

Horizontal audit of procurements in research

ETH Board, ETH Zurich, EPFL, PSI, WSL, Empa, Eawag

KEY POINTS

The ETH Domain comprises the federal institutes of technology in Zurich (ETHZ) and Lausanne (EPFL), as well as four research institutes: the Paul Scherrer Institute (PSI), the Swiss Federal Institute for Forest, Snow and Landscape Research, the Swiss Federal Laboratories for Materials Science and Technology and the Swiss Federal Institute of Aquatic Science and Technology. Around 25,000 people work across 17 ETH Domain sites. Total annual expenses amount to just under CHF 4 billion, of which around CHF 2.7 billion is financed through federal contributions. The two federal institutes of technology are the largest players. The ETH Board is the overarching strategic management and supervisory body.

Coordinated procurement in the ETH Domain and partners (referred to as "KoBe ETH+") is in place to facilitate cooperation in procurement. The ETH Domain purchases goods and services totalling around CHF 350 million each year.

In its audit, the Swiss Federal Audit Office (SFAO) assessed whether the instruments provided by procurement law are being utilised in a targeted manner. The audit found that a purchasing section exists in all institutions. However, it is apparent that the possibilities available under procurement law are not being fully utilised and that savings could be made.

In view of the tight financial situation in which the Confederation and, consequently, the ETH Domain currently find themselves, it is imperative that potential procurement savings be maximised so that the available funds can be used as efficiently as possible for the actual research contracts. Changes still need to be made here.

The purchasing sections do not carry enough weight

Institutions in the research sector are mainly organised to fulfil their primary research tasks. As a result, the purchasing sections often have little influence on procurement.

Procurement procedures are largely handled by the users themselves. The purchasing sections do not have sufficient weight vis-à-vis the users to ensure that procurement law is complied with and that procurements are made even more economically. The purchasing sections are not involved until at a late stage and have little power to control the process. In order to optimise the use of procurement instruments, the purchasing sections must be involved as early on as during the planning and budget phases. This would allow bundling opportunities to be better exploited and reduce the risks that exist under procurement law.

The decentralised purchasing sections at the federal institutes of technology can lead to duplication and insufficient standardisation of processes. The SFAO sees potential for savings through centralised procurement, which should be examined.

The position of the purchasing sections in the organisations should be strengthened.

Better use of existing instruments for compliant procurement

The audit revealed some deviations from procurement law. The SFAO found such deviations in the correct handling of procurement procedures, particularly in the case of invitation procedures. Compliance is to be further increased with regular training and awareness-raising sessions on procurement issues for procurement employees and users.

The greater the level of competition, the more cost-effective procurement generally is.

The proportion of directly awarded contracts above the threshold value of CHF 230,000 averages over 50%. This results in financial risks (failure to include the market) and compliance risks (unequal treatment, conflict of interest).

In the case of highly complex research equipment that is only offered by one manufacturer, a direct award is sometimes unavoidable. In many cases, however, the users consider a direct award to be necessary because it will allow a research device to be further developed together with the manufacturer.

However, it is not the case that only a direct award makes this possible. Functional tendering and dialogue procedures are effective procurement instruments for certain cases. They enable the purchase of devices with special technical specifications, whilst also involving several bidders and capitalising on their expertise. This involves somewhat greater effort, but leads to a reduction in the aforementioned risks and, in the best-case scenario, also results in qualitative advantages for research as well as additional savings.

The correct use of framework agreements could – under certain conditions – also lead to even more cost-effective procurements.

With the exception of the PSI, the ECO unit at EPFL and IT Services at ETHZ, the audited bodies do not yet have a system-supported contract management system. As a result, there is no overall view, which is central to monitoring and controlling an organisation. The ETH Domain should introduce contract management at all institutions in the medium term. The contract management systems should be compatible within the ETH Domain.

Management needs to show greater commitment to KoBe ETH+

The audit of KoBe ETH+ revealed only a few changes compared to the results of the SFAO audit in 2017. Although a mission statement and regulations were drawn up in 2019 and the Steering Committee was reinstated, KoBe ETH+ has not been able to press ahead with its development over the past six years. Conditions are still primarily negotiated with the most important suppliers. The cost savings achieved as a result of these conditions cannot be documented. Nevertheless, the SFAO assumes that such savings exist.

The savings potential that could be realised by expanding procurement cooperation in the ETH Domain should be specifically identified. Based on this, a binding strategy for joint procurement should be developed and the potential exploited through appropriate measures. This also requires electronic records of purchased goods in such a way that they can be analysed. For example, most of ETH Domain institutions do not know exactly everything they purchase.

Although good steps towards further development were seen, there is still no consensus at management level on expanding cooperation in procurement. However, realising the savings potential requires a clear commitment from each individual institution's management and, potentially, a certain cultural change in the cooperation between research and procurement.

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