



## **Performance Audit**

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**Tonga Office  
of the Auditor General**

# Administration of Public Procurement

**Nuku'alofa  
June 2020**



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Lord Fakafanua  
The Honourable Speaker  
Legislative Assembly

I have the honour to submit herewith the Performance Audit Report on “Administration of Public Procurement”,  
in accordance with section 10A of the *Public Audit Act 2007 (as amended)*.

  
Sefita Tangi *FCPA, Australia*  
AUDITOR GENERAL

The seal of the Office of the Auditor General, Tonga, is circular with a blue border. Inside the circle, there is a crown at the top, three yellow stars in the center, and the text 'OFFICE OF THE AUDITOR GENERAL' around the top and 'TONGA' at the bottom.

cc: Hon. Rev. Dr. Pohiva Tu'i'onetoa  
Prime Minister  
Prime Minister's Office

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PERFORMANCE AUDITS MAY COVER ONE OR MORE GOVERNMENT AGENCIES, MINISTRIES, OR PUBLIC ENTERPRISES, WHERE AUDIT MAY FOCUS ON THE OPERATIONS OF A SINGLE ENTITY OR ON PARTICULAR ISSUES ACROSS A NUMBER OF ENTITIES.

PERFORMANCE AUDITS ARE REPORTED SEPARATELY TO PARLIAMENT.

**Audit Team:** Kalisi Fifita  
Popua V. Mafi  
Cathreen A. Mafi  
Fatafehi F. Taumoha'apai

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## Acronyms

APP	Annual Procurement Plan
CSD	Corporate Services Division
HOD	Head of Department
MDAs	Government Ministries, Departments and Agencies
PD	Procurement Division

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## **FOREWORD**

It is about ten years now from our first Public Procurement Regulations 2010 with our continuous efforts in strengthening the public procurement processes and procedures. Large scale projects and procured goods and services have gone through our procurement established framework during this period. There were add values and disappointments throughout even though we could not have the complete official records.

I am pleased to introduce this Performance Audit of looking at the administration of public procurements and how it could be more effective and more efficient. The Public Procurement Regulations 2015, current policies and instructions are the references however, we evaluate in terms of including procurements in the entity's strategic and annual plans, the striving to achieve value for money, and how the procurement performance is monitored and reported.

I sincerely envisage that the audit be a stepping stone in taking into account and report the performance of public procurements of all government entities. As public procurement accounts for a substantial portion of the taxpayers' money, we are expected to carry it out efficiently and effectively with high standards of conduct in order to ensure high quality of service delivery and safeguard the public interest and at the same time, meeting our accountability and transparency standard.

Sefita Tangi *F CPA*  
AUDITOR GENERAL

## **Executive summary**

In this performance audit we examine and evaluate the effectiveness of the administration of public procurements.

The audit looked at the following audit questions:

- Is procurement strategically managed within the procuring entities through including it in their strategic and operational plans?
- Is value for money achieved in the tendering phase?
- Are there appropriate mechanisms to monitor, review and report procurement performance?

## **Main findings**

Procurement of goods and services is confirmed to be an essential part of MDAs operations and are incurred in their normal operations in all financial years. However, MDAs have not always strategically managed their procurements by not including as part of their strategic plans. There is also lack of appropriate consideration placed on the correct and complete preparation of the Procurement Plans. Moreover, the prepared Procurement Plans were incomplete hence they did not fit for the purpose of guiding the work of the Procurement Units of those MDAs. Consequently, most of the procurement officers do not have the conditions to carry out their procurement duties efficiently and effectively.

Also, the situation of the MDAs declining procured service provided by the contractor due to inferior quality did exist. It delayed execution of the project.

There was register of conflict of interest however, the Procurement Division is currently in the process of developing a standard document to be used for declaration of conflict of interest.

Procurement records were not often completely and orderly filed. Currently, there is no guideline exist for the MDAs review and report of procurement operations so the appropriate review and accountability report of procurements' results are not always exist.

## **Conclusions**

Government Procurement can be more effective when procurement is appropriately planned, appropriate training is provided for the procurement officers, and appropriate arrangements are in place for monitoring, review and reporting of procurement operations.

## **Recommendations**

I. Procurement Units, or procurement officer(s) when there is no Procurement Unit, of MDAs are to:

- a. Assist and ensure that all divisions are identifying their procurement needs strategically through alignment with Corporate Plan, consultations with relevant stakeholders and prioritization so that an accurate and complete procurement plan is produced. Planning of procurements should include consideration of the timeframe required for the procurement process so that adequate time is allowed for the procurement to be reviewed and authorized through the approved procurement process. Develop and have the Procurement Plan approved in a timely manner to guide the work of the procurement officers as well as the officers of the Procurement Division, in the financial year.
- b. Identify and set performance measures and targets for the procurement function of the MDA.
- c. Report on the MDAs procurement operations, including reporting on any procurement performance measures and targets that has been set. This report would be useful for decision making of Chief Executive Officers for improving the procurement operations of the MDA.

- d. Regularly review the procurement operations of the MDAs. This review will identify any issues with the procurement operations and measures to address them. Review will also determine whether outputs and outcomes of procurements and performance targets of the procurement function of the MDA, have been achieved.
- e. Develop the MDA's management information so that it is able to capture information that would allow the MDA to: effectively monitor how money is being spent, develop performance measures for evaluating and managing procurement performance, have better knowledge of prices paid for goods and services and able to better manage supplier performance.
- f. Ensure the orderly and complete filing of procurement documents and securely kept at the MDA at all times.
- g. Establish a template to use for checking of procured goods when they are received to ensure that the right quantity and quality is received at the right time.

II. Chief Executive Officers of MDAs are to:

- h. Ensure that a reviewed Corporate Plan and/or an Annual Plan is prepared for each fiscal year to guide procurement planning.
- i. Identify and acquire adequate capacity in terms of skills and knowledge for the Procurement Unit of the MDA, or procurement officer(s) where there is no Procurement Unit, taking into account the level of procurement activity in the MDA. This includes ensuring that the procurement officers receive appropriate trainings on procurement, including training on the procurement process and effective management of procurement contracts making sure that right quantity and quality is received at the right time and at the lowest cost.
- j. Ensure procurement officers who have participated in procurement trainings implement lessons learnt from the trainings in the MDA's procurement operations.

III. Procurement Division of Ministry of Finance is to:

- k. Establish guideline and qualification requirements for persons carrying out procurement functions of MDAs to assist staffing and capacity building of procurement function of the MDA.
- l. Review the procurement process identifying and establishing optimal time to carry out each stage of the procurement process so as to decrease the overall time it takes to process a procurement.
- m. Actively monitor the procurement procedures and rules adopted by public enterprises to ensure their alignment with Public Procurement Regulations 2015.
- n. Issue forms prescribing the content, format and the frequency or dates for submission of procurement reports to be submitted by procurement units.
- o. Ensure that the Complaints Register is reviewed to ensure that all information required by the Complaints Register is filled in, and reviewer to sign the Register as evidence of review.
- p. Appropriately plan for the evaluation of the performance of centrally procuring of common use items including identification of benefits that have been achieved and ways it can be improved
- q. Ensure complete information relating to the publication of procurement notices is maintained in the respective procurement file to facilitate review.
- r. Establish a conflict of interest declaration form.



## 1. Introduction

### Background

1. An estimated \$40 million Tongan pa'anga is endorsed each year through the Procurement Division of the Ministry of Finance for the procurement of goods, services and works. This is estimated to be 7% of annual government budget and 4% of GDP. These were procurements funded by both the Government of Tonga and donors.

2. Government procurements involve huge amounts of money and risks that can lead to mismanagement of public funds as well as hinder MDAs from achieving key government objectives and services. Auditors can therefore play a role in improving procurement by identifying ways it can be more economical, efficient, and effective.

### Objectives & questions

3. The objective of the audit is to examine and evaluate how government procurement in Tonga may be more effective. The audit looked at the following audit questions:

- Is procurement strategically managed within the procuring entities through including it in their strategic and operational plans?
- Is value for money achieved in the tendering phase?
- Are there appropriate mechanisms to monitor, review and report procurement performance?

### Scope & approach

4. The audit focused on the administration of government procurements covering both the Procurement Division of the Ministry of Finance as well as a sample of MDAs. It looked at how the administration of government procurements can be more effective by reviewing and evaluating the planning to reporting stages. The audit covered the three financial years of 2015/16-2017/18 focusing on procurements above \$10,000. The audit did not look at procurements below \$10,000.

5. The audit approach was a combination of result-oriented approach and system-oriented approach. The audit team studied performance, concerning efficiency and effectiveness, and related observations to the audit criteria. The audit also examined the proper functioning of the procurement system.

6. Criteria was developed and used as a basis for evaluating evidence on the subject matter in order to determine performance and basis for obtaining audit findings.

### Criteria

7. Criteria were derived from regulations, policies, and good practices and used to evaluate government procurement.

### Methodology

8. We reviewed and evaluated the procurement regulations, annual procurement plans, and Corporate Plans, Annual Plans, Annual Reports, and procurement files for a selected sample of procurements from a sample of MDAs.

9. We discussed these audit areas and conducted interviews with the Procurement Division of Ministry of Finance, staff of the Procurement Units and procurement officers and other staff of a selected sample of MDAs.

10. We also extracted data from Procurement Division's database system for analytical purposes. We then analysed this data to evaluate administrative procurement process of the Procurement Division.

11. The sample picked was 5 MDAs out of a total of 27 MDAs. Selection of the sample of MDAs was based on the MDAs with high procurement volume or value during the audit period. Procurement files that were subsequently selected for review were based on the nature and value in anticipation that they represent the whole population of procurements of the audit period. They were mainly high value procurements or procurements that the audit team became aware could have been conducted in a more efficient and effective way or procurements that had not been conducted in compliance with procurement regulations.

12. Sample of MDAs selected for review are outlined in Figure 1 below.

Figure 1: Sample of MDAs selected for review

Government Ministry, Department, and Agency selected	Total Procurement			Total
	2015/16	2016/17	2017/18	
Ministry of Infrastructure	1,515,036.58	5,672,944.82	18,059,658.68	25,247,640.08
Ministry of Health	5,536,573.33	8,635,552.63	8,275,339.84	22,447,465.80
Ministry of Internal Affairs	897,439.18	4,726,288.26	5,436,647.72	11,060,375.16
Ministry of Meteorology, Energy, Information, Disaster Management, Environment, Climate Change and Communications	1,094,461.54	8,047,396.71	1,722,754.85	10,864,613.10
Palace Office	289,249.84	127,739.10	1,263,908.08	1,680,897.02
<b>Total procurement of MDAs selected</b>	<b>\$ 9,332,760.47</b>	<b>\$ 27,209,921.52</b>	<b>\$ 34,758,309.17</b>	<b>\$ 71,300,991.16</b>
Total procurement of all MDAs (27 MDAs)	\$ 27,725,632.35	\$ 45,176,130.81	\$ 47,061,668.84	\$ 119,963,432.00
Total procurement of MDAs selected as % of total procurement of all MDAs	34%	60%	74%	59%

## Standards used for the audit

13. We conducted this performance audit in accordance with the International Standards of Supreme Audit Institutions on Performance Audit (ISSAI 3000). These standards require that we plan and perform the audit to obtain sufficient and appropriate evidence to provide reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions and recommendations based on our audit objectives.

## Report organisation

14. This report presents in Chapter 2 an overview of government procurement. Chapters 3 to 5 presents the findings on the audit questions. Chapter 6 presents the analysis of audited entities' comments. Conclusions of the audit are in Chapter 7 and the proposed recommendations in Chapter 8.

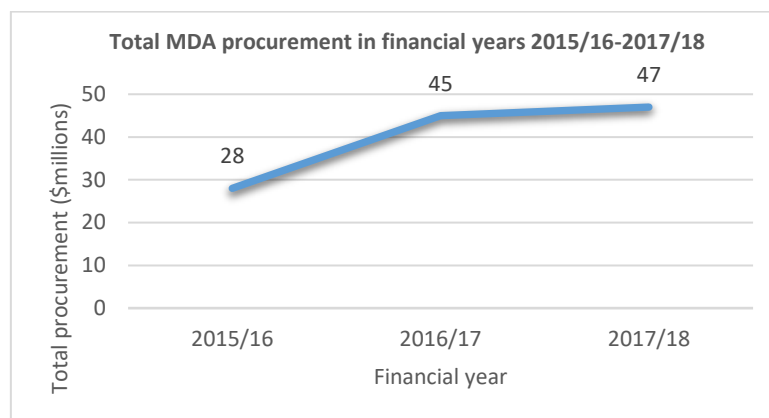
## 2. Overview of Government Procurement

15. This chapter presents an overview of government procurement, including total MDA procurement during the audit period, entities involved in government procurement and their roles and responsibilities and the procurement thresholds.

### MDA Procurements in 2015/16-2017/18

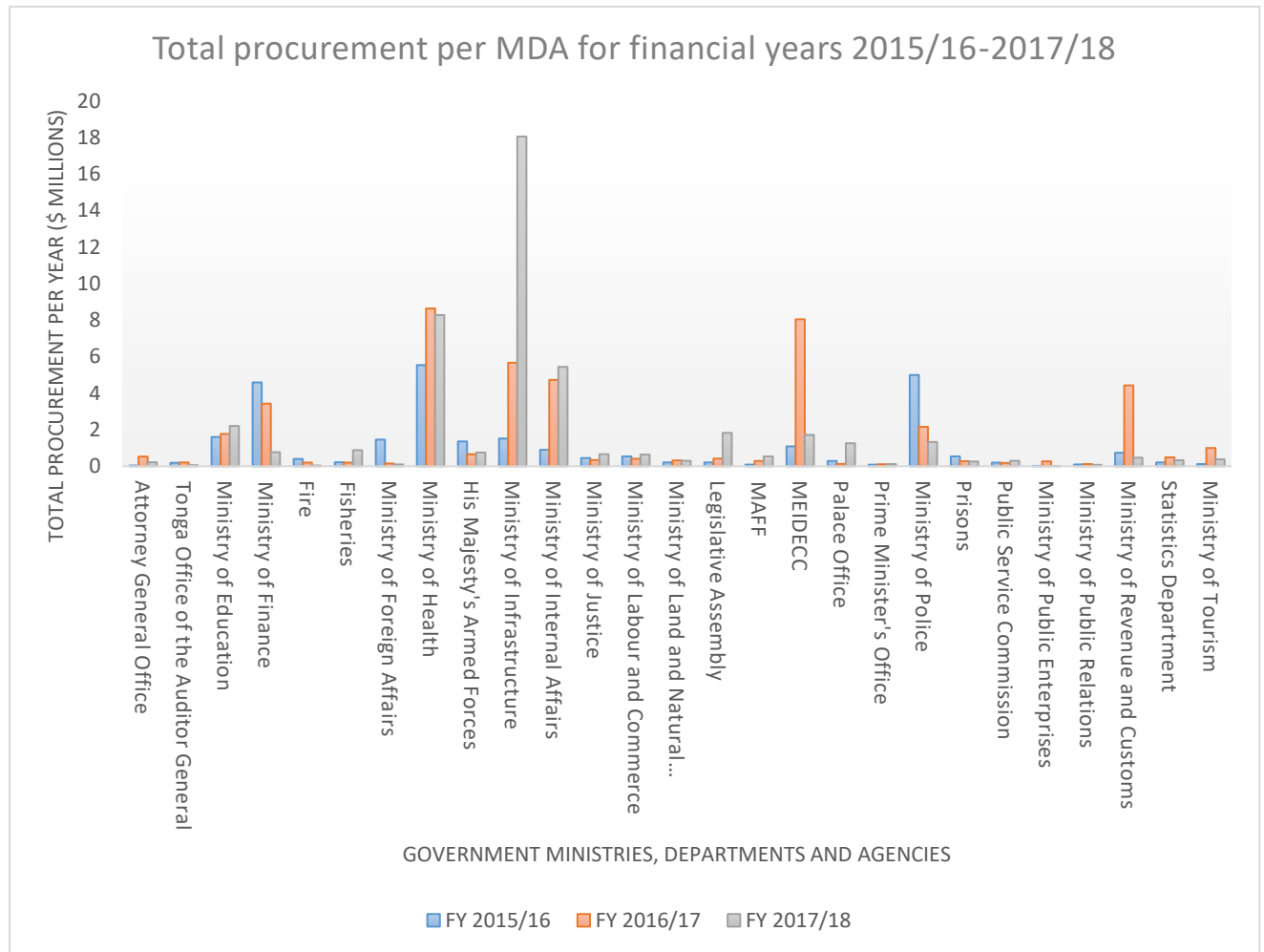
16. Figure 2 below shows total MDA procurement, as endorsed by the Procurement Division, for financial years 2015/16 to 2017/18. As can be seen in Figure 2, total MDA procurement significantly increased by 61% from financial year 2015/16 to financial year 2016/17, with total procurement of \$28 million and \$45 million for each year, respectively. Total procurement continued to increase by 4% from financial year 2016/17 to financial year 2017/18, with total procurement of \$45 million and \$47 million for each financial year, respectively.

Figure 2: Total MDA procurement in financial years 2015/16 - 2017/18



17. Figure 3 below shows total procurement per MDA for financial years 2015/16-2017/18. As can be seen in Figure 3, a number of MDAs had comparatively very high level of procurement during the three financial years. This included the Ministry of Infrastructure, Ministry of Health, Ministry of Internal Affairs, Ministry of Meteorology, Energy, Information, Disaster Management, Environment, Climate Change and Communications, Ministry of Finance, and Ministry of Police (MOP).

Figure 3: Total procurement per MDA for financial years 2015/16-2017/18



## Main entities involved in government procurement

18. The Public Procurement Regulations 2015 outlines the key entities that are involved in government procurement.

### Procurement Division (Ministry of Finance)

19. For 2017/18, the Procurement Division had an operating budget of \$709,300 and a total of 10 authorized full time staff and one procurement specialist funded by DFAT. Figure 4 shows the operating budget of the Procurement Division for financial years 2015/16 to 2017/18, which has increased over financial years covered by the audit.

Figure 4: Operating budget of the Procurement Division for 2014/15-2017/18

	2015/2016	2016/2017	2017/2018
Salaries	260,500.00	286,600.00	306,600.00
Government Contributions	24,300.00	28,700.00	30,700.00
Acting Allowance	5,000.00	5,000.00	5,000.00
Contract Labours	50,000.00	-	-
Overtime	1,000.00	1,000.00	15,000.00
Domestic Travel	-	-	15,000.00
Overseas Travel	-	10,000.00	10,000.00
Advertising & Publicity	2,000.00	2,000.00	2,000.00
Fuel	5,000.00	5,000.00	5,000.00
Maintenance of Motor Vehicle	5,000.00	5,000.00	5,000.00
Training & Conferences	15,000.00	15,000.00	15,000.00
Consultants & Technical Assistance	200,000.00	300,000.00	300,000.00
<b>Total Procurement Division Budget</b>	<b>\$ 567,800.00</b>	<b>\$ 658,300.00</b>	<b>\$ 709,300.00</b>
Total Budget (Ministry of Finance)	\$ 85,024,300.00	\$ 86,269,500.00	\$ 101,873,300.00
<b>Procurement Division Budget as % of Ministry of Finance Budget</b>	<b>0.67 %</b>	<b>0.76 %</b>	<b>0.70 %</b>
Total Government Budget	\$329,709,700.00	\$ 327,886,600.00	\$ 382,449,100.00
<b>Ministry of Finance Budget as % of Government Budget</b>	<b>0.26 %</b>	<b>0.26 %</b>	<b>0.27 %</b>

## Thresholds

20. The Public Procurement Regulations 2015 sets out three different types of thresholds, which are:

- Party responsible for carrying out the procurement
- Party responsible for authorization of procurement carried out
- Procurement methods to be used.

21. On 15<sup>th</sup> February, 2019, Cabinet Decision No. 178 approved revisions to the Public Procurement Regulations 2015, which included increasing all three types of thresholds. These revisions aimed to increase the decentralization of procurement proceedings and also extend the accountability for the procurement decisions. The following sections presents the three types of thresholds, showing both thresholds before and after revisions stated in the aforementioned Cabinet Decision.

### Party responsible for carrying out the procurement

Contracting entities are required to carry out procurements with value up to \$20,000, as opposed \$10,000 previously.

Figure 5: Procurement thresholds – party responsible for carrying out the procurement

Procurement value	Pre-revision of Regulations		Post revision of Regulations	
	Contracting entity (MDAs)	Procurement Division, Ministry of Finance	Contracting entity (MDAs)	Procurement Division, Ministry of Finance
Up to 10,000	Carry out procurement		Carry out procurement	
10,001 – 20,000		Carry out procurement		Carry out procurement
20,001 – and above				Carry out procurement

#### Party responsible for authorization of procurement carried out

Before revision of the thresholds, the Central Procurement Unit reviews and endorses procurements above \$7,500 and the Government Procurement Committee reviews and endorses procurements that \$100,000 and above. Threshold has now been revised so that contracting entities approve procurements up to \$20,000 and Central Procurement Unit will approve procurements above \$20,000.

Procurement value	Pre-revision of Regulations		Post-revision of Regulations	
	Procurement Division, Ministry of Finance	Government Procurement Committee	Contracting entity (MDAs)	Procurement Division, Ministry of Finance
7,500 - 10,000	Review and endorse		Approve	
10,001 – 20,000				
20,001 – 99,999.99				Approve
100,000 and above		Review and endorse		

#### Procurement method to be used

22. The procurement method to be used depends on:
- (1) the type of procurement, whether it is procurement of goods, non-consultancy services or consultancy services, or works; and
  - (2) the estimated total value of the contract or item of procurement.
23. Figure 6 below sets out procurement methods to be used when procuring goods, non-consultancy services, and works. Procurement methods to be applied to works has been revised.

Figure 6: Procurement thresholds - procurement methods – goods, non-consultancy services, and works

Type of procurement	Procurement method – Goods, Non-consultancy services, and works				
	Pre revision			Post revision	
	Request for Quotation	National Competitive Bidding	International Competitive Bidding	National Competitive Bidding	International Competitive Bidding
Goods	7,500 – 49,999	50,000 – 149,999.99	150,000 +	-	-
Services (Non-consultancy)	7,500 – 49,999	50,000 – 149,999.99	150,000 +	-	-
Works	7,500 – 99,999	100,000 – 999,999.99	1,000,000 +	Up to \$5,000,000	Above \$5,000,000

24. Figure 7 below sets out the procurement methods to be used when procuring consultancy services. There are no revisions to procurement methods to be applied for consultancy services.

Figure 7: Procurement thresholds - procurement methods - consultancy services

	<b>Procurement method – Consultancy Services</b>		
<b>Method</b>	<b>Request for Proposal</b>	<b>Expression of Interest &amp; Request for Proposal</b>	<b>International Expression of Interest &amp; Request for Proposal</b>
Consultancy services	7,500 – 49,999.99	50,000 – 149,999.99	150,000 +

### **3. Is procurement strategically planned within the procuring entities, including efficient measures for effective procurement?**

25. Ministries regularly prepared an annual procurement plan. However, the annual procurement plans were missing important information such as quantity and dates for carrying out the different stages of the procurement. This hindered the ability of the procurement plan to become an effective guide for the work of the procurement officers during the year and ensure procurement needs can be received on time. Incomplete information on the procurement plan was caused by not strategically planning procurement so that critical information relating to the procurements are identified and fed into the annual procurement plan. Some ministries did not have a Corporate Plan which is an important document to serve as basis for procurement planning.

26. There is no guideline on qualification requirements for procurement officers in place. This would have helped with building capacity of the procurement function of respective ministries. This will ensure that procurement officers have the appropriate skills and knowledge to fulfil procurement needs in an efficient and effective manner.

27. While most procurements reviewed were processed in a timely manner, there were some procurements that were processed in over 100 days. There were delays in the some stages of the procurement process. The procurement process needs to be reviewed to identify optimal time for each stage of the procurement process so that overall process time can be decreased.

#### **Identification of procurement needs**

28. There are no appropriate procedures for the identification of procurement needs of the MDAs for the development of their Procurement Plan. Regulation 18 of the Public Procurement Regulations 2015 require that MDAs prepare a procurement plan for each fiscal year.

29. The Procurement Division of the Ministry of Finance developed in September 2015 a procurement manual titled 'Contracting Entity Procurement Manual' (Manual) to provide MDAs with more detailed guideline on implementation of the Public Procurement Regulations 2015. Audit reviewed the Manual and found that it discusses the preparation of the Procurement Plan in Chapter 4. The Manual describes the Procurement Plan as a document that supports the annual budget application. Both Procurement Plan and annual budget would contain the estimated procurement to be undertaken during the fiscal year. Further, the Manual states that there should also be a provision for unforeseen expenditure in the proposed budget of the MDA, "as these (unforeseen expenditures) always occur".

30. However, the Manual does not contain further guidance on identification of the procurement needs to be included in the Procurement Plan or to be undertaken in the year. Some useful information that could have been contained in the Manual to help the MDAs in effectively planning their procurement and identification of their procurement needs include: linking of planned procurements with MDA's outcomes and outputs, consultations with stakeholders (internal and external) and considerations of their expectations and needs, distinguishing between procurement "needs" from "wants" and "desires", prioritization and ranking of procurement needs, and verification and endorsement of the needs from stakeholders.



31. Through reviews of records of the Ministry of Infrastructure and Procurement Division, interviews, and analysis, audit found that the Ministry of Infrastructure made major revisions to its Procurement Plan in fiscal year 2017/18. According to the records of the Procurement Division, in fiscal year 2017/18, while all other MDAs only revised their Procurement plans once, twice or never revised their Procurement Plan in the year, the Ministry of Infrastructure revised its Procurement Plan 19 times. However, while the Ministry of Infrastructure revised its Procurement Plan many times before it carried out a procurement that was not shown in its initial Procurement Plan & subsequent revised Procurement plan, some MDAs may be shown to not have revised their Procurement plan or not as often, but actually went ahead and carried out procurements that were not in their Procurement plan, including revised Procurement plans, without any further revision. In the case of the Ministry of Infrastructure, the Procurement plans were revised to procure assets that were required by the ministry. However, reviewing the procurement proposal revealed that these revisions were caused by lack of effective planning of procurement. The Procurement Plan was revised to include items that would have been identified had effective planning of procurement taken place.

*Figure 8: Crusher procured by the Ministry of Infrastructure*



32. At the time of writing the report, only evidence for 15 of these revisions of Ministry of Infrastructure's Procurement Plan had been provided to audit. These 15 revisions amounted to a \$2.6 million increase in total amount of planned procurement from the initial Procurement Plan. Revisions consisted mostly of new goods, services, and works that were added to the Ministry of Infrastructure's Procurement Plan and only sometimes it was an increase in the estimated amount for, or deleting of, a procurement item that had appeared in the initial approved Procurement Plan. 97% (\$2.5 million) of revisions was made by the Land and Transport Division of the Ministry of Infrastructure. The Land and Transport Division added new machineries to its Procurement Plan – a crusher (\$799,000) and 3 dip trucks (\$1.5 million). Land and Transport Division also revised the estimated amount for a grader from \$35,000 to \$258,000.

33. The Procurement Plan of the Land and Transport Division was prepared by the Director of the Division at the time. And has been revised.

34. The audit reviewed the revised Procurement plans and found that the Procurement Plan template only require two signatures, that of the Chief Executive Officer of the MDA and the other of Procurement Division. The revised Procurement plans maintained at Ministry of Infrastructure only had the signature of the Chief Executive Officer. The Ministry of Infrastructure consists of large divisions but the Procurement plans do not have the signatures of the Heads of the Divisions (or a delegate) who prepared the Procurement Plan, only one signature, that of the Chief Executive Officer.

35. It was stated in the procurement proposals for the revised machinery that the purpose for these procurements were because the Ministry has used these machineries for over 8 years and they needed to be replaced. In light of this, it is reasonable to expect that these procurement needs could have been identified at the beginning of the year, when the procurement plans were due (no later than the last working day of July of each year), if there was a more effective process in place for the planning of procurement including the identification of procurement needs for the Procurement Plan and divisions.

36. Also, the Public Procurement Regulations 2015 and Manual do not contain any restrictions on the number of times the Procurement Plans can be revised in a year. This does not help to put emphasis on effective procurement planning at the beginning of the year so that there will be minimal need for changes to the Procurement plans. Or so that the Procurement Plan that is finalized and approved in July of each year best reflect the procurement needs of the MDA for a particular year. In this case, the MDAs may complete the Procurement Plan templates as they wish, knowing it can be revised at a later date, as often as they wish.

*Figure 9: Grader procured by the Ministry of Infrastructure*

37. There is no provision or guideline in relation to revision of the Procurement Plan in both the Public Procurement Regulations 2015 and the Manual. Revision of the Procurement Plan is a practice that has not been outlined in both the Public Procurement Regulations 2015 and the Manual. Therefore, there is no documented guidelines on revision of Procurement Plan, including any restrictions/controls on the revision process.



38. There are no appropriate procedures for the identification of procurement needs of MDAs for the development of their Procurement Plan. In other words, there is non-existence of appropriate guidelines to assist or guide MDAs in the identification of their procurement needs.

39. Thus, there is no clear direction that the need for procurement must be identified and assessed in the first place. Moreover, the ability to revise and change the Procurement Plan many times and lack of restrictions or controls also has the effect that there would be a lack of emphasis placed on effective procurement planning and developing an accurate and complete Procurement Plan.

40. Aiming to improve identification of procurement needs, it should be recommended that the Procurement Unit of ministries (or the procurement officer of ministries without a Procurement Unit) assist the divisions of the ministry to ensure that divisions are identifying their procurement needs strategically through alignment with Corporate Plan of the ministry, consultations with relevant stakeholders and prioritization so that an accurate and complete procurement plan is produced.

41. If those recommendations are implemented, some benefits could be expected, for instance, procurement needs of the MDAs would be strategically and systematically identified, including consultations with stakeholders, linking to MDA objectives and outcomes and prioritization and ranking of MDA procurement needs.

## **Corporate Plan and Annual Management Plan**

42. Some MDAs had not developed a Corporate Plan and/or an Annual Plan which can guide planning of their procurements. Regulation 18 of the Public Procurement Regulations 2015 require that MDAs prepare a procurement plan for each fiscal year. Good practice requires that an organisation set procurement savings target.

43. While 4 of the 5 MDAs reviewed had Corporate Plans for the period reviewed, only one MDA had an Annual Plan for each year under review. The Ministry of Internal Affairs was the one MDA who did not have a Corporate Plan and it also did not have any Annual Plans during the period under review. Instruction 9 (1) of the Treasury Instructions 2010 as well as the Manual require that the MDAs submit their annual budget to the Ministry of Finance along with their Corporate Plan, Annual Plan and a Procurement Plan. This requirement would assist in the alignment of these planning documents of the MDA.

44. However, as mentioned above, some MDAs had failed to prepare their Corporate Plan and/or Annual Plan. The Corporate Plan and Annual Plan set out the strategic direction, outcomes and outputs that the MDA is trying to achieve to contribute to national outcomes. Planning of procurement is to be based on these important documents so that what is procured contributes and enables the achievement of MDA outcomes and outputs. The Corporate Plan and Annual Plan would also define the systems, activities, and resources to achieve MDA outcomes and outputs which guides the efficient and effective planning of procurement.

45. We reviewed the Corporate Plans and Annual Plans obtained from the MDAs, and identified only limited procurement related initiatives and goals set out in these documents. Audit also noted that currently there has yet to be any requirements for the MDAs to set a procurement savings target to be achieved. Such a target would help to emphasize the need to achieve savings in MDA procurement.

46. The cause of MDAs not having in place a Corporate Plan and an Annual Plan was that there had not been enforcement of this issue. The cause of MDAs not having set targets for savings from their procurement activities was because existing procurement guidelines do not require that a savings target be set by MDAs.

47. The effect of not having in place a Corporate Plan and an Annual Plan is that there is no clear basis on which to plan the procurement of the MDA. The effect of MDAs not having set targets for savings is that there is no strategic/annual procurement goals and targets for savings identified for the MDA to improve and measure the procurement performance of the MDA against.

48. With the aim of ensuring that a guide exists on which to base procurement planning, it should be recommended to MDAs to: a) prepare a Corporate Plan and an Annual Plan for each fiscal year. With the aim to ensure that ministries are able to monitor, measure, evaluate and improve their procurement operations, it is recommended to Procurement Unit of ministries (or procurement officer of ministries without a Procurement Unit) to identify and set performance measures and targets for the procurement function of the ministry.

49. If those recommendations are implemented, procurement planning will be aligned with the strategic and operational plans of the ministries. This will ensure that limited procurement resources of the ministries are directed towards achieving of ministry outputs and outcomes. Procurement resources, in terms of both funds and staff time, is less likely to be wasted in unnecessary procurements. Achieving of ministry outputs and outcomes provides benefits to citizens. Setting performance measures and targets in relation to a ministry's procurement activities will help to increase efficient and effective use of its procurement resources. These measures and targets facilitate measuring, evaluating, and reporting on performance of the procurement function of the ministry.

## **Timely submission of the Procurement Plan**

50. Some MDAs had not submitted their Procurement plans to the Procurement Division on time. Manual stipulates that Procurement plans are to be submitted to the Procurement Division as soon as possible but no later than the last working day of July of each year. Audit reviewed the Procurement plans of the sampled MDAs and found that Ministry of Infrastructure submitted its Procurement Plan to the Procurement Division on time, while the Ministry of Internal Affairs was late in submission of its Procurement Plan.

51. We observed that some MDAs were unable to locate their approved and signed Procurement Plan for audit review. The Ministry of Internal Affairs had to request from the Procurement Division their signed Procurement Plan as copies of these were not found in their office for audit review. The officer that had worked for the procurement function of Ministry of Internal Affairs during the period reviewed had moved and is now working at the outer islands. Appropriate filing system would have made it possible for a more seamless transition of work from the staff that is leaving to the new staff. The Palace Office was only able to provide audit with electronic copies of its Procurement Plan. They had not kept their approved and signed Procurement Plan. It is important to maintain the approved/signed Procurement Plan for the effective management and control of the procurement function of the MDA.

52. MDAs need to prepare and submit their Procurement plans to the Procurement Division in a timely manner to facilitate the Procurement Division in planning their work around the planned procurements of the MDAs. The due date for submission of the Procurement Plan to the Procurement Division also serves to encourage the MDAs to have a Procurement Plan in place in a timely manner to guide their own procurement work for a given year. It also assists to ensure that procurement needs of MDAs or divisions are delivered on time to facilitate delivering of MDA services.

53. The effect of late finalization and submission of the Procurement Plan to the Procurement Division is idle time for procurement officers of MDAs whose work depend on what is contained in the Procurement Plan, delays in both delivering of procurement needs of the MDA or division and MDAs being able to deliver goods and/or services in a timely manner.

54. With the aim to improve timeliness of submission of MDAs' Procurement plans to the Procurement Division, it should be recommended to MDAs to: develop and have a Procurement Plan approved in a timely manner to guide the work of its procurement officers as well as the officers of the Procurement Division, in the financial year.

55. If the recommendation is implemented, benefits that could be expected is timely availability of an approved Procurement Plan that will serve to direct and guide the work of procurement officers both at MDAs and Procurement Division, for a financial year.

## **Appropriate completion of the Procurement Plan**

56. Procurement plans were not appropriately completed. Regulation 18 of Public Procurement Regulations 2015 require that contracting entities prepare a procurement plan for each fiscal year.

57. The Procurement Division has developed a standard template to be used by MDAs in preparation of their Procurement plans. Despite the guiding template, Procurement plans were still not appropriately completed. For example, in 2017/18 the Marine & Ports Division of the Ministry of Infrastructure included fuel (\$33,932) and technical equipment (\$10,000) in its Procurement Plan but did not indicate the quantity planned to be procured for both of these items. Procurement plans of other MDAs reviewed were similar in that they were not appropriately completed. In 2017/18, the Ministry of Health had 119 items planned to be procured in its Procurement Plan. 114 of these planned procurements all indicated that procurement process is to start in July 2017 and to be completed in June 2018. These dates are the beginning and end of the financial year, respectively. Appropriate planning would have defined a more specific timeline for carrying out of these procurements. With respect to each procurement item, indicative dates should be specified for the following: release of Request for Quotation/Bid to market, sign contract and completion of the contract.

58. The Ministry of Health usually has the highest number of annual procurement proposals submitted to the Procurement Division. 2017/18 was no exception. The Ministry of Health had 114 items shown in its Procurement Plan for 2017/18. According to records of the Procurement Division, the Procurement Division received 111 proposals from the Ministry of Health in 2017/18 and only 71 of these proposals were endorsed by the Procurement Division. The Principal Procurement Officer of the Policy Unit of the Procurement Division) told audit that proposals that had not been endorsed may mean that more information was required in relation to that proposal and so the procurement was possibly not able to be endorsed until the following financial year. In which case, this would also mean that some of the endorsed proposals shown for 2017/18 for the Ministry of Health may even be proposals that were submitted in 2016/17 but were finally endorsed in 2017/18. However, the number of proposals submitted (111), endorsed (71), and planned (114) as appears in Procurement Plan show that not all procurements that were required (as stated in Procurement Plan) were able to be endorsed by July 2018.

59. A more effective strategic planning of procurement can assist in identifying what is needed to be procured in a given year including required quality and quantity, and specific time that procured item must be received by the MDA. This would serve to effectively guide the work of the procurement officers in both MDAs and Procurement Division in a given financial year.

60. Effectively prepared, the Procurement Plan will be perceived by all as a reliable document that does not contain unnecessary procurements but contains procurements that must be delivered by the timeline set out in the Procurement Plan. This will mean all relevant parties will need to work hard towards meeting the timelines set out in the Procurement Plan, as MDA services to the country and its people depends on the timely delivering of these procurements as set out in the Procurement Plan. This will also help to close the gap between the number of proposals submitted or planned by each MDA and the number of procurements that are actually endorsed.

61. The cause of not appropriately completing the Procurement Plan is lack of strategic planning of procurement.

62. The effects of not appropriately completing the Procurement Plan include procurement officers not considering the Procurement Plan as complete and can effectively guide their work during the year. Another effect is that at the end of the year, some of the required procurements would have been delivered, while some would not have been delivered. The effect of not strategically planning procurement is that some of the procurements that were actually delivered were not even required in the first place.

63. Aiming to improve preparation of the Procurement Plan, should be recommended to MDAs to: strategically plan their procurement so as to arrive at a more accurate and complete Procurement Plan that will become an effective guide for the procurement officers in carrying out their work.



64. If the recommendation is implemented, some benefits could be expected, for instance, strategically planning procurement will guide effective annual procurement planning and each MDA will have an overall picture of their procurements.

### Guidelines and qualification requirements for procurement officers

65. Procurement Division has not established guidelines and qualification requirements for persons carrying out procurement functions and some of the officers carrying out the procurement functions of the MDAs still need training. Regulations 16 of the Public Procurement Regulations 2015 require that all procurement related functions be carried out by persons trained and knowledgeable in procurement in accordance with the guideline and qualification requirements established by the Procurement Division. Regulations 9 require that the Head of the contracting entity shall decide the size, location, and structure of the procurement unit, taking into account its procurement requirements and availability of trained and experienced officers.

66. We were informed that the qualification requirements, as required by the Public Procurement Regulations 2015, has not yet been established.

67. We noted that these guidelines and qualification requirements for procurement officers, as required by the Public Procurement Regulations 2015, can guide the Chief Executive Officer of each respective MDA in staffing of the procurement function of the MDAs. It would also assist the MDA in the preparation of a capacity development plan to up-skill its officers that are currently undertaking the procurement functions of the MDA but may not yet meet the qualification requirements.

68. Most of the officers carrying out the procurement functions in the MDAs that we reviewed were currently employed in 'procurement officer' position. With an exception of the Ministry of Meteorology, Energy, Information, Disaster Management, Environment, Climate Change and Communications and Palace Office, of which officers carrying out the procurement function do not have the post title of 'procurement officer'.

69. For the 5 MDAs reviewed, the number of procurement officers, total number of procurement, and number of procurements that did not comply with the procurement regulations for the year 2017/18 is outlined in the Figure 10.

Figure 10: Number of procurement officers, total procurement and number of non-compliant procurements for MDAs reviewed for the year 2017/18

MDA	Number of officers	Total Procurement	Total number of procurement	Number of non-compliant procurements	Percentage of number of non-compliance
Ministry of Infrastructure	3	\$ 18,059,658.68	45	2	4%
Ministry of Health	7	\$ 8,275,339.84	71	32	45%
Ministry of Internal Affairs	1	\$ 5,436,647.72	23	13	57%
Palace Office	1	\$ 1,263,908.08	4	4	100%
Ministry of Meteorology, Energy, Information, Disaster Management, Environment, Climate Change and Communications	2	\$ 1,722,754.85	42	14	33%

70. While the Ministry of Internal Affairs and Palace Office both had only one officer handling procurement matters of the MDA, the Palace Office were 100% non-compliant in their procurements for 2017/18 and there was only 4 procurements that was carried out. The Ministry of Internal Affairs carried out 23 procurements and 13 (57%) procurements were non-compliant.

71. The Procurement Division conducted Procurement Forums on 25<sup>th</sup> January 2018 and 3<sup>rd</sup> May 2018 where important matters relating to procurement were discussed including: timely submission of procurement plans, revision of procurement plans, procurement proposals, non-compliance level, Central Procurement Unit issues, and Suppliers issues. Audit reviewed the attendance register for both Forums and identified that officer from the Palace Office and Ministry of Internal Affairs both attended both Forums. The procurement specialist consultant working for the Procurement Division told audit that the Forums cannot be considered trainings.

72. The Ministry of Health was 45% non-compliant in FY 2017/18. It had 7 staffs altogether. 9 Ministry of Health officers, including management, attended the Procurement Forum dated 25<sup>th</sup> January 2018.

73. The current procurement officer of Ministry of Internal Affairs had only worked for 5 months and attended one procurement forum. However, she was not aware of what a Procurement Plan is, when audit asked about the Procurement Plan. There was also no proper handing over of the procurement duties when she started working for Ministry of Internal Affairs and she still needs procurement training.

74. Procurement officers need to have appropriate training and to gain the appropriate skills and knowledge so they can spend less time in processing or completing procurements as well as be able to facilitate the timely delivering of required procurements to the division and MDA.

75. The effect of not having a guideline in place in relation to qualifications and training requirements of procurement officers is that there is still high level of non-compliance with procurement regulations still shown from MDAs. The regulations aim to guide more economical and effective procurement. Not complying with regulations means that goods, services, and works may have been acquired at higher costs than would have if regulations were followed. Maybe the required quantity and quality were not appropriately identified and acquired. Another effect is that procurement function of MDA would lack the appropriate skills and knowledge for carrying out procurement effectively and efficiently.

76. With the aim of ensuring officers carrying out procurement function of MDA have the required skills, knowledge and training, it should be recommended to Procurement Division to: establish guideline and qualification requirements for persons carrying out procurement functions of MDAs to assist staffing and capacity building of procurement function of the MDA. It should be recommended to Chief Executive Officers (CEO) of MDAs to: (1) identify and acquire adequate capacity in terms of skills and knowledge for the Procurement Unit (or procurement officer(s)) of the ministry, taking into account the level of procurement activity in the ministry. This includes ensuring that the procurement officers receive appropriate procurement trainings; (2) ensure procurement officers who have participated in procurement trainings implement lessons learnt from the trainings in the ministry's procurement operations.

77. If those recommendations are implemented, we could expect improvement in capacity within the procurement function of the MDAs. Taking into account the level of procurement activity of each MDA, procurement function of MDAs would be staffed with the appropriate number of staff with the right level of skills and knowledge.

## Procurement Division processing of procurements

78. Most procurements were processed by the Procurement Division within the timeframe outlined in the Procurement Manual, however there were some long delays in processing of some procurements. The Procurement Division has outlined in Ministry of Finance's Corporate Plan 2015/16-2017/18 that it requires capacity to review procurements in an efficient and timely manner. Section 4.4 of the Manual provides the timeframe to be allowed for the procurement process to be carried out, which states the number of days from issuance of advertisement or from Invitation to Bid to award of contract.

79. Figure 11 below shows procurements where the Procurement Division took more than 100 days to process.

Figure 11: Number of days taken by Procurement Division to review procurements

Procurement activity	Ministry	Date rec	Date advertised	Due date	Bid opening	Evaluation	Evaluation report signoff	Date to GPC	Date approved	No of days
Routine maintenance	Ministry of Infrastructure	25/8/16	10/10/16	7/11/16	7/11/16	8 <sup>th</sup> , 21/11/16	24/11/16	6/12/16	14/12/16	111
Periodic maintenance	Ministry of Infrastructure	18/10/16	29/11/16	3/1/17	4/1/17	18 <sup>th</sup> Jan-cancelled, 1 & 2/2/17 while they seek funding	3/2/17	21/2/17	8/3/17	141
MORC Building	Ministry of Revenue and Customs	21/12/16	24/1/17	13/3/17	13/3/17	14, 15/3/17	16/3/17	Meeting on 24/4/17	27/4/17	127
Drugs Main order	Ministry of +Health	17/5/16	7/6/16	7/7/16	7/7/16	11/7/16 22/8/16	25/8/16 31/8/16	9/10/16	20/10/16	156
Census Tablets	Tonga Statistics Department	28/7/16	22/8/16	6/10/16	6/10/16	6/10/16	7/10/16	24/10/16	8/11/16	103
New Vehicles	Prisons	8/8/16	18/9/16	28/9/16	28/9/16	28/9/16	28/11/16	Meeting on 14/11/16	29/11/16	113

Source: Procurement Division of Ministry of Finance, Minutes of Government Procurement Committee Meeting dated 2<sup>nd</sup> August, 2017, 'Proposed Revision to the Procurement Process'

80. Figure 11 shows the procurement item, contracting entity and the timeline from Procurement Division receiving the procurement proposal to when the procurement is approved by the Government Procurement Committee.

81. For routine road maintenance works of the Ministry of Infrastructure, a national competitive bidding method was used. The bidding period was the minimum period required by regulations, of 30 days. However, this procurement was advertised 45 days after it was received by the Procurement Division. Evaluation was carried out 14 days after bids opening. The procurement is passed on to the Government Procurement Committee for their review and approval 12 days after the evaluation report is signed off. The Government Procurement Committee takes another 8 days to approve procurement. Routine road maintenance is carried out regularly by the Ministry of Infrastructure.

82. Procurements of periodic road maintenance, census tablets and new vehicles were all advertised at least 21 days after the Procurement Division received the procurement from the respective contracting ministry.

83. For procurement of new vehicles for Prisons Department, evaluation report was signed off 2 months after the evaluation took place.



84. Figure 11 shows that it usually takes 12-39 days for the procurement to be passed on to the Government Procurement Committee after the evaluation report is signed off.

85. Delays in processing of procurements is caused by various delays in some stages of the procurement process. Procurement officers may also require some training so they can acquire the knowledge and skills to expedite some of the stages of the procurement process, both at the contracting entities and at the Procurement Division of Ministry of Finance.

86. Delays in the procurement process may have very serious impacts on the quality and timeliness of services delivered by the ministries. Items procured by ministries are for the purpose of assisting the ministries to deliver services to the people.

87. With the aim to improve time it takes to process procurements, it should be recommended to Chief Executive Officers of ministries to ensure that procurement officers receive appropriate procurement training, including training on the procurement process. It is also recommended to Procurement Division of Ministry of Finance to review the procurement process identifying and establishing optimal time to carry out each stage of the procurement process so as to decrease the overall time it takes to process a procurement.

88. If the recommendation is implemented, processing and approval of procurement will take less time and contracting entities are able to receive their procurements quicker so that they are able to deliver their services as they had planned.

### **Procurement rules for public enterprises**

89. Government Procurement Committee has not yet during the period reviewed received any procurement rules and procedures from the public enterprises to be reviewed if consistent with the Public Procurement Regulations 2015. Public Procurement Regulations 2015 requires that the Government Procurement Committee approves, on the advice of the Procurement Division, the consistency of procurement rules and procedures adopted by public enterprises and statutory bodies with the Public Procurement Regulations 2015.

90. We reviewed the minutes of Government Procurement Committee meetings for 2015-2018 and found there was no mention of receiving or reviewing procurement procedures or rules from the public enterprises. In an interview with the Principal Procurement Officer of the Public Policy Section of the Procurement Division, Ministry of Finance, she said they have not received any procedures or rules from public enterprises to review.

91. The cause of the Government Procurement Committee not receiving and reviewing the procurement rules and procedures of the public enterprises is because the Procurement Division is not actively monitoring this issue.

92. The effect of the situation found is the possibility that the public enterprises are not implementing procurement procedures that are consistent with the Public Procurement Regulations 2015.

93. With the objective of ensuring that value is achieved for all public money spent, it should be recommended to the Procurement Division to actively monitor the procurement procedures and rules adopted by public enterprises to ensure their alignment with Public Procurement Regulations 2015.

94. If the recommendation is implemented, benefits attained would include assurance that public enterprises are following procurement rules that are aligned with the Public Procurement Regulations 2015 and are therefore also trying to achieve best value for government money.

## **4. Is the tendering phase effective?**

95. Ministries often do not follow the procurement process. Inadequate planning of procurement that does not consider the required timeframe for processing of procurements leads to delays in initiating procurements and ministries consequently avoid the procurement process as it will further delay acquiring of the procurement item. There is lack of documentation in procurement file regarding publication of procurement notices to allow independent reviews to determine that all potentially qualified suppliers were aware of the advertisement.

96. Contracts are not appropriately managed to ensure that the right quantity and quality is received at the right time and at the lowest cost. There are no documentations to record receiving of procured goods. Deviations from specifications and not effectively monitoring implementation of contracts results in more cost in terms of time and money.

97. The Procurement Division has implemented arrangements for the central procurement of common use items. However, there has yet to be further analysis and evaluation of the arrangements to identify any savings and areas for further improvement.

### **Procurement process**

98. MDAs did not follow the procurement process. The Public Procurement Regulations 2015 require that the bid evaluation process results in selection of the best value for money bid.

99. All MDAs reviewed did not follow the procurement process. They entered into contracts with value above the threshold without submitting the procurements to the Procurement Division for processing.

100. On 31 March 2017, the Palace Office signed a contract for the purchase of 64,000 national IDs for \$1.1 million. Five months later, 30 August 2017, the procurement proposal for this procurement is finally received by the Procurement Division. Procurement process is not followed and there seems to be no urgency in trying to meet the requirements of the procurement process.

101. The procurements over the threshold are to be submitted to the Procurement Division so that the Procurement Division can assess the appropriateness of the proposed procurement method and manage the bidding and contract awarding phases of the procurement process. This controls the procurement process to ensure that value for money is achieved.

102. We also reviewed the Regulations and found that it required procurement files for procurements with estimated value exceeding \$100,000 to be submitted to the Government Procurement Committee so they can review the bidding process and review the compliance of contract award procedures with the Regulations. The Government Procurement Committee may then accept the award recommendation provided by the Evaluation Committee (EC) in which case it issues to the contracting entity a 'Letter of No Objection' or otherwise provide written reasons why it does not agree with EC recommendations. After it issues letter of no objection then the Chief Executive Officer of the contracting entity can issue the letter of award to the successful bidder.

103. Audit reviewed the procurement records and found that for the purchase of heavy plants and equipment worth \$2.7 million by the Ministry of Infrastructure, the date of the letter of award issued by the Chief Executive Officer of Ministry of Infrastructure is dated 13 June 2018, which is at least 2 weeks before the date of the letter of no objection from the Government Procurement Committee, which is dated 29 June 2018. Similarly, for the refurbishment of the playing surfaces of Teufaiva Stadium worth \$3 million, the letter of award from contracted entity is dated 14 February 2017, while the letter of no objection from the Ministry of Finance was dated 9 March 2017, which is 23 days after the letter of award was issued. There seems to be no consideration for the procurement process as stipulated in the Regulations and the important review role that the Government Procurement Committee plays. This role as well as that of the Procurement Division as mentioned above are additional controls put in place for procurements with higher values to ensure that value for money is achieved.

104. The cause of MDAs not following the procurement process is lack of importance placed on following the procurement process. There is also lack of awareness or knowledge of the benefits to be realized upon following the procurement process as well as the risks to government in not following the procurement process. Lack of appropriate planning of procurement also results in not identifying the timeframe to be allowed for the procurement process. This would lead to delays in initiating the procurement process and consequently ministries disregard the procurement process in their pursuit of expediting the completion of the procurement.

105. The effect of MDAs not following the procurement process is that limited financial resources is used to procure goods, services and/or works that had not been included in the MDA's approved Procurement Plan and non-competitive procurement methods used that may result in not achieving value for money.

106. With the aim to achieve value for money, it should be recommended to ministries to appropriately plan their procurements, taking into consideration timeframe required for the procurement process. This would allow time for procurements to be reviewed and authorized through the approved procurement process.

107. If the recommendation is followed, benefits could be expected, for instance, increase in use of the most appropriate and competitive procurement method that will ensure obtaining the best value for money. We could also expect that the limited financial resources of government are only spent on required procurements.

## **Contract management**

108. There was ineffective management of contract. The Public Procurement Regulations 2015 require that the bid evaluation process results in selection of the best value for money bid.

109. The Ministry of Infrastructure supervises and inspects road works carried out by contractors. A template is used to record date of inspection, location of road, road name, and activity done on the road, length, width, and area of road works, number of labour on site, equipment used, contractor start and end time. The inspector can note comments of matters that he finds unsatisfactory. The form requires signatures of both supervisor and contractor but most forms only had the supervisor's signature.

110. Ministries are checking the goods they have procured once they are delivered to them. They are checking the details of the goods received against the specifications in their procurement proposal. However, there is no documentation of this process. There is no documentation of the actual date the good was received, quantity and quality received, and who checked/inspected the goods upon delivery.

111. Ministry of Meteorology, Energy, Information, Disaster Management, Environment, Climate Change and Communications was not satisfied with quality of procured services and rectifying the situation had meant extension of the time to deliver the contract, which would cost more time and money. Therefore, the Ministry was not able to obtain the required quality, quantity and time. The same Ministry contracted design services from the ITS Pacific Limited, as the 2nd stage of a multi-stage project which was contracted to be completed in July 2018. Bidding process followed the procurement process however the contractor (ITS Pacific Limited) did not deliver what its winning bid said it could.

112. The cause of ineffective management of contract is lack of monitoring and evaluation of each stage of contract implementation; deviations from agreed specifications; untimeliness of each stages of implementation as specifically stated on the contract; more costly in terms of time and money.

113. The effect of the situation found is that procured goods, services or works of the right quantity and quality are not received at the right time. There is a risk that no appropriate inspection is carried out to ensure procured goods delivered/received is what they had ordered and paid for, in terms of quantity, quality and time.

114. With the aim of improving management of contracts, it is recommended that the ministries establish a template that they could use for checking of procured goods when they are received to ensure that the right quantity and quality is received at the right time. It is also recommended to ministries to ensure appropriate training is provided to its staff on contract management.

115. If the recommendation is implemented, we could expect improvement in contract management that will ensure that procured goods, services, and works are received at the right quantity, quality, and time and at the lowest cost.

### **Declaration of conflict of interest**

116. No standard document developed yet to be used for declaration of conflict of interest. Good practice requires recording in writing disclosures of conflicts of interest.

117. Procurement files reviewed did not have any documentation of declaration of conflict of interest. The Procurement Division is currently working on developing a standard document to be used for the declaration of conflict of interest. This template will serve to integrate this critically important aspect of procurement into the procurement process.

118. Some officers are not fully aware of the procurement process or even of what declaration of conflict of interest means. Standard templates provided to be completed during the procurement process helps to guide the steps that should be followed and how some steps are to be conducted. It is more likely this declaration requirement will be implemented when a standard template exists to assist.

119. Declaration of conflict of interest prevents or minimises undue influences on procurement decisions (e.g. bid evaluation) that helps to ensure that the best value for money may be achieved.

120. The cause of the situation found is that no policies and procedures is in place yet to guide identifying and dealing with conflicts of interest.

121. The effect of a failure to declare conflict of interest is that there could be adverse impact on the awarding of contract phase of the procurement process. This can jeopardize the objective assessment of bids and awarding of contract to achieve best value for money.

122. For the purpose of preventing undue influences on procurement decisions that may hinder the achievement of value for money, it should be recommended to the Procurement Division to establish a conflict of interest declaration form.

123. If the recommendation is implemented, we could expect benefits for instance, improved guidance on the procurement process and the requirement to declare conflict of interest. This will facilitate and improve implementation of this requirement.

### Publication of procurement notices

124. There were incomplete records in procurement files reviewed to facilitate review of the publication of procurement notices. The Public Procurement Regulations 2015 require that the bid evaluation process results in selection of the best value for money bid. The notice of invitation to bid shall be published in at least one national newspaper which shall be of wide enough circulation to reach sufficient bidders to ensure effective competition.

125. Sampled procurements selected for review contained in their files the procurement notice that was said to have been published in the media. However, there was no information in the file that evidence the media outlet(s) that was used and for what period the notice was up. These records and information need to be in the relevant procurement file to enable the review of the procurement file by the appropriate authorities. These reviews would determine whether:

- Appropriate level of competition is achieved
- All potentially qualified contractors/bodies bid
- All potential bidders who bid are able to be aware of the advertisement
- Selection of the most value for money bidder after evaluation

126. The cause of the situation found is that correspondences relating to the details of the publication of the procurement notices are submitted to the Treasury Division but copies are not kept in the related procurement file in the Procurement Division.

127. The effect of the situation found is ineffective review of the procurement process as the procurement file is not complete or does not contain complete information on the publication of the procurement notices.

128. With the aim to reach all potential bidders and attain an appropriate level of competition and value for money, it should be recommended to Procurement Division to: ensure complete information relating to the publication of procurement notices is maintained in the respective procurement file to facilitate review.

129. If the recommendation is implemented, it could be expected that reviewers of the procurements would have complete information presented to them to enable them to effectively carry out their role in identifying whether procurements have followed the procurement regulations.

### Central procurement of common use items

130. The central procurement of common use items needs to be appropriately evaluated to identify the benefits achieved and ways it can be improved. The Public Procurement Regulations 2015 require the Central Procurement Unit to carry out centrally the procurement of common use items for the benefit of all contracting entities.

131. Annual Report of the Ministry of Finance for the year 2015 outlines as one of the Key Performance Indicators (KPIs) of the Procurement Division is the 'Number of common use items procured centrally'. The planned target for this KPI was 4 but at the end of the year, no item was able to be procured centrally. According to the Annual Report, the division trialled with travel, however not all agents were International Air Transport Association certified and they could not guarantee a cost effective price as they were mostly agents who had very little control over price.

132. On 16<sup>th</sup> August 2017, the Ministry of Finance distributed to MDAs the Framework Guidelines for the supply of office paper (A3 and A4).

133. The Ministry of Health informed audit that they have not utilised this arrangement because this arrangement is only for A3 and A4 white paper, but the ministry requires all types of papers in different colours and sizes for the needs of the different divisions of the ministry.

134. There was no analysis being undertaken to identify savings or benefits of this arrangement as confirmed by the Principal Procurement Officer.

135. Savings can be generated from this arrangement. Unless review and analysis of this arrangement takes place, it cannot be identified whether it has indeed generated savings or not. Such an analysis will also lead to identifying ways to improve and further meet the goals of these arrangements.

136. The cause of lack of analysis of the central procurement of common use items is that the Procurement Division has not included plans for such an analysis in its annual work plan.

137. The effect of the situation found is not being able to identify whether savings had actually been realized, and if yes, to quantify this savings. Another effect is not being able to identify areas that needs to be improved in regards to these arrangements.

138. With the objective to improve central procurement of common use items, it should be recommended to Procurement Division to appropriately plan for the evaluation of the performance of centrally procuring of common use items including identification of benefits that have been achieved and ways it can be improved

139. If the recommendation is implemented, some benefits could be expected, for instance, it would enable identification of what these arrangements have achieved so far, especially in terms of any savings realized, and areas that needs to be improved.

## **5. Are there appropriate mechanisms to monitor, review and report procurement performance?**

140. There are no appropriate mechanisms to monitor, review and report procurement performance. MDAs reviewed did not yet have a process to document receiving of procured goods to ensure that the right quality and quantity is received. MDAs do not carry out any formal reviews of their procurement operations to identify improvements that needs to be made. There is no guidance in place that can assist ministries in preparing reports on their procurement operations.

141. For some MDAs reviewed, procurement documents were not properly filed. Documents that related to a certain procurement can be found in various files that were not labelled. This would make it difficult and time consuming to monitor, report and review the implementation of procurement contracts. The Procurement Division has established a complaints register. However, the complaints register did not have all the complete required details relating to some complaints. This included reference numbers that could make it easier to find the corresponding procurement file to which the complaint is related to.

### **Monitoring procurement performance**

142. Monitoring of delivering of goods, services, and works procured needs to be improved. Good practice require that the public entity should review and evaluate the contract to assess how well the objectives have been achieved and determine where it can make any improvements. Contracting entities are required to monitor the execution of contracts including checking to ensure that the correct quality and quantity is received at the right time and at the lowest cost.

143. The MDAs reviewed did not yet have processes in place for checking and documentation of the receipt of procured goods to ensure that the right quantity and quality of goods were received at the right time, or as will be mentioned in later sections, no reviews of MDA procurement operations to see whether the MDA has been able to acquire its required procurements at the lowest cost, and if not, what were the reasons for not being able to.

144. For services and works procured, progress reports and completion reports may be prepared, depending on the contract terms, which a delegated officer of the contracting entity checks actual services and works delivered against these reports. Audit found that these progress reports were sometimes not maintained at the contracting entities. This was the case for the refurbishment works of the playing surfaces for the Teufaiva Stadium during FY 2016/17 of which the contracting entity was the Ministry of Internal Affairs. However, the officer looking after the procurement function of the Ministry of Internal Affairs had only began working at the Ministry of Internal Affairs in October 2018 so that she was unable to find the documents. The procurement officer that worked during 2016/17 is now working at the outer islands. Copies of these documents will most likely be found at the Procurement Division of the Ministry of Finance, however, these documents need to be maintained at the contracting entity as they will be the one to monitor and review what they procured. The Ministry of Internal Affairs also informed audit that the Ministry of Infrastructure inspected the works carried out at Teufaiva and they would have the progress reports. Director of the Buildings Division informed audit that they have these reports but it has yet to be provided to audit.



145. The Ministry of Meteorology, Energy, Information, Disaster Management, Environment, Climate Change and Communications contracted the design services of the ITS Pacific Ltd., but was not satisfied with the quality of work delivered. Therefore time was extended so that the work can be improved. More documentation were requested from the Ministry of Meteorology, Energy, Information, Disaster Management, Environment, Climate Change and Communications to be able to identify the cause of this issue. However, procurement officer identified that a new consultant different to the consultant that had worked when they had contracted ITS Pacific Ltd came in and was not satisfied with the work delivered by ITS Pacific Ltd. More effective management of the contract implementation will have minimized or avoided any implications due to poor delivery by the contractor of procured items.

146. There are several causes of the situation found including procurement staff of the MDAs were not aware of the need to have a mechanism in place to document the details of receiving procured goods. Staff at the contracting entities are not aware of the documents that they need to maintain at their office, saying that the progress reports can be found at the Procurement Division. They think there is no need for them to keep the progress reports. Ministry of Meteorology, Energy, Information, Disaster Management, Environment, Climate Change and Communications is not effectively managing or reviewing its procurement operations as it cannot provide conclusive answers in relation to its procurements, including problems encountered with the procurement.

147. The effect of the situation found is that some goods may have already been procured or paid for but had never been received and the MDA is not able to track this. This process can also assist in evaluation of the quality and quantity of goods received whether they meet the related purchase order or specifications. Internal and external reviews will be hindered when there is no progress reports maintained. Important documents to keep that will promote transparency and accountability for those inspectors who actually carried out the inspections of services and works delivered. Poor contract management means the entity is not aware of the contracts that are performing poorly, why they are that way, so it can be addressed for improvement.

148. With the aim to achieve value for money, it should be recommended to ministries to: ensure procurement officers receive appropriate training on effectively managing of procurement contracts making sure that right quantity and quality is received at the right time and at the lowest cost; review their procurement operations and maintain documents that evidence this review. This review will identify problems encountered in the procurement operations of the MDA and how they were resolved.

149. If these recommendations are implemented, improved contract management could be expected that would help to achieve value for money.

### **Procurement records**

150. Procurement records were not completely maintained nor maintained in an orderly manner. The Public Procurement Regulations 2015 require contracting entities maintain an individual record for each procurement requirement, which shall be marked with the relevant procurement reference number.

151. For one of the MDAs reviewed, the Ministry of Internal Affairs, there was no orderly manner of filing the procurement records. Documents that related to a certain procurement can be found in various files that were not labelled. As a consequence, locating procurement records relating to a certain procurement is time consuming and it would be difficult to obtain all the records relating to a certain procurement for monitoring and review purposes when this situation prevails.



152. The cause of incomplete and disorganized procurement records at the Ministry of Internal Affairs is that there is no document that outlines how to maintain the procurement records so that a new staff assigned for this task can perform this task as well as able to locate records that had been stored by the former staff. The Ministry also appointed a new staff to carry out the procurement function of the ministry because the previous procurement staff relocated to work at the ministry's office in the outer islands. Due to not having appropriate handover, the new staff had difficulty locating the procurement records. The ministry also had poor filing system.

153. The effect of the situation found is that ability to efficiently and effectively monitor, review, report, and evaluate the procurements of an MDA is hindered, which will lead to incomplete or inadequate information provided for management decision making on how to improve procurement of the MDA.

154. With the aim to efficiently and effectively manage procurement, it should be recommended to MDAs to ensure the orderly and complete filing of procurement documents and securely kept at the MDAs at all times.

155. If the recommendation is implemented, it would enable more efficient and effective monitoring, review, reporting and evaluation of procurement operations of the MDA.

### **Review of procurement operations**

156. MDAs do not carry out any formal reviews of their procurement operations. Good practices require a public entity to review and evaluate a contract to assess how well the objectives have been achieved and determine where it can make any improvements.

157. None of the MDAs reviewed conducted any formal reviews or evaluations of their procurement operations for a financial year or any period. This review would enable the MDA to identify issues prevalent within the procurement operations of an MDA so that strategic measures can be identified and put in place to address these issues. The Procurement Specialist working with the Procurement Unit of the Ministry of Health told audit that such a formal evaluation has not been conducted for procurement operations of the Ministry of Health. He continued to say that any issues that arose in the conduct of the procurement proceeding is dealt with on an ad hoc basis and the documentations are filed and stored away. At the end of the year, there is no process in place yet to compile the issues for the procurement operations of the contracting entity as well as identify strategies to address these issues.

158. The cause of the absence of MDA reviews of their procurement operations is that there is currently no policy in place that directs ministries to carry out any reviews of their procurement operations. The management information that currently exists within the MDAs does not enable the MDAs to: be able to effectively monitor how money is being spent, have performance measures for evaluating and managing its procurement performance, have good knowledge of the prices paid for goods and services so that it can easily compare to prices achieved by others, enable MDA to better manage supplier performance.

159. The effect of the absence of a review is that it would be unlikely that required changes to improve the procurement operations of the contracting entity will be effectively identified and implemented.

160. With the objective of improving procurement operations within each ministry, it should be recommended to ministries to review its procurement operations regularly to identify any issues and measures to address those issues, determine whether outputs and outcomes of procurements were achieved, and determine whether performance measures and targets for the procurement function of the ministry have been achieved. It should also be recommended to MDAs to develop their management information system so that they are able to: effectively monitor how money is being spent, have key performance measures for evaluating and managing its procurement performance, have better knowledge of prices paid for goods and services and able to better manage supplier performance.

161. If those recommendations are implemented, it would enable identification of whether procurement objectives have been met and if not, why not, and how can these problems be resolved. It will enable the MDA to identify issues within its procurement operations and to identify and implement measures to address these issues.

## Complaints Register

162. Some information required by the Complaints Register were not filled into the Complaints Register. The Procurement Division established a complaints register in June 2018. Figure 12 shows the number of complaints received each month since establishment of the Complaints Register. By January 2019, 7 complaints had been entered into the register.

Figure 12: Complaints register of Procurement Division of Ministry of Health

Month	No. of complaints
June 2018	4
July 2018	1
August 2018	1
January 2019	1
<b>Total</b>	<b>7</b>

163. The Complaints Register requires input of the following information:

- Date complaint was received;
- Case reference number;
- Name of the entity that lodged the complaint;
- Brief description of complaint (goods, services or works procured and/or procurement reference number);
- Mode in which the complaint was received (email, sealed envelope, or other); and
- Signature

164. We noted that only one complaint had its case reference number recorded in the register. There was no separate column for entering of the procurement reference number. The procurement reference number were sometimes mentioned in the 'description' column of the register. Only four complaints included a procurement reference number and the rest would only include a brief mention of the items procured. This hinders ease of reference between the complaints register and the procurement files. The register does not contain any description of the reasons for the complaints. The Principal Procurement Officer told audit that these details will be found in the related procurement file. Which makes it more important to complete the register appropriately, making sure that all the entries are completed, including for example, the case number and procurement reference number.

165. Not only that but the information regarding the mode of receiving the complaints whether, it is by email or letter etc. was only completed for 4 complaints.

166. Other information such as how the complaints had been resolved or status of these complaints were not included in the register.

167. The complaints register can serve to ensure that complaints are managed and resolved in a fair, efficient and consistent manner and promotes confidence in the Procurement Division's service delivery, effective complaint management and commitment to continuous improvement. An appropriate complaints register in place would assist any independent review of how a complaint had been handled.

168. The cause of incomplete information in the register is that there had not been any independent checking of the register to ensure that the register is complete with all the required information entered into the register.

169. The effects of the situation found include difficulty in monitoring and reviewing complaints received and how they were resolved. Also, it may be difficult to get an overview of all the problems raised by the complaints so that they can be strategically addressed to improve operations in both MDAs and Procurement Division.

170. With the aim to improve management of complaints, it should be recommended to Procurement Division to ensure that the Complaints Register is reviewed to ensure that all information required by the Complaints Register is filled in, and reviewer to sign the Register as evidence of review.

171. If the recommendation is implemented, the Complaints Register would include critical information that would facilitate the effective management of complaints including the transparency in resolving of issues.

### **Reporting on procurement operations**

172. No guidance in place for reporting on procurement operations. The Public Procurement Regulations 2015 require contracting entities to submit report summaries on their procurement activities to the Procurement Division in accordance with templates issued by the Procurement Division. The Government Procurement Committee is required to advise and approve the issuance of forms by the Procurement Division prescribing the content, format and the frequency or dates for submission of procurement reports to be submitted by procurement units.

173. There is currently no guide or template that has been issued by the Procurement Division to guide contracting entities in reporting on procurement.

174. At the time of writing the audit report, MDAs reviewed had not provided their Annual Report to audit. For some MDAs, they have not developed an Annual Report for the years under review. However, there is no guideline that exists to guide the MDAs in reporting on their procurement operations.

175. A reporting guideline would help to ensure that MDAs actually report on their procurement operations and how to go about doing this reporting.

176. It would be difficult to monitor and review the procurement operations of contracting entities when they are not reporting on their operations. So it would be impossible to comment whether the procurement activities are effectively executed and monitored, or whether procurement objectives, outcomes and outputs have been achieved or not.

177. The cause of the situation found is the Procurement Division has not issued a guideline to assist MDAs in reporting on their procurement operations.

178. The effect of the situation found is that MDAs do not find it necessary to report on their procurements. In the absence of this reporting, evaluation and improving procurement operations of the MDAs cannot be guaranteed. The effect of not having a guidance in place is that there is no clear direction for MDAs on what to report in relation to their procurement operations. What aspects of their procurement operations are they to monitor and report on.

179. With the aim to improve reporting on procurement operations, it should be recommended to Procurement Division to issue forms prescribing the content, format and the frequency or dates for submission of procurement reports to be submitted by procurement units. It should also be recommended to ministries to report on their procurement operations, including reporting on any procurement performance measures and targets that they have set for themselves. This report would be useful for decision making of Chief Executive Officer for improving the procurement operations of the ministry.

180. If the recommendation is implemented, several benefits could be expected, for instance: MDAs will have a guide on what to report in relation to their procurement operations; MDAs will be held accountable to their procurement activities, motivated to improve performance as they will have to report it; assist evaluation of economical, efficiency, and effectiveness of the procurement operations of the MDAs; assist reviewing and identifying improvements that needs to be made to the procurement system within the MDA and overall procurement system of the government.

## **6. Auditees responses on findings, conclusions and recommendations**

The clients' responses to our audit findings, conclusions and recommendations are as listed:

- Chief Executive Officer for Infrastructure (meeting: 18<sup>th</sup> November 2019)
- Chief Executive Officer for Internal Affairs (meeting: 20<sup>th</sup> November 2019)
- Chief Executive Officer for Health (meeting: 21<sup>st</sup> November 2019)
- Chief Executive Officer for Ministry of Meteorology, Energy, Information, Disaster Management, Environment, Climate Change and Communications (meeting: 19<sup>th</sup> November 2019)
- Palace Office (meeting: 20<sup>th</sup> November 2019)
- Head of Procurement Division of the Ministry of Finance (comment not yet received)

**Summarised below are the comments received from the auditees. The audit team also received other comments, and changes have been made to the audit report, based on the analysis of those comments.**

### **Chief Executive Officer for Infrastructure comments**

The revisions of procurement plans is typical for the ministry and it is happening now. New government would have different priority. When priority changes, the ministry tries to change its Annual Procurement Plan (APP) and find funds for things that were not planned for. Still, the number of revisions that were carried out was a lot.

Conflict of interest needs to be defined. Tonga is very small. Almost everyone knows everyone. We might end up not being able to do any work. If there is any other way we can manage and control risks related to conflicts of interest.

I know that publication of procurement notices is done but maybe it is filing that is failing. I would like to push for checking procured goods when they are received to be done. To check completeness of what has been received. I think if we put the inspection responsibility on the division that ordered the goods, inspection will not be done. Reporting on procurement is something I need, even if there is no guideline.

### **Chief Executive Officer for Internal Affairs comments**

We have implemented the recommendation on preparing a Corporate Plan and an Annual Plan for every year and we will continue to improve from there. Situation you have found was caused by the ministry not being stable (no permanent Chief Executive Officer, change of Minister). No one to lead. There was a Corporate Plan but they were not confident to submit it.

Head of Departments (HODs) take the annual procurement plan very lightly. It is raised in our HOD meetings, held twice a month.

The procurement officer moved to Vava'u with the post. A procurement officer will be established in Tongatapu. Ministry is fortunate to have a new officer with procurement experience who is carrying out our procurement now. Maybe your report will help a lot, as a starting point, to make sure the HODs see how important it is to have a procurement officer in place. The way for us to comply is to have someone in place to push work to be done. Your report will be a good starting point to push the importance of procurement. We have some internal trainings here on the various works that the ministry carries out but I'm sure lots of help from our new officer to help a lot in training internally of staff. Almost have an account officer in each

division. I empower them. I'm going to pull them in to know the internal procedures for procurement so they can help the procurement officer to help make work easier.

We have put an officer at Teufaiva responsible to follow up and push contractors to do the work. Many organisations involved in a procurement, and going back and forth, causes delays, but may also be because there is no one who has the sufficient skills to prepare the procurement.

The report that we get is an internal report of progress from the officer there. Rest of the progress of the work and technicalities are all with the Ministry of Infrastructure. It's worth noting to have a copy maintained here.

Annual Report does not reflect in full the procurement process. It is centralized in the Corporate Services Division (CSD) report. This will be a good starting point to talk about the importance of procurement and my staff can follow. At the same time, this can lead to build capacity of my staff so they can contribute to the success of the procurement process. Our employees are working from different locations. Going to pull them together to know the work they are doing and they can work together. I do not know for sure the total value of our procurement plan but it is a big amount and we can use it to justify asking for budget.

#### **Chief Executive Officer for Ministry of Health comments**

Recently, we compiled annual plan and budget proposal as one because we feel that's more accurate. A fair comment on the preparation of our procurement plan. This is an area where we are developing. We had an officer who has moved to the Ministry of Finance, and she was brought in because of these issues. We are still trying to recruit. We still have a technical assistance. It's challenging but we consider that as a priority and working on that.

Level of non-compliance reflects the difficulty and we had many projects outside the budget. We understand non-compliance but we see the risk as minimal. We try to make sure that the risks are still manageable. Maybe we can look at non-compliance again because it is understood that procurement is not planned, as stated in your report. The reason why we run out of things and scramble to procure is because the plan cannot predict things like manage of contracts, those are skills we do not have here. We understand non-compliance and trying to protect government assets. Sometimes you need good people who can predict, who can plan. I think that just reflects capacity here, because senior officers work really hard but I see it's the capacity. A lot of these issues is the supplier playing up. Some of the suppliers are not honouring their contracts but we don't have the capacity to push for better. Our limited capacity allows suppliers to do as they please. We are working with New Zealand, hopefully they can take over the procurement of the medicinal drugs so the staff here can be free to do what they can because I see that the 45% is what they can't do. They can do 55%, the other 45% is just too much. I don't like seeing the big number but I appreciate their struggle. The procurement process is good but maybe ministries, even us, underestimate procurement. It's a complex thing. Realized at global level, you can't run the Ministry of Health if some areas are weak such as procurement, finance, even human resources. Human resources need people who are really skilled and you don't find that, just like procurement you hardly find anyone.

**Chief Executive Officer for Ministry of Meteorology, Energy, Information, Disaster Management, Environment, Climate Change and Communications comments**

Our proposal to recruiting a full potential Procurement Unit was not accepted by Ministry of Finance. Therefore I use whoever is at Corporate Division. Projects have well qualified people, as required by donor. I have just recruit a Qualify Senior Accountant and soon we will train her with procurement duties. We are trying to improve our procurement processes and procedures.

Heads of departments are technical staff. They are slowly becoming familiar with procurement process but they still can't provide a procurement plan for whole financial year. For each project, there is a procurement plan for the fiscal year. Most Heads of departments bring those activities to the ministry's procurement plan, compiled by the Corporate Division. The process is not yet harmonized to clearly show in our procurement plan but we are trying. The Procurement Plan compiled by our Corporate Division is predominantly on recurrent budget. The individual departments are mostly based on projects. Approximately 5% of our budget is recurrent and 95% development project in current financial year.

Some projects achieve their objectives, even deliver their outcomes, some projects experience some problems. Some problems were caused by lack of inspection capacity.

Conflict of interest is a very sensitive thing. I think it should be standardized for all of government. Tonga is small and contractors can be relatives or friends. Work is delivered. Conditions should be in place to capture conflict of interest, double employment and taxation issues. Largely, works are in order, there are only a few special cases.

We advertise procurements trying to expedite not compromise the process. When it is submitted to Ministry of Finance, it will be in a queue and can be late.

There would need to be a person to write report on procurement. Officers already have other responsibilities, as per their job descriptions. It can be done, but need capacity. Officers may want more pay for more responsibilities. Developing procurement functions of ministries means more funding required. Non-compliance issues were only caused by negligence. No money was lost.

**Palace Office comments**

This may be a new audit but it can be a tool for following the procurement requirements. We are all trying to improve our services for the country in the various areas we are at. For the issues raised, we will have something internally to manage, follow up and report.

**Procurement Division comments**

*(Comments not yet received)*

## **7. Conclusions**

There is still need for improvement in planning of procurement. Although MDAs reviewed prepared Procurement Plans, not all prepared a Corporate Plan and/or an Annual Plan in which to base procurement planning. Procurement Plans were not appropriately prepared. Important information were often missing from the approved Procurement Plans or not effectively planned such as quantity to be procured and proposed timeline for stages of the procurement. MDAs identified lack of capacity within their procurement function. The Procurement Division has yet to establish guidelines for the skills and qualification requirements that can assist establishing of Procurement Units within the ministries. There is also no guideline to assist ministries in establishing performance targets for their procurement activities.

No appropriate documentations of the declaration of conflicts of interest and advertising of procurement contracts to determine whether value for money was achieved. Contracts were not effectively managed so that more money and time was spent to acquire the required procurement items. MDAs awarded contracts without approval from the Procurement Division of the Ministry of Finance and the Government Procurement Committee. No evaluation of the central procurement of common use items to identify any benefits and improvements to make.

Mechanisms are not yet in place so that ministries monitor and confirm that they receive what they procured, in terms of quantity, quality and time. MDAs are not reviewing their procurement operations to identify and address any weaknesses. There is minimal reporting by ministries on their procurement operations. The Procurement Division of the Ministry of Finance has established a Complaints Register. However, important information were sometimes not filled into the Complaints Register for ease of review of the Procurement Division's management of complaints. MDAs sometimes did not completely and orderly maintain the procurement records.



## **8. Recommendations**

Based on the audit findings, a set of recommendations is presented, with an attempt to address the identified deficiencies and its causes. These recommendations are as follows:

### **I. Procurement Units, or procurement officer(s) when there is no Procurement Unit, of MDAs to:**

- a) Assist and ensure that divisions of the MDA are identifying their procurement needs strategically through alignment with Corporate Plan, consultations with relevant stakeholders and prioritization so that an accurate and complete procurement plan is produced. Planning of procurements should include consideration of the timeframe required for the procurement process so that adequate time is allowed for the procurement to be reviewed and authorized through the approved procurement process. Develop and have the Procurement Plan approved in a timely manner to guide the work of the MDA's procurement officers as well as the officers of the Procurement Division, in the financial year.
- b) Identify and set performance measures and targets for the procurement function of the ministry.
- c) Report on the ministry's procurement operations, including reporting on any procurement performance measures and targets that has been set. This report would be useful for decision making of Chief Executive Officer of the ministry for improving the procurement operations of the ministry.
- d) Regularly review the procurement operations of the ministry. This review will identify any issues with the procurement operations of the ministry and measures to address them. Review will also determine whether outputs and outcomes of procurements and performance targets of the procurement function of the ministry have been achieved.
- e) Develop the ministry's management information so that it is able to capture information that would allow the ministry to: effectively monitor how money is being spent, develop performance measures for evaluating and managing procurement performance, have better knowledge of prices paid for goods and services and able to better manage supplier performance.
- f) Ensure the orderly and complete filing of procurement documents and securely kept at the ministry at all times.
- g) Establish a template to use for checking of procured goods when they are received to ensure that the right quantity and quality is received at the right time.

### **II. Chief Executive Officers of Government Ministries, Departments, and Agencies to:**

- h) Ensure a Corporate Plan and an Annual Plan is prepared for each fiscal year to guide procurement planning.
- i) Identify and acquire adequate capacity in terms of skills and knowledge for the Procurement Unit of the ministry, or procurement officer(s) of the ministry where there is no Procurement Unit, taking into account the level of procurement activity in the ministry. This includes ensuring that the procurement officers receive appropriate trainings on procurement, including training on the procurement process and effective management of procurement contracts making sure that right quantity and quality is received at the right time and at the lowest cost.
- j) Ensure procurement officers who have participated in procurement trainings implement lessons learnt from the trainings in the ministry's procurement operations.

III. To Procurement Division of Ministry of Finance to:

- k) Establish guideline and qualification requirements for persons carrying out procurement functions of MDAs to assist staffing and capacity building of procurement function of the MDA.
- l) Review the procurement process identifying and establishing optimal time to carry out each stage of the procurement process so as to decrease the overall time it takes to process a procurement.
- m) Actively monitor the procurement procedures and rules adopted by public enterprises to ensure their alignment with Public Procurement Regulations 2015.
- n) Issue forms prescribing the content, format and the frequency or dates for submission of procurement reports to be submitted by procurement units.
- o) Ensure that the Complaints Register is reviewed to ensure that all information required by the Complaints Register is filled in, and reviewer to sign the Register as evidence of review.
- p) Appropriately plan for the evaluation of the performance of centrally procuring of common use items including identification of benefits that have been achieved and ways it can be improved
- q) Ensure complete information relating to the publication of procurement notices is maintained in the respective procurement file to facilitate review.
- r) Establish a conflict of interest declaration form.

## 9. Glossary

Contracting entity	Any Ministry, Department, Division, agency or other unit of the Government or any subdivision thereof, engaging in procurement as well as the Central Procurement Unit; this shall include the public enterprises and statutory bodies, as applicable.
Consultancy services	Intellectual or professional services and assignments performed by consultants with outputs of advisory, design and transfer of know-how nature.
Goods	Means objects of every kind and description, including commodities, raw materials, products and equipment and objects in solid, liquid or gaseous form as well as services incidental to the supply of goods, if the value of these incidental services does not exceed that of the goods themselves.
Limited Bidding Method	Also known as direct sourcing when only one bidder is available. This method can be used when no suitable bids have been submitted in response to a competitive/selective bidding procedure, contract may be performed only by a particular supplier and no reasonable alternative/substitute exists, urgent events, additional deliveries of goods/services by the original supplier, and contracts below \$7,500. Bid shall be invited from either one, or where possible, more bidders.
Procurement	All activities and decisions made for the supply of goods, works, services and consultancy services; the supply of goods shall include all contracts having as their object the purchase, lease, rental or hire purchase, with or without option to buy, of such goods.
Request for Proposal	Method shall be used for the procurement of consultancy services. Seek expressions of interest by publishing a notice in a local newspaper of wide circulation and prepare a shortlist of 3 to 6 consulting firms, to the greatest extent feasible. Short-list shall be established from among those who have capacity to perform the required services, as demonstrated in their expressions of interest.
Request for Quotations Method	May be used by any contracting entity for the procurement of goods and works where the procurement is for readily available commercially standard goods, not specifically manufactured to the particular specifications of the contracting entity. Quotations shall be requested in writing from as many bidders as practicable, but from at least three bidders.
Restricted Bidding Method	This method may be used when: (a) the goods, works or services are only available from a limited number of bidders (contracting entity invites bids from all potential bidders); or (b) when the time and cost of considering a large number of bids is disproportionate to the estimated value of the procurement which shall depend on

the nature of the procurement (contracting entity invites bids from sufficient bidders to ensure effective competition and, in any case at least three bidders).

Services

Supply of non-consultancy, namely physical services, or other labor, time or effort; stand-alone service type contracts (such as security services, catering services and geological services).

Single source selection

Apply to procurement of consultancy services. Shall be used only in exceptional cases, such as: for tasks as continuation of previous completed assignment; where a rapid selection is essential (as in emergency); for small assignments of less than \$7,500; when only one consultant is qualified or has experience of exceptional worth for assignment; or owing to catastrophe event there is an emergent need of the services

Thresholds

Financial limits above or below which certain procurement proceedings may be applied.

Works

All works associated with the construction, reconstruction, demolition, repair, maintenance or renovation of a building or structure, or any construction works such as railways, roads, highways, site preparation, excavation, installation of equipment and materials, decoration, as well as physical services incidental to works, if the value of those services does not exceed that of the works themselves.

## 10. References

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