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Ms Margaret Falsey
Committee Secretariat
Committee of Public Accounts
Leinster House
Dublin 2

Dear Margaret,

I refer to your letter dated December 15, 2017 regarding the 2016 Financial Statements for University College Dublin, and specifically the note by the C&AG that 5.5% of our overall non-pay expenditure for that year was non-compliant with public procurement guidelines.

Much of this non-compliant expenditure was due to the extension of service contracts that were originally awarded competitively, while other non-compliant procurement occurred through the use of competitive quoting rather than through a full tender process. Nevertheless, we believe we achieved excellent value for state and non-state money in all procurement undertaken during the period covered by the 2016 Financial Statements.

The C&AG looked at each and every case of non-compliance individually, and we outlined the circumstances, nature of contracts and steps being taken to ensure future compliance in Section 13 of our Governance Statement submitted with the accounts. For your convenience I quote from that statement here:

The University has put in place procurement policies and procedures, and all non-pay expenditure is required to be procured in accordance with these policies and procedures. These policies and procedures have been communicated to the faculty and staff of the University. The University endeavours to ensure full compliance with procurement procedures and guidelines. The University is actively working with the Office of Government Procurement (OGP) and with the Education Procurement Services (EPS) to ensure that procurement activities are taking place in accordance with the operating model put in place by the OGP. The implementation of this model is an ongoing process since 2013 and is being managed by the OGP. The University has no control over the process of OGP implementation. There has been ongoing delay in finalising a memorandum of understanding between the OGP and the Department of Education setting out the fundamentals of the revised procurement model.

Under the OGP model the University is responsible for compliance with procurement guidelines while being required to use suppliers selected by the OGP. During the ongoing implementation phase of the OGP model and primarily due to resourcing and timing issues it is not always possible to match the output of the OGP process to the procurement requirements of the University. This leads to a risk

that contracts will expire in advance of being retendered or that contracts will be extended temporarily beyond their original duration without going through the appropriate procurement processes.

There is also a risk that where the OGP cannot deliver a procurement request that the University does not have the necessary resources available to it to complete the necessary process. The University continues to deploy its minimal procurement resources (following the loss of most of its staff to the OGP in the expectation that the OGP model would encompass the full procurement requirements of the sector) to minimise this risk but, due to the slower transitioning of contracts to the OGP and the reduction in UCD Procurement staffing levels, UCD does not have adequate resources to handle the current volume of expenditure that needs to be procured on an open tender basis.

The UCD Procurement Office runs tenders on behalf of the University and provides support and training to staff across the University. UCD has also implemented a centralised online purchasing system with trained buyers with the aim of enhancing the co-ordination of buyer activity across the University and of improving levels of compliance generally. During the year ended 30 September 2016 the allocation of buyer resources was prioritised to procurement competitions with the best opportunities to deliver additional savings.

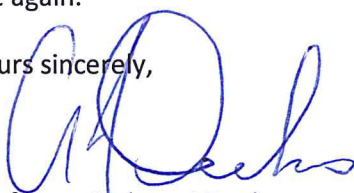
In framing its procurement policies and procedures, from 1 January 2016, UCD applies a threshold of €25,000 above which all expenditure must be subject to tendering. Prior to that date, UCD applied a threshold of €60,000. There were 88 suppliers identified in the 2016 financial year, with a combined transactions value of €8.5 million, for which national public procurement guidelines were not applied. However, €4.7 million of the €8.5 million total has since either currently being re-tendered, or has an OGP framework agreement now in place or the contracts have been discontinued. The remaining €3.8 million will be addressed over the coming months. The University's total non-pay expenditure, including both recurrent costs and capital costs during the year amounted to €155 million.

Instances of non-compliance with procurement policies that have been identified mostly relate to facilities management contracts. UCD is actively working with the OGP to address the outstanding contracts. On occasions where the OGP frameworks are found not to be suitable, UCD intends to run separate tenders in consultation with the OGP.

UCD is taking new measures to ensure a greater level of procurement compliance through the introduction of a contract management system to list all current and planned contracts with their start dates and expiry dates. The University is also in the process of recruiting for a dedicated procurement compliance role, to identify and regularise any spends with non-procured suppliers that exceed procurement thresholds, strengthening procedures for setting up new suppliers and culling the number of existing non-procured suppliers.

I trust that this addresses your concerns. If you have any further queries, please do not hesitate to contact me again.

Yours sincerely,



Professor Andrew J Deeks
President