



Extract from the report to the  
Public Accounts Committee on  
procurement at Danish institutions  
of higher education

August  
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# 1. Introduction and conclusion

## 1.1. Purpose and conclusion

1. This report concerns the procurement of goods and services by 12 Danish institutions of higher education.

The purpose of the study is to assess whether procurement at these institutions of higher education is properly planned and executed to deliver value for money. Effectively managed procurement delivering value for money can release resources for the core services of the institutions.

In this study *effective procurement* means that the institutions have communicated to the procurers what they are authorised to buy and how they should execute, register, document and report procurements. Clearly defined roles and instructions on procurement provide the basis for effective procurement – in particular at institutions where procurement is carried out by both centralized and decentralized units – and may contribute to reducing procurement costs. *Value for money in procurement* is achieved when the institutions scan the market before buying, for instance, by obtaining quotations from several suppliers, and taking advantage of economies of scale by having a central unit procure standard goods and services across the institution. The report answers the following questions:

- Are the institutions ensuring value for money in procurement, in compliance with existing regulations and principles of good practice?
- Do the frameworks for procurement defined by the institutions support effective governance and value for money in procurement?

This study was launched because procurement expenses at institutions of higher education are substantial, but also because annual audits performed at selected institutions of education showed potential for improvements in procurement. We therefore found it relevant to examine whether these audit findings were characteristic of institutions of higher education, in general. Rigsrevisionen initiated the study in January 2015.

### **The 12 institutions of higher education examined in this study are**

- Copenhagen Business School (CBS)
- Technical University of Denmark (DTU)
- University of Copenhagen (KU)
- University of Aarhus
- Metropolitan University College
- University College Copenhagen
- University College Zealand
- VIA University College
- IBA International Business Academy
- Lillebaelt Academy
- Zealand Institute of Business and Technology
- Business Academy Aarhus.

## CONCLUSION

Overall, it is Rigsrevisionen's assessment that the institutions of higher education can organise procurement more effectively in several areas to achieve more value for money and to a larger extent ensure compliance with the legislation. The study also shows that in recent years some institutions have identified effective procurement as a way to release resources for the core services of the institutions and these institutions have therefore optimised, or are in the process of optimising, their procurement.

Rigsrevisionen finds that the institutions have not adequately ensured value for money in procurement in compliance with existing regulations and principles of good practice. Rigsrevisionen finds it very unsatisfactory that the institutions have repeatedly failed to comply with existing legislation, both in regard to the EC directives on tendering, and the Danish Act on Tendering Procedures, which prescribes that procurement of goods and services above a threshold of DKK 500,000 must be advertised on the Danish online portal for public procurement [www.ubud.dk](http://www.ubud.dk). Moreover, not all institutions had taken full advantage of the possibility to expose also procurements below the thresholds defined in the Tendering Procedures Act to competition. It is not a statutory requirement to expose procurements below the thresholds to competition, but, in the opinion of Rigsrevisionen, doing so would contribute to increasing value for money in public procurement.

Rigsrevisionen finds that the institutions must ensure compliance with the regulations of the Act on Tendering Procedures as well as the EC directives on tendering. The institutions should also increase their focus on delivering value for money when procurements are below the thresholds defined for tenders and quotations.

Rigsrevisionen also finds that the frameworks defined for procurement in most of the institutions do not to the extent required support effectively managed procurement and the achievement of value for money. Generally, the organisation of procurement and responsibilities relating to procurement are clearly defined by the institutions. Yet, the specific guidelines on planning and implementation of the procurement process are not sufficiently addressing the responsibilities and authority of the individual staff members. Since all the institutions have adopted a decentralized procurement structure, Rigsrevisionen finds it necessary and relevant to provide staff with specific instructions on how they should plan and implement the procurement process to ensure value for money and compliance with current regulations and principles of good practice for public procurement. Several institutions are already in the process of updating their procurement policy and guidelines.

Having guidelines is no guarantee that procurement regulations will be followed. It is also necessary to focus on securing adherence to the guidelines and compliance with the regulations. This can be achieved through a centralized monitoring service. The study has shown that the institutions – with a few exceptions – do not register and follow up on procurements, and only few of the institutions report to the management on procurements across the organisation. However, several of the institutions have informed Rigsrevisionen that they are planning to collect information and report on procurements to the management in the future. Better compliance with their own guidelines and current regulations can be achieved through improved monitoring.

## RECOMMENDATION

Rigsrevisionen recommends that the institutions' guidelines for procurement should include instructions on how procurers achieve value for money in contracts and procure in compliance with current regulations and principles of good practice.

Rigsrevisionen finds that the procurement guidelines of several of the institutions could be enhanced if they included instructions on:

- separation of tasks between decentralised and centralised procurers/procurement services in institutions with centralised procurement;
- the requirements defined by the institution for using and entering the institutions' own framework agreements;
- determining the value of contracts in relation to the threshold values prescribed in the EU directives and Tendering Procedures Act, including also thresholds set for public building and construction works;
- requirements concerning exposure to competition of procurements below the threshold values prescribed in the Tendering Procedures Act, determined on the basis of the institution's materiality criteria;
- requirements concerning documentation of important transactions and decisions on procurements.

The Ministry of Higher Education and Science agrees with Rigsrevisionen that the guidelines of the institutions on procurement should include instructions on how the procurers achieve value for money in contracts and procure in compliance with current regulations and principles of good practice.