

# Prequalifying suppliers guide



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**Disclaimer**

This document is intended as a guide only for the internal use and benefit of government agencies. It may not be relied on by any other party. It should be read in conjunction with the Queensland Procurement Policy, your agency's procurement policies and procedures, and any other relevant documents.

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**Administration**

Version 1.3 of this document replaces all previous versions of this document and takes effect immediately.

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## Introduction

Prequalification of suppliers can be a complex activity that requires expertise in the area. This guide is intended only as a starting point to provide an overview of the main issues that need to be considered. It is not intended that this guide replace expertise and other valuable resources that are required to produce successful outcomes.

## Purpose of this guide

The purpose of this guide is to provide information about prequalification of suppliers for the Queensland Government.

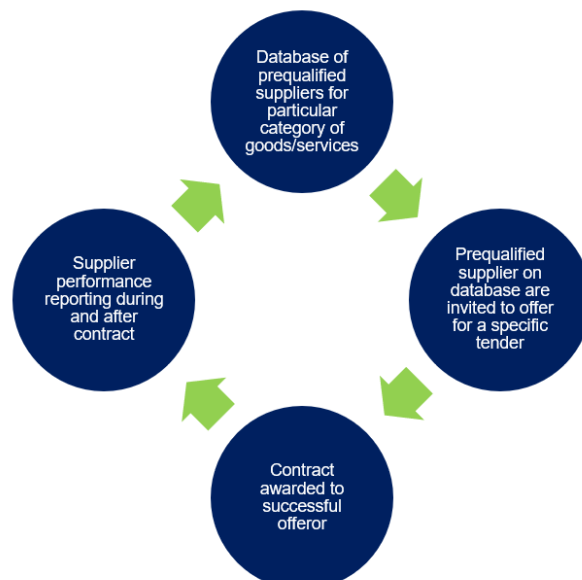
## How should this guide be used?

This guide should be read in conjunction with the Queensland Procurement Policy and your agency's procurement procedures.

## What is 'prequalification of suppliers'?

Prequalification is a method whereby suppliers of goods and/or services are assessed against pre-determined criteria and then only those suppliers who satisfy the prequalification criteria are invited to offer. Prequalification provides buyers with added confidence that suppliers being invited to offer already have the capability to supply the goods and/or services. Prequalification does not necessarily eliminate the risk of contract failure, but, if well managed, is a method of reducing the risk and administrative burden created by repeated approaches to the market.

Suppliers that are successful in meeting the prequalification criteria are generally included on a database maintained by the buyer. Prequalification of suppliers is a strategy best used when the buyer procures a particular type of good/service on a regular basis and the procurement tends to be complex and/or costly and/or there is a high degree of risk involved in the procurement.



The diagram above provides an overview of how a prequalification system fits within a tendering process where it has been determined as the most appropriate strategy for the procurement of a particular category of goods/services.

Potential suppliers are assessed against specific criteria established by the buyer and if successful are placed on a prequalification database. When a specific need arises for the buyer, the prequalified

suppliers are invited to offer. The offers are evaluated by the buyer according to the specific offer evaluation criteria and the successful offeror is awarded the contract. Performance reporting about suppliers is an integral part of any prequalification system and should be incorporated into the system.

More information about the process of establishing a prequalification system is provided later in this guide.

## Why use prequalification of suppliers?

Prequalification is a useful method of gaining knowledge of specific groups of suppliers with the primary aim of minimising cost and risk for both buyers and suppliers. The cost to suppliers of preparing and submitting an offer and the cost to buyers of managing the tendering process and evaluating offers can be expensive. Consequently, in specific circumstances, it is in the buyer's and supplier's interests to confine the invitation to offer to suppliers with a proven track record and that have a reasonable chance of winning the tender.

Other important reasons for prequalifying suppliers include:

- providing agencies with enhanced confidence in the ability of its suppliers to deliver satisfactory outcomes in terms of time, cost and quality
- providing a framework for assessing and aligning contract risk with supplier risk in the supplier selection process
- streamlining the process of selecting suppliers
- providing objective, quantifiable data to support the decision-making process in the selection and subsequent performance monitoring of suppliers
- setting clear and visible standards for performance by suppliers
- differentiating suppliers as a basis for getting the best match between suppliers and government contracts
- encouraging the development and improvement through periodic review and adjustment of the prequalification criteria
- enhancing security of payment in the supply chain by early identification and appropriate management of suppliers who do not have adequate financial capacity.

### What is the difference between prequalification and multi-staged procurement?

A multi-staged procurement process is useful in complex, high value or new areas where the buyer needs to learn more about the goods/services or the market. This can involve the following stages.

- Stage 1: Expression of interest (or request for information) – aims to find out more about the market, the available goods/services and the capability of the industry to satisfy the need or solve the problem.
- Stage 2: Request for proposals – buyers invite proposals from suppliers to solve a problem or provide goods/services.
- Stage 3: Short-listing proposals – buyers identify those suppliers most capable of delivering the requirements.
- Stage 4: Submission of final offer – suppliers are invited to submit their final offer.

Multi-staged procurement is time-consuming and expensive for both the buyer and suppliers and although there are some similarities between multi-stage procurement and prequalification, there are key differences. The following table compares multi-staged procurement to prequalification.

Prequalification of suppliers	Multi-staged procurement
A process which aims to qualify competitive suppliers in a particular industry that are capable of providing a specified category of goods/services potentially for a number of distinct transactions/contracts.	A staged tendering process which aims to select one supplier capable of providing specified goods/services for a specific contract.
There is no specific tender in mind when suppliers are prequalified, but there is potential for suppliers to win a range of contracts.	There is a specific need identified by the buyer when entering into this process.
There is the potential for prequalified suppliers to win many tenders over time; however, prequalified suppliers are not necessarily given any guarantee of work.	Generally, there is only one supplier that will win the tender.
Eliminates those offerors from the process that do not meet the criteria.	Eliminates those offerors from the process that do not meet the criteria at each stage.
Aims at reducing the costs of tendering by both the supplier and the buyer.	Aims at reducing the costs of tendering by both the supplier and the buyer.
Aims at minimising the risk of contract failure.	Aims at minimising the risk of contract failure.

## When should prequalification of suppliers be used?

The need for establishing a prequalification system requires careful consideration. It may be helpful to consider it in the framework of a business case where the qualitative and quantitative costs and benefits are weighed up for a particular market for a particular agency.

A number of factors need to be thoroughly examined in terms of weighing up the benefits against the costs. Prequalification of suppliers is a beneficial strategy in only a small number of circumstances. The following key issues are provided as a guide to assist research and analysis if agencies are considering establishing a prequalification system.

## Types of goods/services

Generally, the types of goods/services appropriate for establishing prequalification systems are complex in nature and often involve a significant element of service. For example, construction of major works or roads involves supply of goods (concrete, steel, gravel or asphalt, etc.) and the supply of a range of complex building related services including engineering, architecture, project management, surveying, etc. In addition, such goods/services are most likely to be categorised by agencies as significant procurements.

## Market factors

Market factors can include:

- market structure** - means the number, size and distribution of competitors in a market, ranging from 'perfect competition' (many suppliers with the same product) to a 'monopoly' (only one supplier). Prequalification is most useful when there is many competitive suppliers in a particular market. Developing offers can be a costly exercise for suppliers and costly for buyers evaluating the offers, particularly when many suppliers submit offers. Prequalification may not be appropriate where there is a tendency for increasing industry concentration

because if poorly managed, prequalification could exacerbate this tendency. The volatility of the market where suppliers may easily go out of business or be part of a takeover or merger with another company, is also an important factor to research when considering setting up a prequalification system

- **competition** - identifying the way that suppliers compete in the market; for example, price, quality, service, brand image, etc. The level of competition will be greatly affected by the type and level of barriers to entry and exit in a particular market. In establishing a prequalification system, agencies must be careful not to create barriers to entry and restrict competition. In order to minimise a breach of Part IV of the *Competition and Consumer Act 2010 (Cth)* (the 'CC Act'), when developing the prequalification criteria, ensure that they are not overly restrictive so the result is only a few prequalified suppliers

### Important! *Competition and Consumer Act 2010 (Cth)*

CC Act implications when establishing a prequalification system will depend on the nature and scope of the market. If it is a wide market with many suppliers and many substitute goods/services then there is unlikely to be any effect on competition. However, if it is a narrow market with few suppliers then care needs to be taken in relation to the possibility of breaching Part IV of the CC Act. Whether the market is considered wide or narrow will need to be the subject of thorough analysis. In addition, it is wise to seek legal advice to ensure that agencies establishing prequalification systems are not breaching the CC Act.

To minimise the risk of breaching the CC Act, provide all potential suppliers with the opportunity to apply for prequalification on a regular and ongoing basis so that all competitive local suppliers are given full, fair and reasonable opportunity to supply to the Queensland Government. This is also good practice as it ensures the agency keeps current on what's happening in the market. In addition, ensure that the prequalification criteria is set and applied uniformly and objectively by representatives of both the government and industry groups.

- **supply chain** - a supply chain consists of all members involved in the process of creating a good/service from inputs through production, distribution and marketing to the end user. It may be necessary to determine the complexity and the efficiency of the supply chain. For example, it may be determined that suppliers in the chain are unreliable or poorly managed and the agency's suppliers may be highly dependent on other suppliers in the chain. To avoid problems the agency needs to be aware of such dependencies and manage them. Such information (if applicable) could be obtained through the prequalification application process
- **substitute goods and services** – a thorough analysis of the market may reveal that there are substitute goods/services that may equally satisfy a buyer's needs. This information is important when considering the development of the criteria for prequalification. Focussing on the outcome required from the procurement and not the process itself can open the market to a wider range of suppliers to be assessed for prequalification. The more capable the prequalified suppliers are the better the chances are to engender competition through the tender process, which can lead to a better outcome for the agency
- **the agency's value as a customer** - it is important to consider the agency's value to suppliers within the market. Using prequalification as a strategy to approach the market assumes that the buyer is a valued customer within a particular market. For suppliers to devote the time and effort of providing (sometimes significant) detail about their business when applying for prequalification, the agency needs to be perceived as an attractive and important customer. Attractiveness means how much an agency generates in revenue for a supplier; the reputation of the agency in its dealings; ease of managing an agency's account; potential growth of sales to the agency; potential to use the agency as a marketing platform;

and the level at which the agency contributes to the development of the industry or specific businesses

- **environmental factors** - understanding the competitiveness and reliability of the relevant market may also involve gathering information about legal, political, cultural, economic or technological factors that affect the supply market or the ability to purchase. For example, there may be Australian Standards or, in the absence of an Australian Standard, an international standard, or government policies that dictate the standard of quality that goods/services must reach before an agency is able to procure it.

## Cost of the transaction

The cost of a procurement transaction means all the costs related to buying the good/service, except the actual cost of the good/service. This includes the costs (mainly human resource costs) involved in:

- establishing the need for the procurement
- planning the procurement
- identifying sources of supply
- approaching the market to seek offers for supply
- verifying statements in the offer documentation
- evaluating offers
- selecting suppliers
- ordering and processing payments
- managing relationships with suppliers including supplier performance monitoring and management.

Where these costs are assessed as high and the type of procurement is frequent (see below), this may add to the case for establishing a prequalification system to achieve cost savings through reduction of repetitive agency activities.

## Frequency of purchase

For an agency to go to the expense and effort of establishing a prequalification system, the requirement for the goods/services would need to be frequent enough for the benefits of the system to outweigh the costs. Even if the procurement of the good/service is high risk and very costly, the best procurement strategy may not involve prequalification.

Determining how often a good/service may be required can be worked out by checking the agency's past transactions. An estimate can be determined about the amount of transaction costs involved in each procurement and then a total over a period of time. For example, 'Good/Service A' has been purchased by Department of XYZ 10 times in the past 2 years and transaction costs are estimated at \$20 000 per procurement. This calculation can be compared against the estimated cost for establishing and maintaining a prequalification system over the same period of time given that prequalification is otherwise indicated.

## Risk factors

Prequalification may be useful when dealing in markets with specialised suppliers where they could expose the buyer to risk, through the supplier's financial viability or the quality of the outcome. Risk is generally increased when the buyer is committing to an output that is delivered through the completion of a project rather than an off-the-shelf product.

The buyer must weigh up these factors and consider the relative costs and benefits of establishing a prequalification mechanism rather than pursuing other procurement strategies.



**Important!**

Prequalification should be used to complement, not duplicate, government business or occupational licensing. For example, there is limited value in having identical requirements for prequalification and licensing.

## When should prequalification of suppliers not be used?

Prequalification is only beneficial in a small number of circumstances. Many suppliers do not need to be prequalified to supply the government. When procuring off-the-shelf goods/services where there are several sources of supply and the procuring is low risk, there is no advantage in establishing prequalification systems. In addition, if the procurement is once-off or infrequent, prequalification of suppliers adds no value and is not an appropriate procurement strategy.

The process of prequalifying suppliers can be resource intensive in terms of people and systems for its initial establishment and ongoing maintenance. Generally, it is only practical to establish a prequalification system where there is a continuing need by the buyer which justifies the cost of setting up and maintaining the system. Due to its potential costs, impact on the agency and possible impact on a particular industry, the decision to establish a prequalification system should be supported by a solid and thoroughly scrutinised business case.

## How is prequalification being used by the Queensland Government?

The Queensland Government currently has a number of prequalification systems in place<sup>1</sup>.

- The **Prequalification (PQC) System** for prequalified building consultants and contractors, administered by the Department of Housing and Public Works ([www.hpw.qld.gov.au](http://www.hpw.qld.gov.au)).
- The **Transport Infrastructure Project Delivery System (TIPDS)**, administered by the Department of Transport and Main Roads ([www.tmr.qld.gov.au](http://www.tmr.qld.gov.au)).

Please refer to each department's website for further information.

## What criteria can be used in prequalification?

A critical component of the prequalification process is determining the criteria that buyers need suppliers to satisfy in order to successfully complete contracts or supply the goods/services. The criteria need to facilitate reliable, valid and objective assessments of a supplier's capability. Depending on the market in which the goods/services are being procured, the criteria may vary. The importance of each criterion can also vary, depending on the nature of the work or service required and the industry involved. This means that the information buyers require from suppliers about each criterion will also vary. Some typical considerations for criteria are provided below.

These are intended as a general guide only and have been categorised into five broad groups:

1. **technical capability and experience**
2. **financial capability**
3. **systems and managerial capability**

<sup>1</sup> These were the known prequalification systems at the time of writing; these are subject to change or withdrawal without prior notice. Users of this guide should undertake their own enquiries to determine the currency of any prequalification system or whether any new systems have been introduced subsequent to the writing of this guide.

#### 4. people

#### 5. business/organisation factors.

The explicit information required about suppliers will need to be determined for the market sector in which they supply. The important question to answer through the process of developing criteria is: **What criteria will determine the success of suppliers to meet the buyer's needs?**

Information about suppliers is usually elicited by a written application with a series of questions which the buyer has developed for the express intention of prequalification. The application may be based on a self-assessment where the supplier completes the form and the buyer accepts the responses without further verification. However, self-assessment may not be appropriate in all circumstances. To adequately assess suppliers against each criterion, the buyer may need to ask a number of questions.

The method for evaluating applicants against the criteria must also be established prior to distributing the applications. How will the applicant's responses be measured? What is the scale of responses for any question criteria? It may range from developmental stage to industry best practice. What are the mandatory criteria and what are the desirable criteria (if any)? Will weightings be assigned to the criteria? Also, how will the various applicants be categorised (if applicable), for example by the type of goods/services they provide and the size (in dollar terms or level of complexity) of the contracts they are assessed as capable of undertaking.

The people involved in developing the criteria may include procurement officers, finance officers, technical experts and others who may be involved in the procurement/project including end users. Knowledge about the supply market is essential when developing the criteria.

Any risks associated with Part IV of the CC Act will be minimised where criteria is set and applied uniformly and objectively.

#### Hint - Prequalification criteria

The questions asked of suppliers should seek information relating to capability with respect to the **common elements** that would be specified in any tender that the supplier may be invited to offer. The actual invitation to offer for specific contracts will then have the project specific requirements.

## Technical capability and experience

Suppliers need to be assessed according to their capability to successfully supply their goods/services to the buyer on time, within budget and to the specified quality. This is best assessed by examining a supplier's past and current performance in similar types of contracts (that is, similar value, risk, and nature of the procurement).

This includes determining the supplier's history starting with how long they have been in business and, in particular, how long have they been doing the type of work they are currently offering. In addition, finding out if the supplier has ever supplied to the Government previously, or if they intend to increase or decrease their current work scope could also be useful.

Questions about past performance could include a description of the job and its key outcomes, the name of the client organisation, the standard of the work, time management, value and size of the job.

Determining capability through past experience can be greatly assisted by doing referee checks with the supplier's past clients.

Questions about innovation and local industry development may also contribute to understanding an applicant's capability.

## Financial capability

For high value and/or high risk procurement, suppliers should be assessed to determine their financial viability. This is particularly critical for large contracts like construction of major works and main roads.

If high value contracts fail because of poor financial management by the supplier, there can be a number of significant negative impacts including time delays in completing major projects, non-payment of subcontractors and other suppliers, additional costs of engaging another supplier to complete the original contract, disruption in the community, and political impacts. Assessing a supplier's financial capacity provides the buyer with a degree of confidence that their expectations can be met.

The level of detail required from the supplier will depend on the type of industry and the value and risk implications of potential contracts. For large value, high risk procurement like construction of major works and roads, a great amount of detail about a supplier's financial capacity is required.

For example, information may need to be sought about a supplier's assets and liabilities, profitability, availability of funds, etc. This information can be supplied by the applicant based on their own financial records. However, there may be a need for a more rigorous check to confirm the financial information supplied by the applicant.

## Management systems capability

The level of confidence a buyer has in a supplier is generally influenced by the buyer's assessment of the likelihood that the supplier will still be in business to complete the job or for work in the future. The type and depth of systems and processes a business has in place can give an indication of the performance and potential of the business.

Questions in this criterion could be asked about quality management systems, compliance with specific legislation (e.g. workplace health and safety), environmental management and technology to support such systems.

### The Queensland Government's Quality Assurance Policy

When developing the criteria for prequalification, the level of quality assurance required will need to be assessed in accordance with the Queensland Government's Quality Assurance Policy.

A copy of this policy is available from the [Department of Housing and Public Works'](#) website.

## People

Criteria relating to the supplier's human resources are often important. Relevant information could include:

- the number of employees and managers
- the ratio of temporary to permanent employees
- the organisational structure and position descriptions.

Similarly, the stability of the workforce could affect a contract:

- what is the average length of service?
- what is the supplier's industrial relations record?
- what workplace health and safety systems are in place and what is the company's record?

Importantly, determine the experience and qualifications of key people and what training and development is provided for employees. In addition, brief curriculum vitae (CV) of key staff members may be useful.

## Business/organisational factors

Questions about the way a supplier conducts its business can provide important information about its capability.

- What is the supplier's resource availability and current commitments and workload?
- What continuous improvement practices are in place?
- How does the supplier demonstrate its commitment to client satisfaction?
- How does the supplier demonstrate its safety and environmental responsibilities?
- How does the supplier fit into the overall supply chain?
- Has the supplier articulated a business plan strategy?

In addition, there may be industry specific matters to consider, including:

- registration to a board/professional body
- insurances (e.g. professional indemnity insurance)
- industry standards
- best practice (e.g. a particular project management method).

Keep in mind that an application for prequalification does not include the project or procurement specific requirements that would need to be included in the request for offer/proposal stage.

## What is the process of prequalifying suppliers?

This section provides broad guidance about the key steps that agencies may consider if establishing a prequalification system.

### Step 1: Identify and justify the need for the goods/services

As a first step, the agency needs to identify that there is a genuine need for the goods/services. This is achieved through procurement planning and involves:

- specifying the objectives to be achieved
- identifying the goods and services needed
- understanding the supply market and suppliers.

### Step 2: Determine the most suitable procurement strategy

Identify the appropriate procurement strategy to achieve the outcomes sought.

For significant procurements, which are those procurements identified by the agency as being high expenditure and/or for which there is a high degree of business risk, their respective significant procurement plans would identify, amongst other things, procurement strategy options. It is highly likely that the types of good/services that would need to be procured through establishing a prequalification system would be significant procurements.

### Step 3: Develop the prequalification framework including criteria and procedures

Planning is a key activity prior to setting up a prequalification system. Consideration by appropriately qualified and experienced people needs to be given to the issues of developing the prequalification framework. The following list includes some of the issues that need to be considered in the planning stage:

- will there be various categories of goods/services within the one prequalification system?
- how will suppliers be differentiated according to their capability (e.g. a prequalification rating)?

- how will suppliers be categorised so they are best matched to the specific type of procurement?
- what criteria will best determine a supplier's capability to deliver outcomes to the Queensland Government?
- how will the criteria be assessed?
- where will information about prequalified suppliers be stored?
- what measures are in place to protect the security and confidentiality of the data?
- how will the information be maintained so that it is accurate, current and user-friendly?
- how will the use of the prequalification system be communicated to other users within the agency or across the Queensland Government?
- how will suppliers be targeted to apply for prequalification?
- how will supplier performance be managed on an ongoing basis?
- what documentation needs to be developed for users of the system including the staff that are responsible for managing and maintaining the system, government officers who would use the system, and suppliers that want to apply to be listed on the system?

A set of prequalification criteria needs to be developed which represent the agency's requirements of the supplier to successfully complete contracts or supply goods/services. Some examples of criteria include the supplier's technical, financial, management systems and business capability and past performance.

For more detail about criteria refer to the section 'What criteria can be used in prequalification?' earlier in this guide.

#### Hint – Consultation

Consulting with the relevant industry association could be helpful in the planning stage of developing the prequalification system and providing input into the development of criteria.

In addition, policies, procedures and roles need to be developed and documented about the prequalification system. Because of the commitment of resources and possible impacts on supplier markets, the establishment of a prequalification system will most likely require formal endorsement from senior management within the agency.

## Step 4: Develop the application for suppliers to respond

When developing the application, specific questions that aim to determine the applicant's capability according to each criterion need to be developed. It is also important at this stage to work out how responses will be measured and what makes up a 'good' response as opposed to a 'poor' response (what kind of scale will be used?). What are the mandatory requirements that a supplier must meet to be included on a prequalification list and what are the desirable or highly desirable requirements? How will these be weighted to reflect their relative importance? Mandatory requirements should be stated clearly upfront to potential applicants. Also, determine the conditions under which applicants are included onto the prequalification list or excluded and why. Arrangements for providing feedback to unsuccessful applicants should also be outlined.

Ensure that you provide the format for suppliers to respond to the application, that is, a standard form that suppliers must complete.

### Hint – Approaching the market

Once the application form has been developed and tested (to ensure it is clear and workable), there needs to be a plan as to how the market will be approached. Research conducted into the market, through the plan for significant procurement process, will help determine the approach.

## Step 5: Assessing respondents

This step involves evaluating the responses and selecting those suppliers that are capable of the type of work required. Giving proper consideration to this stage before it occurs will facilitate the actual assessment (see both 'Step 3: Develop the prequalification framework including criteria and procedures'; and 'Step 4: Develop the application for suppliers to respond', above). Consider including the appropriate people on the evaluation team – e.g. a multi-disciplinary team. Also consider what other assessments will be made about applicants; for example, financial checks, use of an external auditor, referee checks.

In the evaluation process those respondents that do not meet the mandatory requirements are immediately rejected. The remaining respondents are assessed on the basis of the responses to the questions in the application, as well as any other pre-determined information including past performance on contracts of a similar type, risk and value. Once the decision has been made about which applicants will satisfy the prequalification requirements each is advised in writing of their eligibility and of the prospects of being invited to offer for future contracts. Unsuccessful applicants should be provided with a debriefing.

There is likely to be a significant amount of information to be recorded in making assessments about applicants. Consideration needs to be given in the planning stage as to how to manage this data.

## Step 6: Managing and maintaining prequalification system

Consideration must be given about how information about prequalified suppliers will be maintained and how it will be best used when it is time to invite offers. How will the prequalification system work? Will all suppliers on the list be invited to offer for a specific contract or will there be various categories where only those with the matched capability to a particular contract will be invited?

Data collected from the application process should facilitate:

- **decision-making** – for example, which suppliers will be invited to tender for particular contracts (i.e. the 'matching' process)
- **maintenance of information** – ensuring that the most current information that has been provided about a particular supplier is held
- **reporting** – which suppliers have been invited for what contracts, which supplier was successful and performance reporting
- **managing the tender process.**

Thought should be given to precisely what kind of database should be established including the particular functions required to suit an agency's particular needs.

### Important! Changes to suppliers

Changes are likely to occur with the information that the suppliers originally provided when they were initially prequalified. Some of these changes could be significant enough to affect a supplier's capability, for example change of ownership of the company, the loss or gain of key staff, financial changes, etc. To ensure that the prequalification database has accurate and current information on which to make decisions, advise suppliers that it is their responsibility to promptly notify changes to the officers managing the prequalification system.

A supplier's prequalification status is not permanent; for example, it can move to different categories of prequalification, move up or down rankings, or be removed. Additional suppliers can be prequalified at any time if they are assessed as capable. There is still a need for departments/agencies to test the market for new and innovative suppliers and to maintain an awareness of technological advancement and product enhancement.

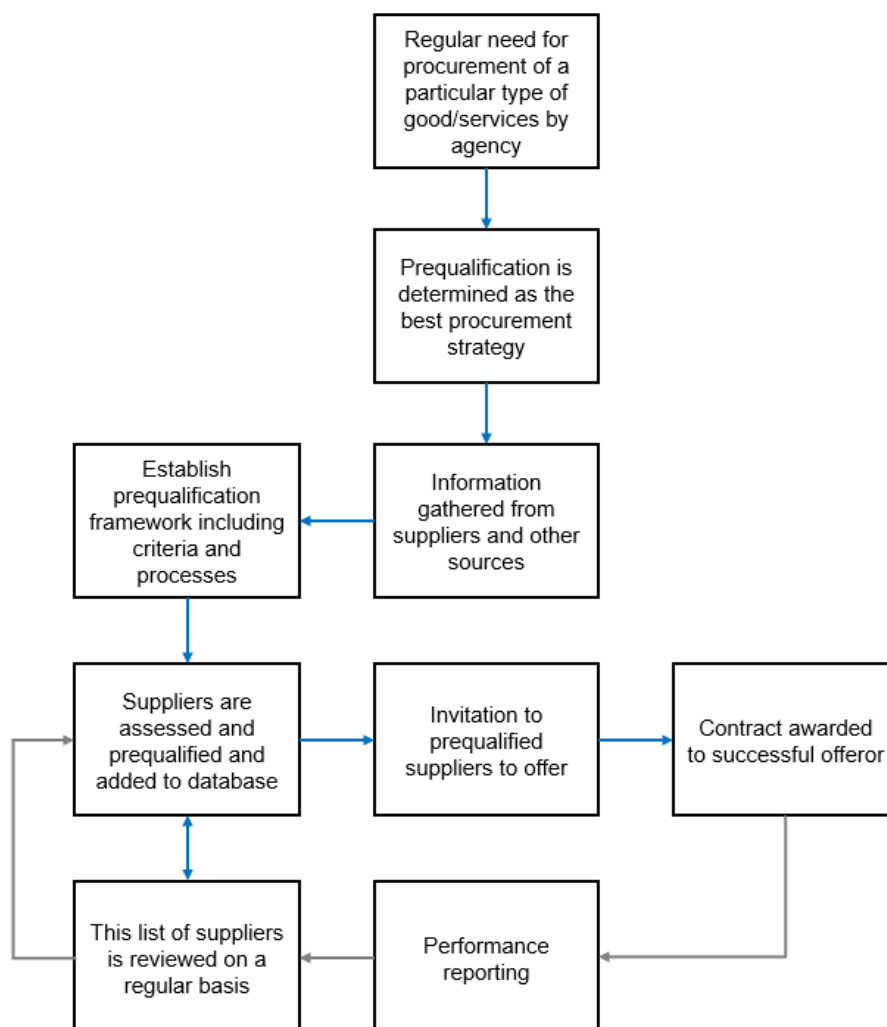
Prequalified suppliers should be requested to reapply on a regular basis; depending on the industry, this may be once every year or two.

## Performance reporting

Ensuring that regular reporting about suppliers' performance during particular contracts (not just at the end of the contract) is critical to the integrity of the prequalification system. It is important that end users/clients of suppliers' goods/services provide feedback about the supplier's performance so that this can be maintained within the prequalification system. Performance reporting should also be designed to assess performance against the contractual and prequalification conditions, be designed to engender two-way communication and to overcome problems as they arise. In the case of poor performance, options include counselling the supplier, downgrading the supplier's status on the list, or removing the supplier from the prequalification list. These last two options should only be considered after appropriate performance management action has been taken.

## Evaluating the prequalification system

Ensure that the prequalification system that has been established is efficient and effective on a continuing basis by reviewing it. Review the original business case or plan for significant procurement for setting it up, review the market, the prequalification criteria, application form, approach to market, evaluation methodology and rationale. You may want to consider requesting feedback from suppliers which are listed on the prequalification system and clients/end users and other stakeholders of the system to help improve the system.



### Hint – CC Act

Reviewing the prequalification system on a regular basis will help minimise risks associated with Part IV of the CC Act.

## What's next? How does prequalification link to the tendering process?

Prequalification of suppliers is a method whereby suppliers of particular goods and/or services are assessed against pre-determined criteria and then only those suppliers who satisfy the prequalification criteria are invited to offer. The particular procedures about how many prequalified suppliers will be approached for any invitation to offer will also need to be considered; for example, public advertisement (specifying prequalification as a prerequisite) or particular prequalified suppliers selected to submit an offer. Once this has been decided, the standard tendering procedures within the procuring agency should be followed. While a prequalification system aims to minimise the risk to the buyer of contract failure, the tendering process including the development of the specification criteria and the evaluation of offers must be rigorous. Evaluators need to be satisfied with all the information the supplier provides when considering awarding the contract.