

Procurement Procedures in Schools



**Corruption Prevention Department
Independent Commission Against Corruption**

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Procurement Procedures in Schools

Introduction

School Management Committees (SMCs) and schools are often involved in procurement of goods and services such as the purchase of computers, stationery, school uniforms, exercise books, school bus service, etc. A sound procurement system is important to an organisation because it helps ensure that the goods and services are purchased in a fair and transparent manner and that they represent value for money.

SMCs and schools should therefore ensure that the process is properly administered and accountable, and that checks and balances are in place to prevent malpractice and corruption.

Basic Safeguards

The following safeguards should be considered when making purchases:

- Segregating duties of staff involved in the procurement process (e.g. where practicable, different staff should be responsible for compiling user specifications, issuing purchase orders, receiving goods, certifying payments).
- Designating procurement authorisation levels and the corresponding financial limits.
- Setting criteria for selection of procurement methods in proportion to the purchase amounts (e.g. purchases by quotations, tenders, petty cash purchases).
- Specifying the circumstances under which the specified procurement methods may be waived (e.g. urgent purchases).

- Auditing compliance with the established procurement policies and procedures.
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Shortlisting of Suppliers

It is useful to compile a shortlist of suppliers as it helps to minimise the time required for sourcing suppliers for every purchase and ensure that eligible suppliers are invited to bid in an equitable manner. The following points should be taken into consideration when compiling and maintaining the shortlist of suppliers.

- The criteria for inclusion in or deletion from the list of suppliers should be well-defined.
 - If not all shortlisted suppliers are invited to bid, the method of selecting suppliers from the list (e.g by rotation) should be specified to ensure equity.
 - The shortlist should be periodically reviewed as necessary with a view to evaluating whether existing suppliers should remain on the list by making references to their performance records and responsiveness to bid or tender, and whether other suppliers should be added to the list.
 - The shortlist should be approved preferably by a panel of staff or by a senior staff member after compilation.
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Quotations

Competitive quotations are sought when the value of the goods or service warrants a competitive process but does not justify a full tender exercise. The following measures help to minimise manipulation of quotations.

- The conditions under which a purchase may be made by way of quotations should be specified.
 - The minimum number of suppliers to be invited for quotations should be specified.
 - All verbal quotations should be confirmed in writing or clearly documented.
 - Supervisory spot checks should be conducted on the quotations received.
 - Security measures should be taken to prevent leakage or tampering of written quotations (e.g. keeping them under lock as soon as they are received or placing the designated fax machine for receiving quotations in a secluded area).
 - To prevent order splitting as a way to circumvent approval requirements, the minimum period of time between repeated purchases of the same item should be specified as far as possible.
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Tenders

Competitive tendering should be conducted for procuring goods and services of high value. The following control measures help to ensure a transparent and competitive process.

- The conditions under which the tendering process can be waived should be specified (e.g. in case of emergency or a sole supplier) and justifications for the waiver should be documented. The approval authority for waivers should be designated.

- Procurement requirements and broad tender evaluation criteria should be described in tender documents.
- Tenders should be submitted in duplicate - with the original copy passed to the users for evaluation and the duplicate kept securely by a responsible person.
- Tenders should be deposited into a double-locked tender box with the keys held by separate staff members.
- Late tenders should not be accepted.
- Tenders should be opened by a tender opening team comprising at least two persons.
- A tender summary of the tenderers and their price offers should be prepared as soon as the tenders are opened.
- Any amendments on the tender made by the tenderer should be marked and initialled by the tender opening team to prevent any alterations after tender opening.
- Tenders should be assessed in accordance with predetermined criteria, preferably by a panel of staff.
- Tender selections should be considered and approved by the SMC or a tender board.
- Where the lowest conforming tender is not selected, full justifications should be documented.
- All unsuccessful bidders should be notified of

the tender result.

- The name and tender price of the successful tenderer should be disclosed on request by an “interested” party so as to enhance transparency.
- If post-tender negotiation is necessary, it should be conducted by at least two staff members with prior approval from the SMC or tender board.

Term Contracts

In the case of repeated procurement of low value products or services (e.g. sundry items or minor maintenance jobs), schools may consider the use of term contractors as this helps save the time and resources for seeking quotations for every purchase and prevent direct purchases to favour a single supplier.

Petty Cash Purchases

Petty cash purchases should only be used for small and miscellaneous purchases. Payments should be made against an invoice or a claim duly certified by an authorised officer.

Receipt of Goods and Payment Procedures

To prevent malpractice (e.g. non-reporting of short supply of ordered goods), the following control measures should be considered in receiving goods and making payment.

- Goods delivered should be inspected (or tested as necessary), counted, and compared against the purchase order and the delivery note. Supervisory checks on the process help to detect any irregularities.
 - Receipt and acceptance of goods should be certified by designated staff members.
 - Suppliers should be required to provide timely billing details and the bills should be subject to audit checks.
 - All payments should be supported by duly certified invoices, receipts or claims.
 - Payments to suppliers should be made within a specified time limit to avoid any undue delay.
 - Cheques should be signed by at least two signatories and their financial limits specified.
 - Regular expenditure reports should be made available to the SMC or school head detailing the procurement expenditure and any discrepancies.
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Administration of Service Contracts

If a contractor is engaged to provide a service (e.g. school bus service or operation of tuck shop), it is important that a mechanism is in place to monitor the delivery of services so that no one is able to corruptly collude with the contractor to cover up substandard services. The following measures will help the school management to monitor the contractor's quality of service.

- Contract conditions should specify detailed service requirements such as the expected quality

or standard, schedule of rates, provisions for contract variation, consequent fee adjustment and penalties for default or poor service. A probity clause could be built in to prevent the contractor and his employees from accepting advantages in relation to their duties performed under the contract.

- A system of inspection should be established to ensure quality of services provided.
- Regular meetings should be held with the contractor to discuss problems and review service standards.
- A performance appraisal system should be established to facilitate the monitoring of the contractor's performance.
- Disciplinary actions (e.g. issue of warnings, claiming of damages or termination of contract) against the contractor as a result of unsatisfactory performance should be properly administered by designated staff and documented.

Conflict of Interest

A conflict of interest is a situation in which the interests of the school may compete or be in conflict with the private interests of a staff member or a SMC member.

Allegations of malpractice may be made against the SMC members or school staff concerned if they have any real or perceived conflict of interest when dealing with school matters in their official capacities. Members of SMCs and school staff should therefore be required to avoid any conflict of interest, and if this is unavoidable, to report such situations to the SMC or the school. The

following are the essentials of an effective declaration of interest system.

- Declarations of conflict of interest should be made in writing, preferably on a standard form, or recorded in notes of meeting as appropriate.
- SMC members or school staff should be required to report any conflict of interest that may influence, or appear to influence, their judgement or action in the performance of official functions, including the evaluation and selection of a contractor or supplier from a number of bidders.
- The staff declaring conflict of interest should refrain from handling the matter or there should be sufficient monitoring by senior staff or a second party to ensure impartiality.
- Guidelines on declaration of conflict of interest should include useful examples to assist SMC members or staff in making declarations (Examples of conflict of interest situations are listed at the Annex).

Promulgation of Guidelines

It is important that guidelines on policies and procedures are promulgated, revised regularly and issued to staff concerned to ensure consistency in practices. Any deviations from the guidelines should be justified and endorsed by the management.

Enquiries

As the school management, it is your responsibility to determine how best to apply the recommended measures to minimise corruption risk in your own circumstances.

SMCs and schools interested in corruption prevention practices in other areas or those requiring further assistance in procurement matters are invited to call Tel. No. 2526 6363 for tailor-made advice under conditions of the strictest confidence. We pledge to respond to your request within two working days.

Examples of Conflict of Interest Situations

The following are examples of conflict of interest situations. They are by no means exhaustive and SMCs/schools should draw up their own lists of examples for reference by committee members/staff.

- A SMC member or school staff taking part in the evaluation and selection of a contractor or supplier from a number of bidders, one of which is operated by his spouse, family, relatives or personal friend or in which he or any such person has a financial interest. Common examples are:
 - selection of textbook suppliers
 - selection of school uniform suppliers
 - selection of exercise book suppliers
 - selection of suppliers of computer systems
 - selection of contractors for renovation projects
 - selection of school bus operators
 - selection of tuck shop operators
- A SMC member or school staff accepting frequent or lavish entertainment or expensive souvenirs from contractors or suppliers with whom the school has business dealings.
- A SMC member or school staff acquiring investment, or any financial or other interest, in activities which may lead to conflict of interest with his official duties.