



Strengthening procurement practice: key questions for public entities

Effective procurement policies, procedures and practices are essential for public entities to ensure value-for-money, accountability and public confidence. This blog contains a series of questions auditors can use to assess the effectiveness of public entity procurement processes and procedures, and to identify gaps and areas for improvement to further strengthen them. These questions apply to both developed and developing countries in which our PASAI member SAIs operate.

Good governance for procurement

- Does your organisation have appropriate governance arrangements in place for procurement?
- Do these arrangements support effective accountability of management and relevant staff?
- Are there effective delegations to allow procurement to be managed effectively?
- Are there effective means for informing and engaging with relevant staff about procurements so they can make informed decisions when required?

Appropriate procurement staff delegations, reporting systems and a clear distinction between management and the governing body enable good procurement practice. While managers carry out day-to-day operations, the governing body ensures that appropriate systems and processes are in place, including setting the organisation's procurement strategy and holding management to account. Overlaps of management and governance responsibility (such as when governing board members sit on tender evaluation panels) are not good practice and should be avoided.

Planning for significant capital projects

- How confident are you about your organisation's capital expenditure forecasting and that enough resources are available to achieve current forecasts?
- How has your organisation engaged with suppliers to determine their capacity and levels of interest?

Public entities must be encouraged to plan and monitor their future capital programmes pipeline and related procurement to achieve allocated budgets and deliver to the community. Early interactions with suppliers about upcoming work can increase supplier engagement and reduce barriers to supplier participation.

Conflicts of interest

- Does your organisation have adequate policies and processes in place for staff to:
 - declare and manage risks from conflicts of interest?
 - record gifts and hospitality from suppliers and potential suppliers?

Conflicts of interest can have legal and ethical dimensions. Public entities can mitigate this risk by maintaining a register to declare conflicts of interest and their management, and the treatment of gifts, hospitality and other incentives from suppliers.

In the context of 'Small Island Developing States' (SIDS) with close knit communities, this is normally a challenge. Hence it is vital to define and refine criteria or parameters to manage conflict of interest situations.

Emergency procurement

- Does your organisation have guidance for staff about:

- what constitutes an emergency
- the procedures that should be followed for an emergency procurement.
- How does your organisation ensure that anyone making an emergency procurement can be appropriately held to account for their decisions and actions?

Public entities may need to quickly procure goods and services to respond to unforeseen and urgent circumstances – for instance procuring Personal Protective Equipment (PPE) to respond to the COVID-19 pandemic. While there can be some procurement flexibility in an emergency, public entities need to maintain accountability through full and timely documentation, including of decisions made. Conflicts of interest and other procurement risks need to be actively managed through clear procedures and guidelines for staff and procurement plans.

Procurement capability and capacity

- Does your organisation have enough staff capable of leading procurement practice?
- Are all relevant staff receiving appropriate procurement training, development, and support?

Public entities must ensure that relevant staff have the required skills and that policies and processes are kept up-to-date. If the entity has only one staff member responsible for procurement, it is recommended that they connect with staff from other organisations, regional working groups and communities of practice to share experience and expertise and to provide back up arrangements when needed.

Procurement policies and training

- Are procurement policies up-to-date to address new and emerging risks relative to national and international events affecting government priorities?
- What assurance is there that staff are complying with procurement policy and processes?

Regular training on current procurement best practice is essential. Supporting staff to gain professional procurement qualifications where the extent of procurement activity warrants it is also important. Undertaking regular internal audits of procurement activity, provides confidence to governance that policies have been implemented effectively and any issues arising are addressed. Good training and regular monitoring will promote good procurement practice.

Contract management

- Does your organisation know which suppliers it is contracting with and what its obligations are?
- What assurance is there that:
 - your organisation is fulfilling its own contractual obligations
 - suppliers are meeting contracted performance requirements, and that actions are taken when performance falls below contracted levels?
- Does your organisation monitor contracts throughout their life cycle to ensure that they deliver the intended value for money?

Public entities need to monitor, manage and evaluate supplier performance to assess value for money. Having trained staff and systems and processes for recording contracts, tracking supplier progress and managing supplier non-performance are essential to ensure output quality and value for money.

Achieving broader outcomes through procurement

- Is your organisation clear about its role in promoting the holistic (social, economic, environmental) well-being of citizens by reducing inequality and increasing inclusiveness of disadvantaged and marginalised population?
- Does your organisation understand how procurement can contribute to those outcomes?

- How have those outcomes been incorporated into your organisation's procurement policy and processes?

Public entities must be encouraged to consider appropriate broader outcomes when purchasing goods, services or works. These outcomes or 'secondary benefits' can include environmental, social, economic and cultural benefits to create greater equality and a more inclusive society.

Source: <https://oag.parliament.nz/2020/local-govt-procurement/docs/local-govt-procurement.pdf>

What's next?

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- A focus on gender equality and inclusiveness in audit practice.
- Staying productive in a remote working environment.
- Ensuring staff wellbeing in an online setting.
- Upskilling for the future: what capabilities do auditors need in an era of AI and digitisation?

We welcome your feedback and look forward to hearing about other priority topic areas of interest to you. Please email: secretariat@pasai.org

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