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**HEA Procurement Practices Review
2016**

HEA Procurement Summit

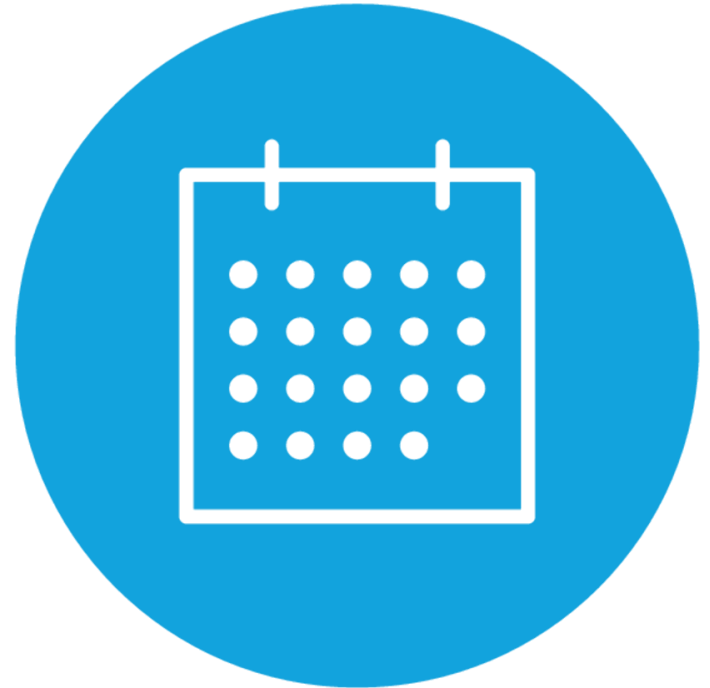
Tuesday 9th May 2017

Mary Rose Cremin, Director,
Risk Advisory, Deloitte



Agenda

1. Introduction
2. Approach
3. Desktop analysis and sample selection
4. Positive observations
5. Key themes
6. Examples of positive case studies
7. Examples of improvement opportunities
8. Conclusion



1. Introduction

In June 2016, Deloitte were appointed by the Higher Education Authority (HEA) to undertake a review of the Procurement Practices within the Higher Education (HE) sector.

This review is the first in a programme of rolling reviews that the HEA are introducing as part of its Governance Framework which is designed to strengthen its oversight and follow-up on governance and internal control statements.

The area of procurement was selected by the HEA as:

- a number of non-compliance issues were identified by the Comptroller and Auditor General (C&AG) through its reporting on financial statements; and
- non-compliance with national procurement guidelines has also been a subject for discussion at the Oireachtas Committee of Public Accounts.



2. Approach

Project planning and commencement

- Initial planning meeting with the HEA Steering Committee to discuss assignment:
 - Protocols
 - Timelines
 - Desktop analysis to be undertaken on 26 HEIs cover the last 3 years submitted:
 - ✓ Unis – Financial Statements, Annual Statements of Governance & Internal Control
 - ✓ IOTIs - Financial Statements, Annual Statements of Governance
- Deloitte resources were scheduled and project initiation processes undertaken.

Desktop analysis and fieldwork planning

- Desktop analysis was undertaken of 3 years audited Financial Statements and Annual Governance Statements in early June 2016.
- Meeting with the HEA Steering Group mid June where the analysis was discussed and the sample of seven Higher Education Institutions (HEIs) was selected.
- Announcement letter was issued to the sample HEIs by the HEA in early July.
- Following which, Deloitte contacted each HEI requesting certain information.
- Developed sample selection methodology.
- Deloitte gave notice of procurement sample prior to going onsite.

2. Approach . . /Contd

Fieldwork

- Two days onsite fieldwork was undertaken at each HEI between July 2016 and August 2016.
- We established for each HEI how procurement was managed e.g. centralised, devolved or hybrid.
- We reviewed training records of staff involved in procurement
- We performed sample transaction testing in each HEI.
- Selected example of 3 case studies from each HEI.
- Initial feedback provided prior to leaving the HEI.
- Regular updates were provided to the HEA Steering Group.

Collation and validation of results

- Results were collated during September.
- Provided findings and case studies to the HEIs for validation during September.
- Meeting with the HEA Steering Group on 19th September to discuss findings.

Reporting

- Draft report issued 24th October 2016.
- Final report issued May 2017.

3. Desktop analysis and sample selection

HEI Codes of Governance

IOTs – Code of Governance of Irish Institutes of Technology – as amended to reflect 2009 Code of Governance for State Bodies – January 2012

Extract of 2.11 Reporting Arrangements

2.11.4 '*. . . the following information should be included in an annual governance statement signed by the Chief Officer and Chairperson and submitted to the HEA:*

- iv) A statement affirming that all appropriate procedures for financial reporting, internal audit, travel, **procurement** and asset disposals are being carried out;*
- ix) Confirmation that the relevant procurement policy and procedures and the development and implementation of the Corporate Procurement Plan are being adhered to where appropriate.'*

Governance of Irish Universities 2012

Extract of 2.11 Reporting Arrangements

2.11.4 '*. . . the following information should be included in the Statement of Governance and Internal Control:*

- (v) A statement affirming that all appropriate procedures for financial reporting, internal audit, **procurement** and asset disposals are being carried out;*
- (viii) Confirmation that the Guidelines on Achieving Value for Money in Public Expenditure as set out in the address by the Minister for Finance of 20 October 2005 and communicated to the universities are being followed;'*

3. Desktop analysis and sample selection - Observations

HEI	Consistency between Financial Statements and Governance Statements
1	✓
2	✓
3	✗
4	✗
5	✓
6	✗
7	✗
8	✓
9	✗
10	✓
11	✓
12	✓
13	✗
14	✗
15	✓
16	✓
17	✗
18	✓
19	✓
20	✗
21	✓
22	✓
23	✗
24	✓
25	✗
26	✗

Key:

✓ - HEI Indicated consistency
- 54%;

✗ - HEI Inconsistency identified
- 46%

3. Desktop analysis and sample selection - observations. . /Contd

Some observations from the desktop analysis of Financial Statements and Statements of Governance/Internal Control:

- Inconsistency between issues of procurement non-compliance within their audited financial statements and the Annual Governance Statements and vice versa.
- No consistent format on the content / depth of information provided by HEIs in their Annual Governance Statements with respect to procurement non-compliance.
- Same wording used year on year, including the carry forward of procurement non-compliance issues.
- Statement that procurement policy in place, but no confirmation that it is being adhered to.
- Only a few statements made reference to the Corporate Procurement Plan.



4. Positive observations

- We received good engagement from the majority of the HEIs. We were afforded with assistance while onsite to complete the testing within a tight timeframe.
- Management showed great interest in the results and in identifying their level of compliance.
- In some cases, instances of procurement non-compliance were identified in the annual governance statements. Through our fieldwork, we identified that action had been undertaken to remedy the issue.
- In 5 of the sampled HEIs a dedicated Procurement Office was in place. This function has responsibility for providing Public Procurement Guidelines to staff in their HEI. Having a procurement office in place indicates the importance placed on procurement by those HEIs.



4. Positive observations

- Our analysis of the audited financial statements and the annual statements of governance has highlighted improved consistency in the reporting of procurement non-compliance by the HEIs.
- From the questionnaire, we identified that procurement training was provided to a number of staff in all HEIs reviewed.
- Records of the training attended were made available during our site visit in 6 of the 7 HEIs.



5. Key themes identified

We identified 5 key themes coming through from the review

1. Procurement policy and procedure / Department of Finance and Department of Public Expenditure and Reform Circulars
2. Annual Corporate Procurement Plan
3. Annual statement of governance / statement of governance and internal control – Developing the Statement & assertions in the statements
4. Training
5. Document retention



5. Key themes identified

1. Procurement policy and procedure / Department of Finance and Department of Public Expenditure and Reform Circulars

Key findings

- Procurement policies and procedures are in place in 100% of the HEIs reviewed, but in all cases these are not comprehensive to fully serve as practical guidance for staff.
- All of the HEIs provided a number of mechanisms for distributing policies and procedures to staff to ensure availability, including via email, intranet and shared folders.
- Roles and responsibilities of those staff involved in procurement are not adequately defined.
- Some HEI's have stricter requirements/different thresholds than is required within the National procurement requirements. This may be an unnecessary administrative burden which slows the process.



Key themes identified

- Procurement procedures & Department Circulars

Public Procurement Guidelines - Competitive Process

	Compliance level identified						
Section	HEI 1	HEI 2	HEI 3	HEI 4	HEI 5	HEI 6	HEI 7
1 7 areas - <i>General Issues</i>	1/7	1/7	3/7	1/7	1/7	3/7	1/7
2 3 areas - <i>Taxation Issues</i>	1/3	2/3	1/3	0/3	2/3	1/3	2/3
3 9 areas - <i>Below EU Threshold</i>	6/9	2/9	1/9	1/9	5/9	7/9	1/9
4 24 areas - <i>EU Public Procure P</i>	13/24	3/24	1/24	1/24	2/24	10/24	1/24
5 6 areas - <i>Notifying Tenderers</i>	3/6	0/6	0/6	2/6	3/6	2/6	0/6
6 3 areas - <i>Debriefing Unsuccessful</i>	1/3	0/3	0/3	0/3	1/3	1/3	0/3

Key themes identified

- Procurement procedures & Department Circulars

Recommendations

- HEIs should have comprehensive documented procurement policies and procedures.
 - These documents are instrumental in providing guidance to staff facilitating compliance with National and EU Public Procurement Guidelines.
 - The fundamental principles should be reflected within policies and procedures and staff could then be referred to the Procurement website for further information.
 - Roles and responsibilities should be formally set-out and available as part of the procurement guidance documentation. Where the procurement process is devolved, formal recognition of where responsibility for actions reside would provide assistance to ensure the accountability and transparency of the process.

5. Key themes identified

2. Corporate Procurement Plan

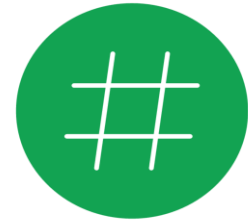
Key findings

- 86% of the sample had developed elements of documentation towards a Corporate Procurement Plan.
- There is a need for a more consistent and comprehensive approach to Corporate Procurement Plans and processes in place to ensure they are regularly updated.
- From all interviews conducted, there was good awareness of the Corporate Procurement Plan and why this document is required.



5. Key themes identified

- Corporate Procurement Plan



Recommendations

- Each HEI should have an appropriate Corporate Procurement Plan in place.
- Annual Governance Statements should indicate if the Corporate Procurement Plan is in place or the action being taken by the HEI to develop one for the HEI.
- Consideration should be taken to providing guidance to the HEIs on the structure and variety of information that should be provided as part of the Corporate Procurement Plan.
- A form of regular communication amongst the sector such as a forum in relation to procurement matters could facilitate HEIs to better collate these plans in an effort to implement the public sector *procurement management reform* agenda.

5. Key themes identified

3. Annual statement of governance / statement of governance and internal control – Developing the Statement & assertions in the statements

Document	HEI						
	1	2	3	4	5	6	7
Audited FS 2011-12	X	●	●	●	●	X	✓
Annual Statement of Governance 2011-12	✓	✓	X	✓	✓	X	✓
Audited FS 2012-13	X	●	●	●	X	X	X
Annual Statement of Governance 2012-13	X	✓	X	✓	✓	X	✓
Audited FS 2013-14	X	X	●	X	X	X	N/A
Annual Statement of Governance 2013-14	X	✓	✓	X	X	X	X

Symbol	Key
✓	HEI Indicated compliant
X	HEI Indicated Non-compliant
●	Procurement not mentioned
N/A	Accounts not available



5. Key themes identified

- Annual statement of governance / statement of governance and internal control

Recommendations

- Primary responsibility for monitoring compliance with procurement guidelines rest with management, therefore, management should have an ongoing mechanism in place to ensure compliance.
- The risk register should reflect the risk around procurement and identify the key controls in place to mitigate those risks from materialising.
- Internal audit can assist by providing limited independent assurance through their internal audit methodology.
- It is not the responsibility of external audit to provide assurance on compliance with procurement, therefore reliance should not be placed on external audit.
- There should be consistency between the audited financial statements and the Annual Statement of Governance.
- Where procurement non-compliance issues are carried forward to subsequent years, the HEI should explain why the issues have not been resolved since the previous statement and what additional action plans are proposed.

5. Key themes identified

4. Training

Key findings

- Procurement training was provided to staff in all HEIs reviewed, however, it was not mandatory for all those involved in procurement activity in 6 of the 7 HEIs.
- In situations where procurement was devolved, procurement training was not always provided to all relevant staff involved in procurement.
- Records of the training attended are held and were made available in 6 of the 7 HEIs.



5. Key themes identified - Training

Question	HEI 1	HEI 2	HEI 3	HEI 4	HEI 5	HEI 6	HEI 7
Within your Higher Education Institution (HEI) is procurement - Centralised - Devolved - Hybrid	Devolved	Hybrid	Devolved	Devolved	Devolved	Devolved	Hybrid
Where there is a procurement office, how many staff work in the procurement office?	1	2	2	n/a	n/a	1	3
Where it is devolved, approximately how many staff across your institution are involved in procurement?	90	6	100	25	30	40	84 (81 Buyers and 3 Procurement Staff)
Who receives procurement training?	Main people dealing with procurement (Procurement Coordinator, Secretary/Financial Controller, Finance Manager, Finance staff member and Estates Manager)	Central Procurement	Staff who require it.	Staff involved in procurement have attended OGP seminars during the year. Other training has also been provided.	12 Employees (2 Library, 4 IT, 2 Premises, 4 Finance)	Procurement Training usually provided to new Finance staff as part of overall training.	Procurement Buyers
Were training records made available when onsite?	Yes	Yes	Yes	Yes	Yes	No	Yes

5. Key themes identified

- Training

Recommendations

- Procurement training should be mandatory for all staff involved in procurement.
- Where regular procurement issues are identified, the HEI should consider revoking the budget holders privileges until the person attends mandatory procurement training.
- Procurement training should be completed on a regular basis, to keep up to date with changes in Public Procurement Guidelines.
- Records should be maintained of all procurement training attended by staff.
- Given the importance of procurement and the level of interest demonstrated by management during this review, a procurement forum maybe of benefit to allow procurement staff in HEIs discuss procurement issues and to share good practices.
- Consideration should be given to sector based training to ensure consistency across all HEIs. This could be undertaken through the forum mentioned above, or as a separate exercise.

5. Key themes identified

5. Document retention

Key findings

- Staff in all 7 HEIs understood the value of documentation to provide support for the procurement decision made.
- Instances were identified where required information was not available

Recommendations

- All required documentation should be retained in order to provide support for procurement decisions.
- Documentation should be retained in a manner which allows for the ease of retrieval and not be dependent on any one individual.
- Where third party assistance is utilised, responsibility for document retention should be formally set-out to support the procurement process.
- Procurement training provided should cover document retention including the manner and duration of storage.

5. Other HEI Findings

- Where a supplier was deemed to be a 'sole supplier' there were instances where there was no sole supplier justification form completed to justify the categorisation.
- In a number of instances, suppliers were incorrectly categorised as 'sole suppliers'. Instances included taxi services, a bus hire company and a recruitment agency.
- A review of payments to consultants and foreign-based staff should be undertaken by the HEIs, both in terms of determining their status as employees as well as compliance with Irish payroll tax rules.

6. Examples of positive case studies

Procurement training

Actual procurement process:

In this HEI, a reported 100 staff members are involved in procurement at varying levels devolved across departments within the HEI. A clear approach has been adopted including:

- Procurement training slides are emailed to all relevant staff and from 1 September 2016 policies, procedures and training guides are available through their Procurement System.
- Staff attend regular OGP training sessions. A representative from each department is required to attend this training and attendance is recorded. The latest in-house training took place in August 2016 and some 120 staff were trained in a 2 hour classroom training environment.
- One-to-one training is also provided by the finance department to staff across the HEI.

Frameworks

Value of transaction: €515

Description:

Purchase of IT equipment

Expected procurement process: Mini competition

Actual procurement process:

The OGP has implemented a framework in place for the Supply of IT Equipment which has four listed suppliers. Evidence received in support of this procurement includes: RFT sent to the listed suppliers including award criteria, signed evaluation sheet, notification to successful and unsuccessful suppliers, and tax clearance certificate of awarded supplier.

Procurement > €209k

Value of transaction: €692,395

Description: Cleaning services

Expected procurement process: OJEU Tender

Actual procurement process:

Evidence provided to support this procurement included evidence that the request for tender (RFT) was published on the OJEU, the RFT including award criteria, opening checklist, signed evaluation score sheet, notification to both successful and unsuccessful suppliers, signed contract with awarded supplier and the tax clearance certificate.

7. Examples of improvement opportunities

Procurement €25k - €209k

Value of transaction: €20,838

Description: Printing services – Exam Papers

Expected procurement process: National Tender

Actual procurement process: Three written quotes

While the individual transaction was under €25k, cumulative expenditure for the year with this supplier was €35,805. In line with Public Procurement Guidelines this should have gone to tender.

Learning:

Ongoing monitoring of spend should be undertaken to identify instances where expenditure is likely to exceed any particular threshold. In addition, for expenditure that is repeated each year (as in this instance for the printing of exam papers) the expectation should be identified as part of the Corporate Procurement Plan.

Records management

Expected procurement process: Formal document management system that allows for central retrieval of supporting documentation.

Actual procurement process: There is no uniform method of retaining procurement documentation.

Procurement is carried out by a third party or by a department. With no uniformed approach to retaining documents, evidence to support the procurement decision is not always available.

We were unable to locate several documents including tender opening and evaluation sign off sheets.

Learning:

Where the finance system has the functionality for documentation to be stored electronically, this would allow for collation of all evidence and central retrieval. Responsibility for documentation should be formally set-out.

Procurement €25k - €209k

Value of transaction: €116,295

Description: Purchase of furniture

Expected procurement process: National Tender

Actual procurement process: We were unable to obtain any documentation providing evidence that the purchase of this furniture went to National Tender.

Learning:

Expected process should be followed in line with the national and EU public procurement guidelines.

8. Conclusion

- Procurement is a complex activity
- Training is essential
- Our review highlighted a number of observations from all HEIs indicating a potential training requirement
- During our review, most staff clearly demonstrated their understanding of the importance of procurement and the need to comply
- From a governance perspective, more focus needs to be placed on the annual governance statements



Appendix 1

Statement of Responsibility

WE HEREBY TAKE RESPONSIBILITY FOR THIS REPORT WHICH IS PREPARED ON THE BASIS OF THE LIMITATIONS SET OUT BELOW.



Deloitte
Chartered Accountants
Deloitte & Touche House
Earlsfort Terrace
Dublin 2

Date: 8th May 2017

CONTACT PERSONS:

Eileen Healy	Partner
Mary Rose Cremin	Director

Telephone:	061 435500
Fax:	061 435598

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