so that the total term of the contract spans beyond 60 months unless there is a cancellation clause or unless agreed by the Accounting Officer and Director of Strategic Procurement.

Variations to Contract

2.1.22. Subject to any statutory restrictions and compliance with Financial Directions, the Accounting Officer may authorise the following variations to an existing contract:-

- Any variation (including, if relevant, a consequent change in price) determined in accordance with the contract terms
- Variations to a contract where failure to do so would incur substantial cost penalties to the States, or where the proposed variations are unavoidable and / or essential for the contract to proceed or continue. In these circumstances the additional cost of such variations must not exceed 10% of the value of the contract, up to a maximum of £50,000
- Variations above this level may be authorised by the Accounting Officer only.
- Details of all variations are to be recorded and retained by the Accounting Officer for review and audit purposes

Skills and Training Development

2.1.23. In order to support the development of skills and training within Jersey consideration should be given, where appropriate, to ask companies tendering for large States contracts to report on their commitment to training and the number of new training places they would make available should they win the contract.

The aim is to ensure that companies seeking States contracts are encouraged to consider the extent to which their activities can support the creation of training opportunities within their sector of activity.

Exceptions to the competition process

2.1.24. In the following exceptional circumstances neither quotations nor tenders need to be sought and a single tender may be invited by the Accounting Officer (or their delegate) from a contractor provided that:

- There is only one supplier e.g. of a proprietary part where compatibility with an existing installation is required OR where the requirement is new, the one supplier has a monopoly position in the market because of design or patent restrictions.
- The goods or services to be provided constitute an extension to an existing contract, let in the first instance by means of competition. **PLEASE NOTE** that this is limited to the conditions permitted under 2.1.21.
- As a result of an unavoidable emergency.
- The goods or services to be provided are required so urgently that loss or damage may result from any delay.
- Where the contract is declared secret and when the performance of the contract must be accompanied by special security measures in accordance with the laws, regulations and administrative provisions of the States of Jersey.

In the above instances, where competition requirements have been waived, documentary evidence must be retained to justify the waiver and the prior approval of the relevant Accounting Officer (or their delegate) must be obtained and the evidence of this approval kept on file.

Where procurement action has already taken place (due to an emergency or an urgent requirement), the acknowledgement of the Accounting Officer (or their delegate) must be sought as soon as possible. Where SupplyJersey is used then this acknowledgement must be uploaded as an attachment to the requisition in SupplyJersey.

Procedures prior to raising a purchase order

2.1.25. Before committing the States of Jersey to a purchase, Accounting Officers (or their delegate) must, in a manner that is appropriate to the complexity and value of the purchase:-

- Appraise the need for the expenditure and its priority
- Define the objectives of the purchase
- Assess the risks associated with the purchase and how to manage them
- Consider health and safety and environmental requirements
- Consider what procurement method is most likely to achieve the purchasing objectives, including internal or external sourcing; division of the overall contract into separate lots and collaboration with other purchasers
- Consult users, as appropriate, about the proposed procurement method; contract standards and performance and customer satisfaction.

2.1.26. Accounting Officers (or their delegate) must ensure that there is sufficient budget available and that the purchase represents best value for money before making any purchase.

Raising Purchase Orders

2.1.27. Purchase orders must be raised for all purchases and authorised prior to committing the States of Jersey to a purchase **except those:-**

- Made with a purchase card or petty cash.
- Made using multi vouchers.
- For recurring standard expenditure (such as standing orders for rent, postage).
- Where Corporate Procurement has previously agreed to consolidated invoicing for the supply of goods or services (for example mobile phone, utility bills, fuel, JEP adverts, postal accounts – see Corporate Procurement Prices Page on MyStates for more details).

2.1.28. Wherever practical, a purchase order must contain a precise description of the goods or services to be supplied. Where a discount on the list price has been agreed, this must be recorded on the purchase order (i.e. the net amount must be shown on the order).

2.1.29. In exceptional circumstances purchase order confirmations may be raised retrospectively where the goods or services are required to be secured out of normal office hours or in emergency situations during normal office hours. In this case, the purchaser must give his/her

name to quote on the purchase order which must be raised on the following working day and communicated to the supplier.

SupplyJersey

2.1.30. Where users have access to SupplyJersey a requisition must be raised in SupplyJersey. Once approved a purchase order will be created automatically and a notification sent to the Supplier. More detail on the procurement process in SupplyJersey is included in the SupplyJersey user guide.

JDE Procurement

2.1.31. Where users have access to the Procurement module on JD Edwards (JDE) then you must raise a purchase order via JDE Procurement. Please refer to the detailed user guides on the [JDE Home Page](#) (click on 'Documentation, then select 'Procurement – Order Raising') for details of how to raise a purchase order.

Manual Orders

2.1.32. If you do not have access to the Procurement module on JDE you will need to raise a manual purchase order. Please contact [Accounts Payable](#), Shared Services if in doubt.

Non-JDE orders

2.1.33. For departments with bespoke systems for raising purchase orders the Accounting Officer (or their delegate) must ensure that the data interfaces with JDE and that the procedures followed comply with the requirements of this Financial Direction.

Recording Variations to Contracts and Purchase Orders

2.1.34. A purchase order must be raised for all variations/extensions to an existing purchase order that impact on the final value. The purchase order or contract must include written confirmation of the variation/extension and detail the original tender/quotation reference. Where a formal contract has been signed then any variance to the content of the terms and conditions should be made as a signed addendum to the original agreement.

2.1.35. If the quantity of the goods/value of the services delivered by the supplier is less than the original order and this is acceptable to the Buyer the order can be receipted and closed.

2.1.36. If the quantity of goods/value of the services received from the supplier is more than the original quantity/value the order may be receipted for the revised amount. Under the Scheme of Delegation, additional approval must be obtained before the order is authorised for payment.

- 2.1.37.** Where the variation in quantity/value is fundamentally different from the original requirement a new purchase order must be raised and approved and the original order must be cancelled.

Authorising purchase orders

- 2.1.38.** Only officers authorised via a [Scheme of Delegation](#) can approve purchase orders. Where practical, all purchase orders must be approved by someone independent from the person who raised the order.
- 2.1.39.** The approver is responsible for checking that the purchase is a necessary business expense, that there is sufficient budget available for the expense and that the purchase represents best value for money.

SupplyJersey

- 2.1.40.** For details on how to approve a purchase orders in SupplyJersey please refer to the SupplyJersey user guide.

JDE Procurement

- 2.1.41.** For details on how to approve a purchase order in JDE Procurement please refer to the [JDE order approval guide](#) (Procurement – Approval).

Manual Orders

- 2.1.42.** Authorised purchase orders must be submitted to Shared Services on a timely basis and in advance of receipt of the invoice to ensure that purchases are recorded in the correct period. It is the responsibility of the approver of the order in the relevant department to ensure that any manual purchase order submitted to Shared Services is accurate.

Goods and Services Tax (GST)

- 2.1.43.** GST must be accounted for separately from departmental expenditure. This will be done automatically for all orders processed in SupplyJersey or the JDE Procurement Module. Where a department uses manual purchase orders the correct certification slip must be used. Please contact [Accounts Payable](#), Shared Services if in doubt.

Value Added Tax (VAT)

- 2.1.44.** Where purchasing goods and services from the EU (including the UK) that will be provided in or delivered to Jersey, Accounting Officers (or their delegate) must ensure that where possible VAT is not charged on these purchases. Where VAT is charged, this must be deducted before payment is made.

VAT must not be paid on training courses delivered in the UK. Training for States staff can be zero rated by the supplier, so long as they are provided with a Letter of Assurance.

Placing the order with the Supplier

2.1.45. Once the purchase order has been approved, the supplier must be advised of the purchase order number. Where SupplyJersey is being used the order will be sent to the supplier. Failure of the supplier to quote the purchase order number on the invoice may result in the invoice being rejected by Shared Services and this will delay payment.

Receipting of goods and services

2.1.46. Where practical, all goods and services must be checked on receipt to ensure they are as ordered. Officers must check that the correct price is charged and that the correct States purchase order number is used.

Where goods are faulty or damaged, the supplier must be notified immediately and the goods returned in accordance with the supplier's returns policy.

Supply Jersey

2.1.47. Once goods and services have been received they must be receipted on SupplyJersey. Please refer to the SupplyJersey user guide.

JDE Procurement

2.1.48. Once goods and services have been received they must be receipted on JDE. The invoice will then be matched on JDE to the original order to confirm that what was received and the pricing agrees to the original purchase order.

For further guidance on receipting of goods and services using JDE Procurement see the JDE receipting guide (Procurement – Receipting) on the [JDE Help Page](#).

Manual Orders

2.1.49. The certification slip and process for payment cannot be completed until an invoice is received, regardless of whether physical delivery of goods and services has taken place and a goods received note has been received.

Processing for payment

Supply Jersey

2.1.50. Provided that the Order, Receipt and Invoice match, the invoice will automatically be authorised for payment in the next payment run. Invoices that do not “match” will require further action from the requisitioner for review and approval before authorised for payment.

JDE Procurement

2.1.51. Departments on AP scanning: Invoices will normally be sent by suppliers directly to Shared Services. Invoices sent directly to departments must then be forwarded to Shared Services in a timely manner.

If the invoice matches the original order (either exactly or within a set tolerance) then it will be processed for payment.

If the invoice has not been receipted and does not fall within the set tolerance either the buyer or second approver will receive an email notification telling them that there is an invoice awaiting approval. The links in the email should be followed.

Tolerance issues - If an invoice exceeds the purchase order amount by a set percentage or amount, subject to a minimum difference value, then a tolerance warning will be presented on the invoice approval screen. This is not necessarily an error, there may be a genuine reason the invoice is for a higher value than the order, this is why the message is just a warning and draws attention to the fact that there may be an issue. Before approving the invoice, all lines must be carefully reviewed to ensure that the invoice is reasonable.

If the invoice matches against an order then the business unit and object code will be picked up from this and populated automatically. If not, then Business Unit and Object codes will need to be allocated before an invoice can be approved.

Once approved the invoice will be processed for payment or passed to a second approver if applicable.

Departments not on AP scanning: Invoices will normally be sent by suppliers directly to the departments. Invoices received by Shared Services must be forwarded to the relevant department in a timely manner.

On receipt of the invoice, it must be matched to the original purchase order. A Certification Slip must be completed and must be submitted together with the invoice to Shared Services.

Manual Orders

2.1.52. Where a manual purchase order has been raised:

- The appropriate certification slip must be completed and attached to the invoice received from the supplier. This documentation

must then be sent to Accounts Payable, Shared Services for processing and payment.

- Departments must fill in the certification slip to confirm that the goods or services have been received satisfactorily (compared to what was ordered), and that the price per the invoice is correct. If in doubt, users should contact [Accounts Payable](#).

Paying for goods in advance

- 2.1.53.** Sometimes suppliers require payment in advance of providing goods and services, i.e. before receipt of an invoice.
- 2.1.54.** In SupplyJersey this can be done by receipting the purchase order before goods are received. If you are not using SupplyJersey a pro-forma invoice must be completed and submitted to Shared Services. The use of a pro-forma does not negate the need to raise a purchase order.
- 2.1.55.** Due to the additional risks associated with paying in advance, Accounting Officers must undertake appropriate due diligence procedures before making payments in advance of receipt of goods and services.

Paying a supplier in foreign currency

- 2.1.56.** All foreign currency payments must be raised in pounds sterling as normal per above with the foreign currency value being entered in the 'details' section (converted at the exchange rate ruling that day per X-rates.com). Payment will be made by Shared Services in the foreign currency via HSBC.net. Please note that there may have been FX movement in between raising the order and payment.
- 2.1.57.** A nominal transaction fee for the foreign exchange transaction will be incurred and this will be recharged to your department.

Document retention

- 2.1.58.** For guidance on the retention periods for purchasing-related documentation please refer to the Financial Direction on General Accounting.

2.2 Using Purchase Cards

2.2.1. This section sets-out the requirements in respect of the following:

- [Permitted use of purchase cards](#);
- [Issuing purchase cards](#);
- [Returning purchase cards](#);
- [Cardholder responsibilities](#);
- [Month end procedures – Cardholders and alternative buyers](#); and
- [Month end procedures – Approvers](#).

Permitted use of purchase cards

2.2.2. Purchase cards are designed to reduce the costs associated with processing low value, high volume purchase transactions. They must not be used if the items are available as catalogue items in SupplyJersey or in a situation where either party requires a contract to be signed or for recurring expenditure (e.g. utility bill).

2.2.3. Purchase cards must be used where it will reduce the administration process, improve the efficiency of obtaining goods and develop and improve preferred supplier relationships, without compromising financial/accounting integrity or procurement contracts. They must not be used to circumvent the requirements of this Direction.

2.2.4. Preferred suppliers (i.e. corporate contracts) will be signed up to the NatWest 'Streamline' system. This has the advantage of quoting a reference number (i.e. the States' internal business units and object codes) against each transaction. This reference number will then be identified on the monthly statement. However, other suppliers may be used where a corporate contract does not exist for the item required.

Issuing purchase cards

2.2.5. Officers wishing to obtain a States purchase card must contact their line manager. If the manager so authorises, he/she must contact the [Purchase Card Administrator](#) and confirm authorisation requirements and set the transaction and credit limits and allowable categories of purchase.

2.2.6. The purchase card shall remain the property of the issuing department.

2.2.7. If the cardholder changes his/her name or job they must contact the Purchase Card Administrator who will make the necessary arrangements with the bank. Once a new card is received, the cardholder must cut up the old one and return it to the Purchase Card Administrator. It must not be cut up until the new card is received.

2.2.8. Cardholders must sign a New Purchase Card Receipt Form acknowledging receipt of their card, which must be retained by the Purchase Card Administrator.

Returning purchase cards

2.2.9. Where the cardholder terminates his/her employment the purchase card must be returned to his/her line manager immediately following notice being given. The manager must destroy the card by cutting it in half and return it to the Purchase Card Administrator.

Cardholder responsibilities

2.2.10. The purchase card and associated PIN must be treated with the same respect given to the cardholder's own debit/credit cards.

2.2.11. Cardholders must not give their card number, PIN or security code on the card to another member of staff to use or write it down anywhere where another officer could see it.

2.2.12. If the card is lost or stolen the card holder must notify Natwest Purchasing Card Services **immediately** by telephoning the number on the back of the purchase card. The cardholder must also notify the Purchase Card Administrator, his/her manager and his/her departmental finance team.

2.2.13. Fraudulent misuse of the card will result in the card holder facing disciplinary action, e.g. cardholders must not under any circumstances use their purchase card to fund personal expenditure.

2.2.14. Purchase cards must only be used when the transaction falls below both the cardholder's transaction limit and their monthly credit limit. Cardholders must not bypass the transaction limit by making multiple payments for the same purchase.

2.2.15. Cardholders must check goods received against accompanying paperwork (which will bear the cardholder's name and reference number) and note receipt on the transaction log. This must be done in J D Edwards (JDE) – via the Purchase Card Module - where the cardholder has access.

2.2.16. If goods have been received which are damaged or incorrect cardholders must either:-

- contact the supplier and arrange for the goods to be replaced; or
- contact the supplier and arrange for the goods to be returned. In this case the supplier must be requested to provide a credit transaction voucher which will be included in the next statement.

2.2.17. If an incorrect amount has been billed, the cardholder must contact the supplier directly and agree a course of action. The supplier is responsible for any credit to be made to the account.

2.2.18. If an invoice is received for goods not yet received, the cardholder must contact the supplier directly to ensure the goods have been dispatched. It is a VISA regulation that the transaction should not be processed until the goods are dispatched.

- 2.2.19.** When ordering or purchasing goods cardholders must give their card details and reference, i.e. business unit and object code in the case of a [preferred \(or approved\) supplier](#).
- 2.2.20.** If a transaction has been declined the cardholder must contact the Natwest Purchasing Card Services by telephoning the number on the back of the purchase card. Potential reasons for cards being declined include exceeding transaction/monthly limits, and using a supplier which falls outside of the categories set up on the card. Where a transaction has been declined as a result of exceeding transaction/monthly limits, the cardholder must contact his/her line manager.
- 2.2.21.** If a cardholder wishes to amend his/her transaction or monthly limit, they must contact their line manager who will, if appropriate, contact the [Purchase Card Administrator](#) in writing (e.g. via email) and authorise the amendment.

Monthly procedures – Cardholders and alternative buyers

- 2.2.22.** Each month, cardholders will either receive an email with a link to log on to JDE (and the Purchase Card Module) or have an 'alternative buyer' who will receive the email on his/her behalf. Where an alternative buyer receives an email, he/she must print a hard copy of the list of transactions and give it to the individual cardholder to check and reconcile.
- 2.2.23.** The cardholder must check and reconcile all transactions on his/her transaction log with supporting documentation (e.g. receipts) and correct business unit and object account codes where necessary. The transactions will be authorised electronically by the cardholder or the alternative buyer where the cardholder does not have access to JDE.
- 2.2.24.** Where an alternative buyer is acting for the cardholder, the cardholder must check and reconcile the printed log, ensuring that the business unit and object account codes are correct, and return the signed log (or statement), together with all receipts to the alternative buyer.
- 2.2.25.** The alternative buyer will access JDE and make any changes as required by the cardholder and authorise the transactions on behalf of the cardholder. Once this process is complete the log must be signed by the alternative buyer and together with the receipts must be passed to the approver (i.e. the manager/budget holder).
- 2.2.26.** For a detailed JDE user guide go to the [JDE Help Page](#).
- 2.2.27.** Cardholders must check and clear transactions in JDE by the 6th of the following month. Where an alternative buyer is used the cardholder must check and clear transactions on the printed log and the alternative buyer must then clear these on JDE by the end of the month.

- 2.2.28.** Any JDE systems issues which prevent the clearance of the transactions must be raised by the cardholder or the alternative buyer through the JDE helpdesk and the departmental finance team must be advised.
- 2.2.29.** Where the cardholder does not recognise or disputes a transaction and is unable to resolve the issue with the supplier concerned then he/she must notify the approver, his/her departmental finance team and the Purchase Card Administrator **immediately**. The Payment Card Administrator will liaise with Natwest to resolve the matter (i.e. obtain a refund from the supplier concerned).
- 2.2.30.** The cardholder or alternative buyer must forward a hardcopy of the log (or statement), together with all receipts to his/her designated approver (e.g. manager/budget holder). A full detailed listing of purchases is required, and cardholders must ensure that adequate time is allowed for approvers to check and authorise transactions.

Monthly procedures – Approvers

- 2.2.31.** Each month, the approver will receive an email with a link to log on to JDE (and the Purchase Card Module).
- 2.2.32.** Approvers must check all transactions and receipts and approve the transactions electronically in JDE. The approver must then sign the printed log (or statement) for the cardholder and send this together with supporting documentation to the departmental finance team by the 6th of the following month. The documentation will be checked and retained for audit purposes.
- 2.2.33.** It is the approver's responsibility to ensure that there is supporting documentation for each transaction recorded on the statement before forwarding it to the departmental finance team. The approver must also check that the purchase appears reasonable and in accordance with the cardholder's work responsibilities.

2.3 Purchases using the Internet

2.3.1. This section sets-out the requirements in respect of using the internet to purchase goods. It covers the following situations:

- placing orders using the internet and making immediate payment using a purchase card; and
- placing orders using the internet for goods which are then invoiced in the normal way.

Appropriate use of the internet when purchasing goods

2.3.2. Use of the internet to purchase goods is appropriate where:-

- processing costs are reduced or saved; and/or
- improved value for money can be achieved through greater choice.

2.3.3. Use of the internet is not appropriate where:-

- it encourages expenditure that would not otherwise have been made; and/or
- excessive time is spent "shopping around" to achieve small improvements in cost; and/or
- there are any concerns over security.

Security considerations

2.3.4. You should get to know a company before they buy. Are the company's registered details displayed on the home page? Is there some form of accreditation which can be verified (e.g. a website which is Payment Card Industry Data Security Standard (PCI DSS) compliant will conform to high standards regarding security of credit card data). If you are unsure do not buy.

2.3.5. Passwords must not be the same as any passwords used to access States of Jersey computer systems and must be kept completely secret (in the same way that you would look after your personal debit/credit card PIN number).

2.3.6. You must ensure that you are using a secure browser to access the World Wide Web. The States of Jersey IT Network restricts access to secure sites from networked desktop computers by default. Requests for access to such sites will need to be approved by your Accounting Officer using a standard form published on the intranet by the Information Services Department (ISD). ISD reserves the right to deny access where research indicates an unacceptable security risk to the network.

2.3.7. You must check the web site address; a secure site will often have https:// at the beginning instead of http://, with the 's' standing for

'secure'. You must never send your card details by e mail (i.e. if the address starts mailto).

- 2.3.8.** You must say 'yes' if the website gives you the option of using a secure checkout.
- 2.3.9.** You must ensure that only one browser window is open when submitting any data.
- 2.3.10.** Purchases must not be made from private sellers, including auction sites such as E-Bay.
- 2.3.11.** You must read the delivery and return policies on the seller's home page before completing an on-line transaction. You must check the ability to return any unsatisfactory items and whether the States would receive a refund or a credit from the seller. Ideally, the website should also cover delivery methods, delivery cost, currency accepted, taxes applied, and a contact telephone number or e mail address. (Please note that, whatever the seller states in their returns policy, under the distance selling regulations in the UK, suppliers are obliged to allow a period (usually 7-14 days) for goods to be returned (for whatever reason) if ordered over the internet. There may be a charge for carriage in either or both directions.).

Keeping proper records of the transaction

- 2.3.12.** You must keep a record of all online transactions and the website address. Print and save a copy of your completed order form and of your order confirmation. Most reputable suppliers will email you with an order confirmation within 24 hours.

Goods and Services Tax (GST)

- 2.3.13.** As the States of Jersey has Approved Trader status, GST is not paid to Jersey Customs on imported goods, although the value of all imported goods must be declared on the Quarterly GST Return.

Value Added Tax (VAT)

- 2.3.14.** Remember to pay specific attention to VAT (or the European equivalent):-
 - Does the price include tax?
 - If so, will you be able to reclaim it? It is always preferable to try and get the supplier to remove the tax at source if it is not applicable.
 - Some suppliers' web pages do not allow for zero VAT but will remove the tax if you e-mail them and request it.

Inspecting goods

- 2.3.15.** When taking delivery of goods that you have bought online, you must check that they are exactly what you have ordered. If you are unhappy with the quality, or have any other problem, you must first contact the supplier. If you have any difficulty resolving the query with the supplier, then you must contact your Purchase Card Administrator for guidance.

Using purchase cards to buy over the internet

- 2.3.16.** Essentially, controls surrounding internet ordering and payments are an extension of those surrounding general expenditure on goods and services and of making purchases using a purchase card. For example, single transaction and total expenditure limits placed upon purchase cards apply equally to internet transactions, and expenditure will be approved by the manager in the normal way.
- 2.3.17.** Where a manager does not want to allow use of the internet to order and pay for goods, he/she is free to give appropriate directions to staff. An alternative option for a manager is to have a purchase card dedicated to internet use, potentially with lower financial limits than other authorised cards. In the event that this option is pursued, physical security of this card is vital and it must be assigned to a single named individual officer and security details must not be shared among staff.

Placing purchase orders only using the internet

- 2.3.18.** Where suppliers accept internet orders for goods and invoice separately for payment, the controls to be exercised over the ordering process must be no less than those applied to orders placed in other ways. In this situation you must follow the procedures set out in section 2.1 of this Financial Direction. Expenditure will be approved by the manager in the normal way.

2.4 Committing a future year's expenditure

- 2.4.1.** It may be necessary or expedient for a department to order goods and/or services towards the end of a financial year for which no provision has been made in that year's budget allocation. For example, by pre-ordering a better price or discount can be achieved and/or continuance in service provision is ensured.
- 2.4.2.** This type of pre-ordering is permissible under the Law¹ providing that:
- the goods and/or services are neither received nor paid for until the following financial year; and
 - the relevant budgetary provision exists in the following financial year to meet the expenditure.
- 2.4.3.** Accounting Officers must be able to justify why the early ordering of goods and/or services was necessary and that the goods and/or services were required as part of the normal course of business.
- 2.4.4.** At the year end this type of transaction should show as an open but "unsatisfied" purchase order.

¹ Article 18(6)(b) of the Public Finances (Jersey) Law 2005.

2.5 Expenditure on Information Technology, Systems and Services

Power to agree IS expenditure

- 2.5.1.** Departments intending to undertake expenditure on information systems (IS), including any business project with an IS element, must do so with the agreement of the relevant Business Support Group (BSG) manager.
- 2.5.2.** Departments wanting to purchase new IS assets (e.g. a PC for an additional member of staff) must be able to demonstrate to the Director of Information Services that it is making adequate ongoing provision for their replacement and maintenance. This responsibility is normally discharged by the relevant Finance Director in conjunction with the BSG Senior Manager.

3

GOVERNANCE

Legal Responsibilities

3.1 Under the Law, the Accounting Officer of a States funded body must ensure:

- Expenditure does not exceed the amount appropriated to it by a head of expenditure and is used for the purpose for which it was appropriated (Article 38(2) (a));
- In so far as practical, all money owed is duly paid (Article 38(2) (b); and
- The resources of the body are used efficiently and effectively (Article 38(2) (f)).

Scheme of Delegation

3.2 In the absence of delegation, only a Minister can enter into a contract (in respect of a department). The Minister may delegate this power to one of his / her Assistant Ministers or to a States employee (who will typically be the relevant Accounting Officer).

In the absence of a Scheme of Delegation, only an Accounting Officer can incur expenditure. The Accounting Officer may delegate this power, if appropriate, to another States employee. However, the Accounting Officer will remain ultimately accountable for all financial duties and responsibilities.

Where the Minister and / or Accounting Officer delegate their financial authority, a Scheme of Delegation must be documented. The Scheme must detail what authority has been delegated to whom and the limit placed on that delegation. For example, details on the following must be included:

- Who is authorised to accept tenders and to what value;
- Who can sign contracts and to what value;
- Who can place orders (and spend on a purchase card) and to what value;
- Who can approve orders (and purchase card transactions) and to what value; and
- Who can approve invoice payments and to what value.

Required / Assumed Knowledge of this Financial Direction

Accounting Officers

3.3 Accounting Officers must have a detailed knowledge of the [procedures for obtaining quotations and for tendering](#) where a corporate contract does not already exist. Otherwise, required knowledge of the other Specific Requirements of this Financial Direction by Accounting Officers will depend on the Scheme of Delegation (if any) in place within their department. However, as mentioned in section 3.2, the Accounting Officer remains personally accountable.

Budget holders

Budget holders who are involved in the procurement of goods and/or services must be aware of the details of this Financial Direction as it applies to them. For example, if a budget holder is responsible under the Scheme of Delegation for approving purchase orders then he/she must be aware of the requirements for authorising orders in [section 2.1](#) of this Direction.

Finance Directors

Finance Directors are responsible for developing and maintaining control and assurance processes at department level and therefore need to be comfortable with all of the Specific Requirements set out in [section 2](#) of this Financial Direction.

Operational staff

All officers with purchasing power need to be comfortable with the Specific Requirements that are relevant to them, i.e. knowledge is required on a need to know basis. For example, if they are involved in raising orders but not approving them, then they do not need detailed knowledge of the purchase order approval process contained in [section 2](#). All staff raising and/or approving orders on SupplyJersey need to be comfortable with the relevant sections of this Financial Requirements.

Departmental Compliance Procedures

- 3.4** Accounting Officers are responsible for ensuring that a control and assurance framework is in place in their department.
- 3.5** Finance Directors are responsible for developing and maintaining a control and assurance framework at departmental level. They are also responsible for implementing assurance processes (e.g. compliance procedures and assurance statements).
- 3.6** Finance Directors must ensure that departmental assurance processes are documented. A robust assurance framework will assist

Accounting Officers in the preparation of the annual Statement on Internal Control.

4 SELF-CERTIFICATION CHECKLIST

	Yes	No	N/A
<u>2.1 Procedures to be followed for all purchases</u>			
Before commencing the procurement process, have you established whether an approved contract already exists? (see section 2.1.2)			
Where an approved contract does not exist, have you estimated the value of the proposed purchase before considering the thresholds for obtaining quotations and tendering? (see section 2.1.3)			
Having estimated the expense value, have you complied with the relevant procedures for obtaining quotations and tendering where an approved contract does not exist? (see section 2.1.4)			
Where an approved contract does not exist and the estimated value of the proposed purchase is greater than £25,001, have you complied with the additional procedures set out in sections 2.1.8 to 2.1.24?			
Before committing the States of Jersey to a purchase, have the requirements set out in section 2.1.25 been considered at an appropriate level?			
Does the purchase represent best value for money and is there sufficient budget available to make the purchase (see section 2.1.26)?			
Has a purchase order been raised in accordance with sections 2.1.27 to 2.1.32 as appropriate?			
Where a purchase order was required to be raised, has it been correctly authorised? (see sections 2.1.38 and 2.1.42 as appropriate)			
Has GST been correctly accounted for where GST has been paid to local suppliers? (see section 2.1.43)			

Have you ensured that VAT has been deducted prior to making payment? (see section 2.1.44)			
Where a purchase order was required to be raised, have you advised the supplier of the purchase order number? (see section 2.1.45)			
Have you complied with the requirements in sections 2.1.46 to 2.1.49 as appropriate on receipt of the goods or service?			
Has payment to the supplier been processed correctly? (see sections 2.1.50 to 2.1.56 as appropriate)			
Are you aware of the document retention requirements in respect of purchasing-related transactions? (see section 2.1.58)			
<u>2.2 Using purchase cards</u>			
Are you using your purchase card appropriately, i.e. for low value, high volume transactions, and not for circumventing the requirements of this Financial Direction? (see sections 2.2.2 to 2.2.4)			
Have the requirements for issuing your purchase card been complied with? (see sections 2.2.5 to 2.2.8)			
Where you have terminated your employment, have you returned your purchase card to your line manager? (see section 2.2.9)			
Are you satisfying your responsibilities as a purchase cardholder around card/PIN security, monthly/transaction limits, lost/stolen cards, and receipt of goods and accompanying paperwork? (see section 2.2.10 to 2.2.21)			
Do you check and reconcile transactions on a monthly basis and ensure that adequate documentation is available to support all transactions? (see sections 2.2.22 to 2.2.26)			
Do you clear all transactions in JDE by the 6 th day of the following month? (see sections 2.2.27 and 2.2.28)			
Where you do not recognise or dispute a transaction do you deal with this (immediately and) in accordance with section 2.2.29?			

Does your designated approver (e.g. manager/budget holder) receive all of the documentation necessary to approve your card transactions on a timely basis? (see section 2.2.30)			
As an approver, are you complying with the requirements around monthly processes? (see sections 2.2.31 to 2.2.33)			
<u>2.3 Purchases using the internet</u>			
Are you using the internet appropriately, i.e. to purchase goods to reduce/save processing costs and/or achieve greater value for money? (see sections 2.3.2 and 2.3.3)			
Are you complying with the security considerations when using the internet to purchase goods? (see sections 2.3.4 to 2.3.11)			
Are you checking that GST is not paid to Jersey Customs on imported goods? (see section 2.3.13)			
Are you paying attention to VAT when purchasing over the internet? (see section 2.3.14)			
Are you complying with the requirements of section 2.3.15 on receipt of goods that you have purchased over the internet?			
When you are using your purchase card to buy goods via the internet, are you complying with the requirements of sections 2.3.16 and 2.3.17 and with the relevant sections of 2.2 of this Direction?			
When you are raising an order to buy goods via the internet are you complying with the requirements of section 2.3.18 and with the relevant section(s) of 2.1 of this Direction?			
<u>2.4 Committing a future year's expenditure</u>			
If you are pre-ordering towards the end of the financial year and no budget provision exists, will the goods/services be received and paid for in the following financial year? (see section 2.4.2)			
Can you justify pre-ordering the goods/services? (see section 2.4.3)			
<u>2.5 Expenditure on Information Technology, Systems and Services</u>			
Have you obtained agreement from your Business Support Group manager prior to making any IS-related purchases? (section 2.5.1)			

When purchasing IS assets, have you ensure that there is adequate ongoing provision for their replacement and maintenance? (section 2.5.2)			
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