

Abstract

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## UNIVERSITIES' PROCUREMENT ACTIVITIES

This audit focused on compliance with procurement legislation as well as the direction and organization of procurements. The audit covered four universities: the Helsinki School of Economics and Business Administration, the Turku School of Economics, the University of Joensuu and the University of Vaasa. In 2000, these universities' procurements totalled about FIM 174 million (about €29 million), which is roughly 21% of their total expenditure on average.

Key regulations concerning state procurements are the Act on Public Procurements and the Decree on Procurements of Goods and Services and Construction Contracts Exceeding a Threshold. According to these, procurements must be put out to tender and must be made as economically as possible. Procurements exceeding a threshold must be put out to tender at the EU level.

At the universities covered by the audit, decision-making and responsibility for procurements exceeding a set amount and for certain types of procurements such as computer, telephone and real-estate services have been centralized. Different university units decide on other procurements within the framework of their annual funds. This means that dozens of university units also act as procurement units, which requires that a large number of university personnel have extensive knowledge regarding procurement legislation, the procurement document process and procurement procedures. In the opinion of the State Audit Office, this decentralized organization is one reason for the shortcomings which have been observed in universities' procurement activities. The universities should adopt means to reduce shortcomings resulting from the decentralized organization.

According to observations, compliance with procurement regulations was deficient at all the universities covered by the audit. In many cases procurements were not put out to tender or else tender procedures were not in line with regulations. Likewise documents required in the procurement process were not prepared or were deficient in content. The grounds for failing to invite tenders were not always documented. University documents are also subject to record and archive obligations. In the case of procurement documents these obligations were generally neglected.

The universities make procurements from many different suppliers and in small lots. Consequently tendering, billing and other process costs are higher than if procurements were centralized. In the opinion of the State Audit Office, possibilities to rationalize the universities' procurements in order to lower process costs should be investigated.

The objective of development plans for procurement activities is to increase the strategic management of procurements and procurement cooperation in administrative sectors so as to

rationalize procurement activities and achieve procurement volumes. The Ministry of Education's administrative sector lacks this type of management. At the ministry's suggestion, a certain amount of procurement cooperation has begun within universities. Universities in the same area have also engaged in procurement cooperation. In the opinion of the State Audit Office, universities' procurement cooperation can be increased to improve and take advantage of procurement expertise, make better use of resources and obtain volume benefits.