

Public procurement and performance audit

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Content of presentation

The presentation will consist of 2 parts

- 1. Presentation of a value for money study conducted by the Danish National Audit Office: The government as purchaser
- 2. Description of the work being done in the EU Working Group on Public Procurement with special focus on task group nr. 4 (Value for money group)



Presentation part 1

- Presentation of a value for money study conducted by the Danish National Audit Office: The government as purchaser



Study background

- Report in 1998 on procurement
- Significant amounts spent (DKR 35 billion pr. year)
- Indications in pre-study that not all ministries did work seriously with procurement
- Many initiatives taken by The Ministry of Finance in 2003



Study objective and audit questions

Study objective

- To examine and evaluate how public procurement may be more effective

Audit questions

- Are goods and services procured with respect to economy?
- Have the ministries organized their procurement effectively?
- Have the initiatives taken by the Ministry of Finance lead to more effective procurement?




Audit methods

- Review of procurement policies
- Interviews
 - In depth interviews with 6 ministries
 - Interview with the Ministry of Finance
 - Telephone interviews (19 ministries)
- Price analyses on procurement of goods and services
- Soft international benchmarking




Conducting the audit

- Pre study – 2 months
- Main study – 6 months
- Quality assurance, hearing procedure etc.
4 months
- Direct resources spent: 2.418 hours



Results - prices

- Agencies did pay between 17% and 42% more than framework agreements with volume obligation
- Same goods bought from the same supplier at double price in some cases
- One authority did pay 3 different prices for hotel accommodation at the same hotel – up to 75 % higher than the agreement
- Paying different prices for almost identical goods with different brands



Results - prices

- Savings are to be collected through standardization
- Savings are to be collected through coordinated procurement
- Savings are to be collected by volume obligations through framework contracts
- Need for better overview of contracts – better evaluation of potential for savings
- The Danish National Procurement Ltd needs better transparency in prices and more accessible price information



Results - organization

- Better value via joint procurement functions
- Increased use of electronic procurement to reduce transactions costs
- Potential for savings on process cost (automation)
- Better control and follow up procedures on procurement
- Need for more systematic management focus on procurement and savings
- Procurement competencies need to be improved



Results - Initiatives taken by Ministry of Finance

- Initiatives taken by Ministry of Finance - in general satisfactorily, but more has to be done
- Need for better guidance (organization and procurement policies)
- Need for central training programs to strengthen the commercial competences of the public procures
- Need for a more detailed chart of accounts



Reactions

- Public Accounts Committee criticized that not all ministries were active in improving value for money in procurement
- The press: “The Danish government is a bad housekeeper”
- The press: Savings by municipalities and counties?



Impact

- Significant savings are now to be collected through new mandatory framework agreements
- Goals for savings are to be implemented in all ministries
- The establishment of a procurement secretariat in The Ministry of Finance to follow up



Presentation part 2

- Description of the work being done in the EU Working Group on Public Procurement with special focus on task group nr. 4 (Value for money group)



THE EU WORKING GROUP ON PUBLIC PROCUREMENT

The Contact Committee mandated the establishment of a Working Group on Public Procurement which will

- Develop and manage a web - site dedicated to the audit of public procurement
- Place on the web - site material with relevance for the audit of public procurement
- Assess the usefulness of the site



Planned material on the web - site


- Summaries of published reports and guidelines on procurement duly validated and categorised
- Checklists for use in the financial audit of procurement compiled from documentation used by SAIs and the ECA
- A guide on EU procurement rules prepared by the Working Group
- Key questions developed by the Working Group as reference pointers for auditors evaluating the performance of the procurement function in public sector bodies



First Meeting in the Working group on Public procurement

Decision of the working group

- Formation of a core group with overall responsibility for delivering the mandate and communicating with all the members on the activities
- Formation of 4 task groups each taking responsibility for a separate area necessary to deliver the mandate



Task group nr. 4 (Value for money task group)

Mandate:

Preparation of key questions to be used as reference pointers for auditors evaluating the performance of the procurement function in public sector bodies



Strategy of Task group nr. 4 (1)

It was agreed to base the work of the task group on one model

- The model should consist of 3 different levels: a meta, a macro and a micro level
 - Meta level. Assessment of the governments overall procurement strategy
 - Macro level: Assessment of the departments procurement function
 - Micro level: Assessment of a single procurement project



Strategy of Task group nr. 4 (2)

- Under each level relevant central questions should be formulated
- Under each central question it was decided to account for the following issues
 - Why the question was important
 - Relevant sub-questions
 - Guidance to relevant literature



Use of the model

- A comprehensive model in 3 different levels
- The auditor can design a value for money study to encompass all 3 levels or alternatively just 1 or 2 levels
- The auditor can under each central question choose among different relevant sub questions
- The auditor can find inspiration to further study in references to relevant literature



Current status

- Second meeting in the Working Group on Public Procurement fast approaching
- Presentation of the work completed from the 4 different task groups
- Discussion of papers and resolution on how to proceed



Thank you for your
attention !

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