

Working Group on Public Procurement

Supreme Audit Institutions Summaries of
Procurement Studies

Court of Audit Belgium

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Summary 1

BUS LINE SERVICES : COST PRICE AND CONTRACT AWARD TO OPERATORS

Owner: Belgian Court of Audit. Full report in Dutch is available at:

http://www.rekenhof.be/docs/Reports/2005/2005_03_Onderzoek_%20geregeld_vervoer.pdf

Type of audit: compliance

Subject area: generic goods and services

Sector: Flemish public transport company VVM-De Lijn of the Flemish Region

Scope

The Flemish Parliament requested the Court to examine the Flemish public transport company VVM-De Lijn's method of cost price calculation. The Court has also checked whether VVM was using this cost price method to compare between each other the prices of the contracts concluded with operators at the end of 2002. In the last few years VVM has made headway in working out a usable system to calculate cost prices notwithstanding a few remaining shortcomings. However, this system came a bit too late to play a significant part when it went to renew the lease contracts tendered in September 2002. The renewal process went off smoothly, but the resulting cost price was 8% above estimate. Also of note is a certain amalgamation of market players.

Main issues and findings

Audit

Since 1997 the Flemish Parliament had requested a comparison audit of the cost price of the bus services under VVM's direct management and the cost price for subcontracted line services. Such a comparison could only be achieved if VVM had first introduced adequate double-entry accounting and computer information systems and worked out a calculation cost method. In 2003 VVM finally developed a usable system, which the Flemish Parliament wanted the Court of Audit to examine.

Problems of infancy

The Court of Audit has ascertained that the new information systems provide the basic information needed for an adequate cost price calculation as well as detailed information regarding the distances covered in kilometres, the number of kilometres on a per route basis, the average hourly wages, the fuel consumption, the maintenance and repair time, etc. However, some problems remain. Sometimes the calculation is not uniform and up-to-date guidelines are not available for certain system components. The method focuses mainly on comparing cost prices with the operators and the Court has found it suitable for this purpose. But it also believes VVM should examine whether a number of direct and fixed operating costs are (not) taken into account, such as fixed costs linked to maintenance centres, workshops and depots.

Subcontracting process

Following a test phase in autumn 2002, the cost calculation system was made operative from January 2003 ; this was a bit too late for the final evaluation of the tenders submitted by candidate operators for the execution of 79 lots. Tenders had already been submitted to the board on 30 September 2002 so that a comparison between the tender prices and the internal cost price of transport services operated by the VVM itself had proved impossible to make.

Outdated cost price reference

As VVM intended to use the price criterion to assess the tenders, it calculated a specific reference cost price per procurement, which was an estimate based on known parameters. The various components of the reference cost price came from a formula which the Court had found outdated, unreliable and not transparent in a previous audit. Eventually in 2003 VVM made do with an 8% rise in tender prices compared to January 2001.

Respect of competition rules

In September 2002 VVM awarded the 79 contracts after market consultation by negotiated procedure with the publication of a system of qualification. In its capacity of public utility company VVM was allowed to use this mode of procurement. The way VVM managed the system of qualification can be considered as satisfactory. Competition was not restricted. Besides, contracts were awarded without any notable problems.

Criteria Weighting

The evaluation procedure was not completely finalized beforehand though. In the absence of specific specifications otherwise, a 50-50-weighting of the criteria for price and quality would have been the normal rule but the evaluation committee applied an 84-16 relationship. Verification was hampered by the lack of detailed accounts of negotiations or awardings. Apart from a few details, the bids appear to have been evaluated and compared properly.

Amalgamation of market players

As the aim was to prevent an amalgamation of market players, the tender specified that a single market player could not be awarded more than 5% of the lots. Although VVM formally complied with the 5% rule, the Court of Audit could notice a certain amalgamation of market players, due to the fact that several operators were owned by the same shareholders.

Cost price

The ultimate price increase was another 8% above estimate, partly as a result of the specifications stipulated. However, it can also be ascribed to budget constraints, so that these last few years the price increases claimed by operators could not be granted.

The minister's response

The Flemish Minister of Mobility informed the Court on 20 December 2004 that she found the Court's analysis detailed and well documented, that VVM would heed its recommendations and had already introduced several improvements.

End of Summary 1

Summary 2

CONTRACT MARKETING AND PROMOTION EXPENDITURE

Owner: Belgian Court of Audit. Full report in Dutch is available at:

http://www.rekenhof.be/docs/Reports/2003/augustus_2003_toerisme_vlaanderen.pdf

Type of audit: compliance

Subject area: services

Sector: Flemish public institution "Toerisme Vlaanderen" of the Flemish Region

Scope

The Belgian Court of Audit has noticed that the Flemish public institution "Toerisme Vlaanderen" has been operating in a legal vacuum since the end of 1998 because the Flemish Government has failed to enforce the organic decree. The Court of Audit has focused its examination on the marketing and promotion expenditure spent by "Toerisme Vlaanderen". It has noticed numerous violations of the law and an extreme legal vagueness and uncertainty governing its contractual relations with service providers and partners. The internal control was totally ineffectual. Consequently, the Court of Audit has concluded that urgent measures needed to be taken.

Main issues and findings

Legality

As far as legality is concerned, all procedures used by "Toerisme Vlaanderen" (TVL) for the award of marketing and promotion contracts were liable for comments. In the case of limited tendering procedures, the establishment and the verification of the awarding criteria are subject to criticism. The negotiated procedure with notice did not always take place within the conditions defined by the law and the contracts for which the negotiated procedure with publication of a notice was used were in fact awarded along the lines of a limited tendering procedure.

European publication of a notice

TVL failed to apply - or applied incorrectly - the enunciative contract notice as provided in the European publication rules, with the result that the two-tier procedure of the limited tendering was undermined. It also misinterpreted the application of the rules governing publication as far as the amount stated for the contract is concerned.

Action outside its authority

The TVL did not comply with the duty of reasoned statement as it should and the files showed several formal shortcomings. Moreover, the files also revealed frequent instances of violations of the regulation concerning the delegation of powers. Unauthorised staff members took decisions in nearly all files connected with the award and the contract execution and the previous senior official exceeded more often than not the authorisation he was conferred.

Advertising campaigns

The supporting documents contained in the files under examination concerning the advertising campaigns 2000 (Belgium and Germany) did not allow to check whether the invoiced services provided were in agreement with the services to be provided by contract. The reporting of the advertising campaigns 2000 (The Netherlands and Germany)

to the management board did not allow a clear-cut cost allocation and the budgets adopted by the management board and the detailed budget plans as notified to the advertising offices were not always in agreement. With regard to the advertising campaign Germany 2000, a decision of the management board on the spending of the remaining budget was never implemented and with regard to the Belgium campaign 2000, there was a gap of five million BEF between the latest budget decision taken by the management board and the resulting contracts concluded with the advertising office.

Internal control

The divisions of the unit Marketing and Promotion suffer from a serious lack of organisational directives and procedural descriptions. This partly explains the numerous infringements of the law. Furthermore, there is a lack of separation of duties and both the previous senior official and the heads of divisions seemed to systematically act beyond their authority. The control on the transactions is not enough formalised and is sometimes even not implemented. No division at all has a robust recording system of the transactions. The division Accounting pays the invoices but does not perform any control on the transactions.

Management

The previous senior official failed to develop procedures and systems to regulate the organisation of his divisions and the supervision of the budget implementation as well as the reporting to the management board. As to the management board, it did not always act in consistency with its own decisions and often failed to enquire about the deficient implementation of its own practical decisions or the deficient reporting thereof.

Promise

In response to the report, TVL mentioned that it has already taken corrective measures to remedy several shortcomings partly or entirely. It would also have recently introduced a range of procedures involving standard forms, which could offer a step towards a solution to the points at issue.

End of Summary 2

Summary 3

FRAMEWORK CONTRACTS: THE FEDERAL CENTRAL BUYING OFFICE'S OPERATION (ABBREVIATED IN FOR/CMS) EXAMINED IN TERMS OF SOUND MANAGEMENT AND LEGALITY

Owner: Belgian Court of Audit Full report is available in French at:

http://www.rekenhof.be/docs/Reports/2005/2005_11_Les_contrats_cadres.pdf

Type of audit: compliance

Subject area: the transdepartmental framework contracts office

Sector: Belgian Federal Government

Scope

A Court's audit of a government body, the transdepartmental framework contracts office (FOR/CMS office), within the Federal public department (FOD/SPF) "Staff and organisation" showed that this office operates professionally and correctly according to the law, but that its structure is such that it hinders an innovation strategy. This results in government missing cost reduction opportunities.

Main issues and findings

Government manages to save a lot of costs by passing bulked orders through framework contracts under which lower prices are guaranteed for larger volumes and costs are lower as one single purchase procedure is needed. In mid 2002 the FAB/BFA, until then responsible for concluding framework contracts, was replaced by the FOR/CMS office or transdepartmental framework contracts office. This reorganisation provided a good opportunity for the Court to examine whether FOR/CMS was operating according to the law and efficiently as well as analyse under what arrangements it was operating.

The audit showed that FOR/CMS operated in a professional way and correctly according to the law. It had a detailed business plan, aimed towards a customer-based approach, collaborated well with other bodies and had few disputes with suppliers. The major finding of the audit, however, was that government had to opt for a clear-cut strategy. So far FOR/CMS has only been working with products that its predecessor, the FAB/BFA, already had all available. New promising markets were hardly explored. So, Government can either choose to stick to this basic package (but thereby missing cost reduction opportunities) or favour an innovation strategy under which it would focus on proactive collaboration to promote new framework contracts or existing framework contracts provided it took account of a decentralized buying function and on the understanding that the final responsibility rests with FOD/SPF's and public institutions.

The lack of innovation is compounded by two factors. Every profitable framework contract constitutes a source of revenue for Government more than a cost, but as things stand now, FOR/CMS has no indicator to make this revenue tangible enough. The cost is thus well-known but the economical benefits achieved or potentially to be achieved are not visible. This holds the risk that strategic decisions take too little account of the cost recovery benefit gained from this service. More detailed information about the economic added value gained is thus strategically important. When it comes to allocating budgetary resources, the head of the FOD/SPD Staff and Organisation to which FOR/CMS is responsible is confronted with the problem that additional resources for FOR/CMS inevitably entail less resources FOR/CMS other services within the FOD/SPD. The cost for FOR/CMS is entirely borne by the FOD/SPD Staff and Organisation whereas the revenue generated (purchase cost reduction) benefits the entire federal Government.

As a result, little incentive is provided to invest in the further growth of FOR/CMS whereas such investment would be a benefit in terms of cost saving for the entire federal Government. In his reply the minister in charge a.o. of the FOD/SPF involved did not tackle this conclusion. The audit showed further that product know how and knowledge management could still be further improved if an engineer were engaged and procedures described in manuals so as to make up for staff turn-overs. Further marketing oriented actions could be conducted if the FOR/CMS had an insight into the sales figures per customer on a systematic basis. The coordination committee set up at the time of the reorganisation, the so-called network coordination, should operate in a more transparent way. As things stand now, whether a framework contract is necessary or not does not appear clearly, public institutions are not enough involved and the ministry of Defence does not take part in the coordination process.

End of Summary 3

Summary 4

EXECUTION OF ECONOMIC COMPENSATIONS ASSOCIATED WITH THE PURCHASE OF SPECIFIC MILITARY EQUIPMENT

Owner: Belgian Court of Audit Full report is available in French at:

http://www.rekenhof.be/docs/Reports/2005/2005_07_Compensations_Economiques.pdf

Type of audit: compliance

Subject area: military purchases

Sector: Belgian Federal Government

Scope

The Court performed an audit at the Government department responsible for economy, small and medium companies, self-employed and energy in relation to the execution of economic compensations associated with the purchase of military material. It found that the administration of files and the control of the execution of the economic compensations had shown signs of improvement over the years. However, it noted a number of shortcomings.

Main issues and findings

Economic compensations can be defined as the contractual obligation imposed to a supplier of military material to place orders for material or services with Belgian enterprises worth a specific amount. Since the early eighties, common practice has been to insert economic clauses in the major military programme contracts.

The Court examined whether the obligations arising from these compensation agreements were enforced in accordance with the regulatory and contractual provisions; it also checked whether relevant control had been put in place in an effective way. The audit did not focus either on the procedure for the award of specific military contracts or on the policy relating to economic compensations. The audit revealed that on the whole file administration and the control of the execution of economic compensations had improved since the new regulation took effect in 1997. Previously, file administration was complicated by a lack of clear regulation and, above all, a lack of contracts in due and proper form (those contracts often did not include penalty clauses). Current contracts were drawn up in a more complete and standardized way and each compensation operation is now subject to an inspection report.

Nevertheless, shortcomings were again noted in more recent files. Sometimes, orders placed were accepted as being compensation operations whereas all contractual requirements had not been analysed in the inspection reports (such as the cause and effect link between the economic obligation and the order placed, the highly technological nature of the order and the creation of a volume of new business to Belgian industry. These shortcomings are inter alia due to the fact that the inspection services were not provided concrete directives for control and working methods. Similarly, penalties imposed in case obligations were not abided by were not always implemented as provided in the contract.

Other items for improvement related to contract drawing up, calculation of Belgium's share in the compensation operation, control of payments, the grounds for accepting or rejecting an order as being a compensation, the delegation of powers to take decisions granted to the director general, the modalities for the release of the bank guarantee (on economic compensations) and the collaboration between the relevant services.

The minister for Economy agreed the Court's recommendations following the audit performance and stated that he would see to it that they would be implemented as soon as practicable. during the implementation ; this overrides all claims made at the time of the

contract awarding that the principle of opening to competition and of equal treatment of the bidders would be complied with.

End of Summary 4

Summary 5

CONTROL OF PUBLIC CONTRACTS COVERING THE ROAD TRANSPORT INFRASTRUCTURE IN BRUSSELS

Owner: Belgian Court of Audit. Full report in French is available at:

http://www.rekenhof.be/docs/Reports/2003/mai_2003_infrastr_routieres_brxl.pdf

Type of audit: compliance

Subject area: generic goods and services, public works

Sector: Brussels Regional Government, road transport infrastructure

Scope

Following an audit on the awarding of public contracts for the road transport infrastructure in Brussels, managed by the regional administration, the Belgian Court of Audit has expressed two basic remarks concerning the use of the « stock » contract technique and the existence of major discrepancies between the services performed in practice and the forecast determined at the time of the award of these public contracts.

Main issues and findings

The "stock" contract technique

The public sector prefers to use the «stock» contract technique, which is not explicitly provided for in laws and regulations and does not give an accurate idea of what the contract covers or state with certainty what services are to be provided. This technique, which stems from the idea that needs cannot always be quantified at the time a contract procedure is launched allows the public department concerned to do without an accurate and realistic estimate of its needs. The estimate of cost is in some way a list of unit prices from which the administration chooses the headings it wants to see carried out as and when they need them. The Government department has thus chosen a building contractor to whom the contract has been awarded and who will receive order vouchers as and when needs have to be met. The issue is whether it is possible to set a fair price notwithstanding how large the quantities to be ordered are and without prior knowledge of the terms. Besides, the unclear definition of the basic components of the contract is also likely to question the validity of the contract award through opening to competition.

The Belgian Court of Auditors is aware of the advantages of the « stock » contract for decisions relating to roads in an urban setting and involving several public authorities and under the constraint of a growing demand for «mobility». It, however, is not of the opinion that by systematising unplanned, ill-defined and loosely enforced contracts, a Government department adequately takes up the challenge. Even if the «stock» contract technique allows for a quick decision, it departs from the objectives sought after in laws and regulations, which see the use of public contracts as an instrument of economic policy designed to uphold a web of efficient small and medium-sized companies.

The implementation of the contracts : major discrepancies with regard to the service to be provided when the contracts were awarded

There are major discrepancies between the services actually provided and the services to be provided as at the time of the contracts. The existence of a major discrepancy between the contract awarded and implemented resulted in depriving competitors of the opportunity to bid for the modifications introduced during the implementation ; this overrides all claims made at the time of the contract awarding that the principle of opening to competition and of equal treatment of the bidders would be complied with.

End or Summary 5

Summary 6

CONSTRUCTION OF THE « DEURGANCKDOCK » (ANTWERP CONTAINER TERMINAL COMPLEX)

Owner: Belgian Court of Audit. Full report in Dutch is available at:

http://www.rekenhof.be/docs/Reports/2005/2005_16_Deurganckdok.pdf

Type of audit: compliance

Subject area: generic goods and services, public works

Sector: Flemish Region, infrastructure

Scope

The Court of Audit examined the Deurganckdock project from the perspective of the cost price of this infrastructure project and the flaws in its preparation and implementation. The Court's examination also aimed at issuing recommendations intended for future infrastructure projects. It showed that the cost price at the end of 2004 was 39% higher than estimated, largely due to the general upward price trend. The project preparation and implementation was good but implementation was largely adversely affected by developments in the field of environmental legislation, town planning and funding. Moreover, the Flemish Government introduced several modifications in the project without assessing the resulting consequences. The Court stressed the need for putting in place an overall risk management system for large-scale infrastructure projects. The learning effects of the Deurganckdock project should play an optimal role to this effect.

Main issues and findings

Project progress

Under After undertaking in-depth preparation the Flemish Government decided in 1998 to fund the container tidal port in the Waasland harbour. The works, however, stalled for over a year (from March 2001 to April 2002) as a result of suspended regional plan modifications. The Flemish Parliament was obliged to approve a validation decree to remove the deadlock.

Cost price

At the end of year 2004 the cost price of the project had amounted to about 600 million EUR, that is 39% more than estimated. Several cost items (such as VAT and expected price adjustments) were not provided for in the budgetary planning. A major part of the cost increase resulted thus from the general price increase. Besides, the Courts' examination highlighted several flaws in the project preparation and implementation process, leading to additional costs incurred.

Preparation

The project preparation was given serious consideration according to the ideas prevailing in the nineties. The initial cost-benefit analysis was based on favourable adjacent conditions. During the implementation stage, however, the standards imposed in the field of environmental regulations, town planning and funding changed drastically. Moreover, the Flemish Government took a series of new policy decisions. Failing an overall system of risk analysis the impact of these adjustments on the return on investment was never studied.

Project management

The communication between the various departments concerned with respect to the issuance of urban permits and other permits did not happen in a structured way. This led to town planning problems, so that works were subsequently brought to a halt. Eventually the situation was unlocked after the validation decree was adopted and a coordination project organisation was put in place to solve basic flaws.

Moreover various project modifications introduced by the Flemish Government adversely affected an optimal phasing of the works, which in turn gave rise among others to temporary capacity shortage or excess of dredged material. Adjusting measures and additional subprojects, such as the construction of a dyke in the “Doeldock” added to the cost by a substantial amount. Although the Flemish Region subsidized the quay wall works by 60% it did not introduce any new audit procedures to audit the lawful and efficient use of subsidies since the transfer of the construction site supervision.

Problems at the construction stage

Initially very few compensatory measures for the protection of natural habitats and of wild fauna and flora were provided for the construction of the Deurganckdock. An extensive compensatory plan was introduced only after the European Commission expressed complaints and the State Council issued a judgment. But a serious checking system to verify the compliance with European regulations was not in place. Dredging and related works were executed under a 1972 amicable agreement based on cost prices fixed without taking competition into account. The Flemish Region did not renegotiate this agreement when the opportunity arose with the building of the Deurganckdock or at least secure an effective price control and the possibility of checking the cost prices.

Damage claims

As works were at a standstill, several contractors filed damage claims. The follow-up of these claim files was found to be liable for improvement. It was also ascertained that if a more resolute approach had been adopted considerable amounts of interest on late payment and several years of judicial proceedings could have been saved.

Information supply

Although the Deurganckdock was an expensive and very risky project, the Flemish Government did not send any progress report to the Flemish Parliament so far nor did the Flemish Parliament receive any notification about the modified execution planning or the cost excesses.

Reply from the minister

The Flemish minister for Public works answered that the project modifications could not be taken into consideration when the cost-benefit analysis was made. He underscored the fact that his department did not underestimate several aspects of the funding and was able since then to have the amount of the damage claims reduced.

End of Summary 6

Summary 7

DAMAGE COMPENSATIONS CHARGED ON THE BUDGET OF THE FLEMISH INFRASTRUCTURE FUND

Owner: Belgian Court of Audit. Full report in Dutch is available at:

http://www.rekenhof.be/docs/Reports/2003/nov_2003_schadedossiers_ten_laste_van_het_vlaams_infrastructuurfonds.pdf

Type of audit: compliance

Subject area: generic goods and services, public works

Sector: Flemish Region, infrastructure

Scope

The Court of Audit has examined the damage compensations that the road and waterways administrations charged on the budget of the Flemish infrastructure fund in 2000 and 2001. It has found that numerous damage claims are subsequent to shortcomings in the preparation of the contracts. Moreover, there is also often mismanagement of the damage cases as such. The administrations often wait un-necessarily long before implementing judgments or reaching an out-of-court settlement. The Court has also doubts about how certain claims or settlements amounts were assessed. Finally, the administrations do not always use all legal means available and do not yet systematically make a list of the claims, so that they have little insight into the financial consequences.

Main issues and findings

Audit

Each year, the budget of the Flemish infrastructure fund sustains high levels of damage claims with regard to motorways, harbours and waterways. Therefore, the Court has performed a systems-based audit of this damage compensations in 2002. In the years 2000 and 2001, the road infrastructure and traffic administration, the supporting studies and public contracts administration and the water infrastructure and marine affairs administration, three administrations reporting to the Department of Environment and Infrastructure, entered 155 damage compensation claims in their accounts.

Careless preparation

The failure to obtain the required building permits or follow the application procedure to obtain permits are often the cause of huge damage compensation amounts. For the construction of the Deurganck Dock, for example, this caused damages that the administration concerned already estimated at 34,9 million EUR at the end of 2002. The Court has also established that various other damages were subsequent to careless preparation and a deficient preliminary study of the contract.

Port of Zeebrugge

Legal proceedings drag on for too long. The court judgment condemning the Flemish Region for failure to continue the fulfilment of a part contract for the Port of Zeebrugge was passed on 8 November 2001, i.e. ten years after the writ of summons was issued. Mean-while, the damage amount demanded increased from 16.9 million EUR to about 36,6 million EUR. The Flemish Region's lawyer was also to blame because he delayed filing an appeal and thus failed to use the opportunity to stop the interest from accruing.

Undue hesitation

Procrastination is also often a sore spot in the administration as it waits quite a long time before enforcing a final judgment, with the result that late payment penalties are to be paid when they could be avoided. For

a large number of damages, a long time elapsed between the date the claim was introduced and the date on which the out-of-court settlement was reached; this again resulted in significant amounts of penalties to be paid. Furthermore, the awarding authority often failed to regularly work out a settlement for all damage amounts that were already established and unquestionably owed.

End of Summary 7

Summary 8

INTRODUCTION OF DOUBLE ENTRY ACCOUNTING AT THE MINISTRY OF THE FLEMISH COMMUNITY

Owner: Belgian Court of Audit. Full report in Dutch is available at:

http://www.rekenhof.be/docs/Reports/2003/nov_2003_mvg.pdf

Type of audit: compliance

Subject area: generic services

Sector: Flemish Community, Finance

Scope

The Belgian Court of Audit sent a report to the Flemish Parliament in which it assessed the introduction of a double entry accounting at the Ministry of the Flemish Community. It welcomed the pioneering role played by the Flemish Government with this project among public authorities, but it also criticized the careless preparation and the deficient project implementation and follow-up. The new accounting system, the cost of which has already reached 30,3 million EUR, that is nearly six times as much as the price estimate, shows shortcomings that go beyond the usual teething problems to be reasonably expected from such projects. In the meantime, the administration has already done away with many shortcomings, but the quality of the accounting system is still liable for basic criticism.

Main issues and findings

Pioneering role

In May of this year, the Federal Parliament laid down general rules on the Community and Region budgets and accounting. The Flemish Government has, however, not awaited this new federal regulation to be introduced and has established a double entry accounting out of its own initiative. The Ministry of the Flemish Community (MVG) had already under-taken the preparatory work in 1996. In early 1999 it subcontracted the computing side of the project and, at the same time, selected a new accounting software. The initial starting date of the new accounting system was to be 1st January 2001 but it had to be postponed several times because of various problems. Even after it was effectively introduced on 1st October 2001, there was still a need for plenty of adjustments.

Audit

The Court examined whether the double entry accounting at the MVG was introduced in a legal and efficient way within the constraints of the budget proposal. It assessed the quality of the preparatory work and the project management and examined whether the new system could cater to the need for a functional accounting and a reliable rendering of the accounts.

Preparatory work

The basic criticism was levelled at the preparation of the project of double entry accounting: no plan stating basis assumptions, objectives, content, risks, costs, profit and planning had been approved by the Flemish Government. Alternative solutions were not examined and the project has been incorporated into the IT-outsourcing without any further analysis.

Unclear project requirements

The expected result was vaguely described and the requirement plat-form for the new accounting system was incomplete and inadequate. It was thus unclear what reports had to be produced. The MVG's contribution itself was not specified and the contracts contained no adequate measurement method. As a result, the contractor could provoke intricate discussions and shirk result commitments. Moreover, there was no 'escape system' in case the new accounting system failed to be introduced in time.

Negotiation procedure

The ministry awarded significant consultancy contracts as part of the project without abiding by the rule on competition and confined itself to a negotiated procedure. No adequate price enquiry had preceded the awarding of these consultancy contracts. Several commitments were fixed only after the contract had been largely executed. While the project was carried out the MVG did not call upon the specialised section responsible for the legal supporting arrangements of public contracts.

Project organisation

The project organisation structure did not operate properly. Only in the latest stage were the tasks and responsibilities of the various project groups clearly described. The Flemish Government took a range of essential decisions in an early stage but did not refer the matter to these groups and during the analysis stage the project steering group was not even convened.

Project implementation

The Ministry had to face a staff shortage to implement the project. Be-cause of a high job turnover, it had to do without much expertise. Be-sides, the project leader did not have sufficient powers to command a consensus from the decision-making bodies or to effectively mobilize the collaborators who had supposedly been set to this task in the various departments.

Tight budget

The original budget was undervalued. The MVG started the project without a clear insight into its financial impact and without a specific, overall budget for the project. The real cost price of the project went up in the meantime and amounted to 30, 3 million EUR, as against the original estimate of 5, 2 million EUR. The cost evaluations were drawn up by external consultants. The MVG had itself too little expertise to scrutinize these budgets.

Tight time planning

The original deadline, that is 1st January 2001, was premature. Because of time constraint and insufficient expertise, the MVG accepted the functional analysis file and the developed system pro-posed without any further comment in spite of numerous uncertainties. Afterwards it had to threaten to sue the service provider not less than three times. The MVG did not even have its own comprehensive, central project file.

System flaws

According to the Court, the new accounting system, by and large, meets most general directives governing a financial system designed for public authorities, but shows essential shortcomings, among others in the field of a strict management of the budget appropriations or reporting thereof. Many adjustments were necessary to make sure that reporting obligations were in line with the present legislation.

General account

The general account for the year 2001, which had to be derived from the accounting, was submitted late to the Court due to problems linked to the accounting system. The first Court's audits showed that budget implementation data were missing or were unsure. Moreover this submission took place at a time when the MVG had not yet introduced all corrections in the accounting system. The reports about the operations of the accounting officers were not available on time and were not entirely correct either. Moreover, the audit on the changes of assets was also extremely difficult to perform in the new system.

The minister's response

The Flemish Finance minister replied that the audit contained precious recommendations, which will be useful to prepare the implementation of the new Flemish accounting decree, which is being drawn up. In

the future, one accountable minister will be responsible and this should rule out an implicit decision-making, as was the case for this project.

End of Summary 8

Summary 9

THE OUTSOURCING OF THE DATA PROCESSING FUNCTION AT THE MINISTRY OF THE FLEMISH COMMUNITY

Owner: Belgian Court of Audit. Full report in Dutch is available at:

http://www.rekenhof.be/docs/Reports/2003/februari_2003_outsourcing_informaticafunctie.pdf

Type of audit: compliance

Subject area: generic services

Sector: Flemish Community, outsourcing of the data processing function

Scope

In February 1999, the Flemish Community signed a contract with an IT service provider concerning the outsourcing of the data processing function at the Ministry of the Flemish Community. This contract worth over 5,5 thousand million BEF was spread over five years. The Belgian Court of Audit performed an audit on this contract and its implementation. It noted that the Flemish Government did not first hold a debate on the core activities involved although this had been requested by the Flemish Parliament. Moreover, preparatory work proved flawed because it ignored opinions expressed and failed to collect any basic data, so that the contract as drawn up in vague terms and was hard to implement. It subsequently resulted in numerous amendments and also caused enormous additional costs.

Main issues and findings

Legality audit

On 23 February 1999, the Flemish Community signed a contract with an IT service provider concerning the outsourcing of the data processing function at the Ministry of the Flemish Community. The Court of Audit examined its regularity in respect of the decision-making procedure, the awarding procedure, the outsourcing contract itself and its implementation up to January 2001. It forwarded its findings to the Flemish Civil Service minister on 24 September 2002, who sent his reply on 21 November 2002.

Debate on core activities

The Court of Audit first noted that the Flemish Government decided to outsource the data processing function from the ministry of the Flemish Community without any prior holding of a debate on core activities as requested by the Flemish Parliament, which should have clarified what functions would be eligible for outsourcing.

Opinions

Moreover, the Flemish Government ignored the unfavourable report of the Finance Inspector and the difficulties pinpointed beforehand by an assisting consultant. The preparatory work for the contract was in general flawed. It failed to gather essential data such as inventories of ongoing IT contracts and of hardware and software equipment available at the ministry.

Vaguely termed contract

This resulted in a relatively vaguely termed contract leaving many issues unresolved. These aspects had to be specified all the way through a discussion between the parties irrespective of any opening to competition. This resulted in enormous additional costs. The contract was therefore hard to implement and suffered long delays. The cost of the transitional stage would eventually exceed by at least 127 million BEF the figure provided in the contract. The IT service provider's initial claim amounted to as much as 400 million BEF additional costs.

Implementation

Although a commitment of results was primarily part of the contract, the contracting party did not fulfil - or delayed to fulfil - most of its commitments (service level aspects), usually because of the ineffectual response of the contracting authorities. Sometimes, action by the ministry was not taken.

Recommendations

The Court of Audit finds it therefore necessary to better prepare large contracts of that type and ensure a strict compliance with the laws concerning public procurement in the future.

The minister's reply

The Flemish Civil Service Minister is of the opinion that contacts with other actors in the IT sector show that in spite of its shortcomings, this contract was better and more comprehensive than most existing outsourcing contracts. According to him, the preparatory work was impaired because the action needed, such as a comprehensive inventory of the IT assets, could not be carried out at the time. The minister promised to devote maximum care to the preparation of the new ICT contract for which the procedure is already now underway. The minister admitted that the IT service provider, in spite of strict contract provisions and penalties, actually failed to achieve the expected service provision level. He, however, added that price corrections were according to him always enforced. The only measure left the ministry could have taken was a contract termination but this would have been counterproductive for the ministry.

End of Summary 9

Summary 10

THE NORTH WASTEWATER TREATMENT PLANT IN BRUSSELS. AWARD AND FUNDING OF THE CONCESSION CONTRACT

Owner: Belgian Court of Audit. Full report in French is available at:

http://www.rekenhof.be/docs/Reports/2003/oct_2003_station_depuration_nord.pdf

Type of audit: compliance

Subject area: generic goods and services, public works

Sector: Brussels Regional Government, the North wastewater treatment plant in Brussels

Scope

The concession contract under investigation covers the design, the construction and the operation of the wastewater treatment plant located in the northern part of Brussels and is one of the largest plants of this kind in Europe. This contract is exceptional both in its awarding procedure (which provides a possibility of modifying the original tender during the negotiation process) and its cost (about one thousand million euro to be paid in 20 annuities from 2007, the first year of operation).

Main issues and findings

Contract award

The Court of Auditors found that the awarding procedure applied to this contract did not contain any irregularity. The analysis of the tender was carried out in a correct way and the awarding decision conforms with the laws concerning public contracts and the regulations covering the administrative and budgetary control. The selection of the concessionary was based on a relevant reasoning. More particularly, the risk induced by the mud treatment process, which is a strategic component in selecting a concessionary was assessed in all seriousness. The Court, however, noticed a lack of formal consolidated tenders, more specially from the tenderer selected. A consolidated tender, however, should have been necessary due to the successive modifications approved during the negotiations. This lack of update and implementation into one single document might give rise to difficulties when it comes to exactly identifying the concessionary's obligations in the course of the 25 year long contract implementation (5 years for the construction and 20 years for the operation).

Contract funding

The payment scheme for the annuities is partly in the hands of a newly established body governed by public law the object of which is to build up reserves (which have now already been formed up to an amount of 79.69 million euro) aimed at decreasing the burden of the forthcoming expenditure. But the build up of reserves is not necessary to pay the annuities provided the assumptions made by the Government are met, that is an unchanged budgetary commitment and foregoing the need of new heavy investments in collecting and treating wastewater from 2005 till 2026.

Subsequent to the award, the content of the concession contract was modified to allow the early acquisition of the water collector of the left bank, the construction of which was part of the contract. This change, which involves a first payment of about 63 million euro net of V.A.T. in 2006, brought about a decrease in the total annuity cost. It does not adversely affect the equality of treatment among tenderers nor the rights of possible other potential candidates.

End of Summary 10

Summary 11

ROADS, MOTORWAYS AND WATERWAYS MAINTENANCE LEASES

Owner: Belgian Court of Audit

Full report is available in French, pages 80-83 at:

http://www.rekenhof.be/docs/Reports/AnnualReports/160e_15e_c_obs_r_w.pdf

Full title in French:

Baux d'entretien des routes, autoroutes et voies hydrauliques.

Type of audit: compliance

Subject area: public works maintenance

Sector: Walloon Region

Scope and main issues and findings:

La Cour des comptes a procédé à un examen des modalités générales de passation, d'exécution et de reconduction des principaux types de baux d'entretien ordinaire des routes, autoroutes et voies hydrauliques. Elle a relevé une série d'infractions à la réglementation des marchés publics (mauvaise qualification des marchés, non-respect de délégations de pouvoirs, absence de cahier spécial des charges) .Elle a également réalisé une analyse comparative des différents services concernés, qui a mis en lumière un certain nombre de déficiences dans leur organisation.

La Cour a contrôlé, au cours de la période 1999-2001, les modalités générales de passation, d'exécution et de reconduction des principaux types de baux d'entretien général des routes et autoroutes, canaux, barrages et cours d'eau, d'entretien des plantations et des espaces verts, ainsi que de maintien de la propreté le long de ces mêmes voies de communication. Pour la Direction générale des autoroutes et des routes trois cent trente-cinq marchés ont été contrôlés, pour un montant global de quelque 62 millions d'euros. Quarante-quatre marchés relevant de la Direction générale des voies hydrauliques ont également été contrôlés, pour un montant global de 7,8 millions d'euros.

End of Summary 11

Summary 12

FINAL PAYMENT ON SOME LARGE-SCALE PUBLIC WORKS CONTRACTS

Owner: Belgian Court of Audit

Full report is available in French, pages 33-35 at:

http://www.rekenhof.be/docs/Reports/AnnualReports/157e_12e_c_obs_r_w.pdf

Full title in French:

Les décomptes dans certains marchés publics de travaux

Type of audit: compliance

Subject area: large-scale public works

Sector: Walloon Region

Scope and main issues and findings:

La Cour a analysé un large échantillon de marchés de travaux concernant les voies hydrauliques de la Région, où des modifications apportées au projet initial ont donné lieu à l'établissement de décomptes, afin d'examiner si ces modifications n'ont pas entravé le jeu normal de la concurrence. Ses observations transmises au ministre compétent ont visé la part des travaux exécutés à prix convenus dans le total des travaux exécutés, la proportion des prestations supplémentaires par rapport aux travaux initialement prévus, le manque de transparence des situations comptables produites à l'appui des diverses liquidations (lesquelles ne reflètent pas nécessairement le montant réel des décomptes), les imprécisions et erreurs contenues dans certains documents d'adjudication et la longueur excessive des délais d'approbation des décomptes comportant des prix convenus.

End of Summary 12

Summary 13

THE “ILOT ECLUSE” BUILDING CONSTRUCTION WORKS (PUBLIC WORKS CONTRACT)

Owner: Belgian Court of Audit

Full report is available in French, pages 66-68 at:

http://www.rekenhof.be/docs/Reports/AnnualReports/159e_14e_c_obs_r_w.pdf

Full title in French:

La construction de l'immeuble Ilot Ecluse, à Charleroi (marché public de promotion de travaux)

Type of audit: compliance

Subject area: public works procurements

Sector: Walloon Region

Scope and main issues and findings:

Le contrôle des conditions de passation et d'exécution de ce premier marché public de promotion de travaux conclu selon la réglementation des marchés publics entrée en vigueur le 1er mai 1997 a donné lieu à diverses observations portant sur l'objet du contrat, le mode de passation, le non-respect de certaines règles de publication, l'absence de sélection qualitative et le non-respect de quelques autres dispositions.

End of Summary 13

Summary 14

COMPLYING WITH PUBLIC PROCUREMENT REGULATION

Owner: Belgian Court of Audit

Full report is available in French, pages 16-31 at:

http://www.rekenhof.be/docs/Reports/AnnualReports/158e_13e_c_obs_r_w.pdf

Full title in French:

Le respect de la réglementation relative aux marchés publics

Type of audit: compliance

Subject area: respect of regulation

Sector: Walloon Region

Scope and main issues and findings:

L'examen des conditions de passation et d'exécution des marchés publics de travaux, de fournitures et de services conclus sous l'empire de la nouvelle réglementation entrée en vigueur le 1er mai 1997 a mis en évidence diverses irrégularités touchant l'application de la sélection qualitative, la passation des marchés, la problématique des marchés de services, ainsi que le renouvellement des contrats.

End of Summary 14

Summary 15

PUBLIC SERVICE CONTRACTS PROVIDING MAINLY INTELLECTUAL SERVICES

Owner: Belgian Court of Audit

Full report is available in French, pages 62-73 at:

http://www.rekenhof.be/docs/Reports/AnnualReports/160e_15e_c_obs_r_w.pdf

Full title in French:

Les marchés publics de services comportant à titre principal des prestations intellectuelles.

Type of audit: compliance

Subject area: intellectual services procurements

Sector: Walloon Region

Scope and main issues and findings:

La Cour a procédé à l'analyse, au niveau des conditions tant de passation que d'exécution, de quelque huit cents marchés publics de services comportant à titre principal des prestations intellectuelles, conclus entre 1999 et 2001 par les services du Ministère de la Région wallonne et du Ministère de l'Équipement et des Transports, et dont le montant estimé atteint le seuil d'applicabilité du cahier général des charges. Les résultats de cette analyse ont été communiqués à tous les membres du Gouvernement wallon.

End of Summary 15

Audit Office of the Republic of Cyprus

Summary Title	Language
1) Audit Report Number 1 Provision of Consultancy Services for the Sewerage Conveyance and Treatment of the Greater Nicosia Area.	English
2) Audit Report Number 2 Provision of Services.	English
3) Audit Report Number 3 IT procurement	English

AUDIT OFFICE OF THE REPUBLIC OF CYPRUS
REPORT ON AUDIT NO. 1

SITE: www.audit.gov.cy

Para 4.127.6 of 2000 Annual Report

Para 4.129.65 of 2001 Annual Report

Para 4. 136.7(a) of 2002 Annual Report

Type of audit: ex-ante audit and later, on the request of the Public Accounts Committee of the House of Representatives following a complaint by tenderer B (Lowest Tenderer).

Subject Area: Provision of Consultancy Services for the Sewerage Conveyance and Treatment of the Greater Nicosia Area.

Sector: Public Corporation (Sewerage Board)

Scope and main issues: In October 2000, the Sewerage Board of Nicosia asked for tenders for the project described above in “subject area”. Estimated CY£3,5 m. (€6,1 m.).

After the tender documents were prepared and prior to the date for the submission of tenders, the Sewerage Board sent to the Audit Office (AO) the documents for comments (stipulated in the Board’s Regulations). The AO raised the following main points/recommendations:

- The technical evaluation criteria should carry weighting factors (coefficients), to satisfy the “Best Evaluated Tender” method adopted and also to avoid subjectivity during evaluation.
- To reduce the Advance to be given to the successful tenderer (considered excessively high).
- To change the method of tender pricing from a percentage on the value of the work, to one where the tender amount prevails from the pricing of the man-months and the type of personnel to be employed, as presented in a Bill of Quantities.

A two stage procedure was to be adopted for the Evaluation of the tenders, with the Technical part evaluated first and only those tenders which passed this stage proceeded to the opening of the financial part of their tender. The Best Evaluated Tender was to be the tender with the highest score in a predefined formula.

Twelve tenders were received and these were evaluated by a five-member Evaluation Committee set up for this purpose. According to the Committee’s evaluation report, 6 of the 12 tenders were rejected on technical reasons.

On the request of the Tender Committee of the Sewerage Board the AO gave the recommendations given in Findings I, below.

The Sewerage Board chose not to adopt the stipulations and provisions in the tender documents to select the Best Evaluated Tender (Tenderer A). Instead, it decided to award the tender to the lowest tenderer (Tenderer B) on the proviso that they will retrospectively satisfy the points on which their tender was failing. It was also decided, that if Tenderer B did not accept these “conditions”, the job would be offered to the second lowest tenderer (Tenderer C).

The Evaluation Committee then deliberated with tenderer B, but negotiations were inconclusive and did not satisfy basic tender conditions. The Board decided to reject Tender B and proceeded with deliberations with Tenderer C successfully, as this tenderer accepted all the terms and conditions.

Tenderers A and B submitted a recourse to the Supreme Court, which they won and instigated proceedings in the Civil Courts for Compensation.

Eventually, a sum of CY£447.250 (€783.000) was paid as an out of court settlement.

Findings:

I. On request of Tender Committee of Sewerage Board, the AO commented (Main Points):

(a) The marked disparity in the marking of the five members of the Evaluating Committee. We recommended decision to be made on basis of average marks of five members for each criterion or sub-criterion.

(b) It is acceptable to use sub-criteria not specifically mentioned in the Tender Documents as long as these constitute components of the pre-described criteria.

(c) The validity or not of the tenderer who included a condition that his financial bid is based on CY£60.000.000 project value considered as a minimum fee, subject to negotiation.

This condition renders this bid vague and therefore non-compliant, since a constituent part of the tender sum is unknown.

II. Following a complaint by tenderer B to the Public Accounts Committee of House of Representatives and referral of the Complaint to the Auditor General, we reported to the Chairman of the Committee:

(a) On the basis of the Technical evaluation, Tenders B and C did not comply with predetermined evaluation criteria and should have been rejected. Tenderer A achieved the highest score and was the Best Evaluated Tender. In spite of this, Sewerage Board considered Tenders B and C as valid and eventually both submitted improved Tenders.

(b) It is questionable whether improved tenders submitted by B and C were only clarifications or additional, supplementary and complementary information to make their tenders compliant.

We concluded that they complemented/varied original tenders on basic matters.

(c) Following the clarifications/alterations by Tenderer B, there were points which did not satisfy the Evaluation Committee. The Board did not go back for further clarifications but awarded to Tenderer C.

(d) The Board wrongly allowed all the tenderers to study and submit comments on the Evaluating Committee's Report, then asked the Committee to place itself on these comments.

(e) One of the reasons for the rejection of Tender B, was non-compliance with high Professional Liability Insurance asked from the Tenderers (£35 m.)Tenderer C (successful tenderer), at least 6 months into the contract, had not provided such an insurance.Had the contract been awarded to the Best Evaluated Tender, the possibility of a successful recourse to Courts by any company which failed to secure the contract, would have been minimal.

End of Summary 1

Summary 2

Report available on: www.cao.audit.gov.cy 2002 Annual Report para 4.129.5

Type of audit: ex-ante audit and also on the request of the Public Accounts Committee of the House of Representatives.

Subject Area: Provision of Services.

Sector: Public Corporations.

Scope and main Issues:

Court decision for the selection of advertising firm for the years 2000-2001. Following a request by the Parliamentary Public Accounts Committee, and the submission to my Office, of written reports by unsuccessful tenderers, a special investigation was carried out by my Office, for the purpose of the evaluation of the procedure followed by the Cyprus Tourism Organisation, until the final selection of the advertising firm, which was made, on 5.10.99, by the Board of Management. From the above special investigation, deviations from the appropriate procedures were observed, regarding the publication, delivery, keeping, opening, compliance with terms and substantiation of tender evaluation. The Board of Management of the Organisation, requested the legal advisers to study my report and to express their opinion, as to whether the tender was correctly assigned to the advertising firm.

The legal advisers expressed the view that the tender award should not however be revoked. With regard to the lawsuits filed by the unsuccessful tenderers, the legal advisers expressed the opinion that the court should be left to decide, as to whether the award of tender was properly made and was in agreement with tender specifications. In view of the above the Board of Management decided on 9.12.99 for the non-revocation of tender.

The Supreme Court, decided on 31.12.2001, for the annulment of the decision of the Organisation to award the tender to the specific advertising firm, for the world advertising campaign, for the years 2000-2001, on the grounds that the procedures governing the submission and evaluation of tenders were not followed.

Following the above decision of the Supreme Court, two recourses were filed against the Organisation by the successful tenderers, under which the payment of compensations amounting to over £1.350.000 were claimed. The Organisation decided to continue the cooperation with above advertising firm until 30.4.2002, date of expiration of the agreement, after taking into consideration the above court decision and the legal advice, that the agreement between the Organisation and the advertising firm constitutes a contractual relation, which was not cancelled under the above decision.

Findings:

Serious deviations from appropriate standard procedures regarding the invitation, receipt, keeping, opening, verification of compliance with the terms and substantiation of the evaluation of tenders.

End of Summary 2

Summary 3

Type of audit: Performance (Value for money)

Subject area: IT procurement

Sector: all central government departments

Scope and main Issues:

The Computer Master Plan of Government Service was prepared in 1987 and according to the initial programme this should have been completed within 10 years. Due to the great delay and increase in the cost and also the problems observed in the implementation of the Plan, the Audit Office decided for the above performance audit, which was carried out during the first six months of 2002.

The international experience on the development of computer plans, as disclosed in the relative reports, is considered painful with many problems, due to the unknown environment of rapid development of technology and the very specialised knowledge required for the computerisation sector.

Findings:

It is deduced that Cyprus is not considered an exception from the international experience, as similar problems and weaknesses have been identified, the most significant of which are briefly stated below:

- There was a great delay in the commencement and implementation of the strategic projects of the plan and increase in the cost, with adverse effect on the economic and efficient operation of Public Service, and on the quality of services rendered to the public. Weaknesses were also observed in the support of the Plan by the services under computerisation, the training of users, the prompt and efficient operation and support of programmes, the evaluation of projects, and in the assignment of operational support to the suppliers of computerised systems at non competitive prices.
- The most serious delays and other problems relating to the management of the Plan are attributed to the fact that the Management Team was not established and operated. Moreover, the programme for the training of staff was not implemented.

The follow up of the Plan by the Executive Council for Computerisation and the processing of implementation of the strategic targets approved by the Council of Ministers were not as expected. The Executive Council did not investigate the deviations from the approved targets and did not consult with the parties involved.

Recommendations and Implementation:

The Executive Council discussed the observations and recommendations which were included in my report, and in March 2003, decided to take measures for the improvement of procedures which are followed for the implementation of the Computer Master Plan, the most important of which are the following.

- The more efficient operation of the Executive Council.
- The strengthening of the Management Team of the Programme with experienced specialists.
- The evaluation of the projects for the targets set.
- The training of staff involved in the Plan.

- The undertaking of the operational support of the systems by Government, and the gradual replacement of the staff of suppliers by government employees.

End of Summary 3

Supreme Audit Office, Czech Republic

Summary Title	Language
1) Funds spent on acquiring of the Czech Statistical Office headquarters	English
2) State Budget funds provided for investment to the industrial zones	English
3) State Budget funds and the management of the state property under the authority of the Ministry of Transport	English

Summary 1
Supreme Audit Office, Czech Republic (NKU)

Report Title:

“Funds spent on acquiring of the Czech Statistical Office headquarters”

Publishing:

Reduced English version of final report is available at <http://www.nku.cz>
(Press Releases April 2005)

Type of audit:

Both regularity and performance audit

Subject area:

Public investment procurement – over the limit EU
– special category of purchase (provided by developers)

Sector:

Central Government department - the Czech Statistical Office

Aim of audit:

To examine the provision, drawing and usage of the funds earmarked for the preparation and construction of the Czech Statistical Office (hereafter “CSO”) headquarters

Scope and main issues:

The audit of NKU was focused mainly on:

- the preparatory phase of the investment project, on drawing up of documentation with evaluation of best-suited alternative for decision and on justifying of urgent need for building a new headquarters
- the form of public tender, the price and funding from the State Budget
- the building phase by developer

Findings:

The CSO failed to provide the Czech government with objective documents to serve as a basis for the decision on the need to build a new seat of headquarters. The CSO did not respect the binding prescribed procedure set for investment programme administrators. The CSO failed to prove that the State Budget funds were spent efficiently and economically.

Recommendations:

The possibility of state property acquiring in the form of a development contract (purchase) as yet non-existent makes it imperative that a methodology be drawn up to define categorically how programme administrators and participants should proceed when acquiring property in this way.

End of Summary 1

Summary 2

Supreme Audit Office, Czech Republic (NKU)

Report Title:

“State Budget funds provided for investment to the industrial zones”

Publishing:

Supreme Audit Office, Czech Republic. The reduced report is available at: <http://www.nku.cz>
(press releases 2004)

Type of audit:

Performance audit

Subject area:

Investment - accreditation of industrial zones, industry - the Ministry of Industry and Trade (MIT), the Agency for the support of business and investment - Czech Invest

Sector:

Central Government department - the Ministry of Industry and Trade

Aim of audit:

The aim of the audit was to examine the management of the State Budget funds provided for investment to the industrial zones including the assessment of the declared benefits and measures adopted in relation to the results of the SAO auditing operation, which was published in 2002.

Scope and main issues:

The audited period covered the years 1998 to 2003 – audit of the assessment of the declared benefits of the programme of support for the development of industrial zones and the transfer of land from municipalities to investors, and the years 2002 and 2003 – audit of the implementation of a programme of support for the development of industrial zones and evaluation of measures adopted in response to the results of the SAO auditing operation in 2002.

Findings concerning the public procurement:

In the implementation of a tender for the provision of training as part of the programme „Accreditation of Industrial Zones“ Czech Invest did not act transparently when Czech Invest did not credibly demonstrate the evaluation of the received bids and selected the bidder with the highest bid price and stated the standard of tutor as the deciding criteria without checking that the tutors actually performed this training.

Recommendations:

The Programme should concentrate on the support of the industrial zones for which a strategic investor is secured in advance.

End of Summary 2

Summary 3

Report Title:

“State Budget funds and the management of the state property under the authority of the Ministry of Transport”

Publishing:

The reduced report is available at: <http://www.nku.cz> (press releases 2005)

Type of audit:

Performance and regularity audit

Subject area:

The management of the state property - transport (the Ministry of Transport)

Sector:

Central Government department - the Ministry of Transport

Aim of audit:

The aim of the audit was to examine selected expenditures and the management of the state property under the authority of the Ministry of Transport.

Scope and main issues:

The audit was focused on the financial resources and the state property management in connection with own activities of the Ministry of Transport and their organizational units.

Findings:

It was found out some cases of circumvention the Public Tender Act, especially deficiencies in ordering of public tenders, insufficient determining of the objectives, insufficiently prepared and carried out procurement procedure.

End of Summary 3

The National Audit Office, Denmark

Summary Title	Language
1) Untitled	English

Summary 1

Type of audit: Performance (value for money)

Subject area: Procurement of consultancy services

Sector: The Ministry of Foreign Affairs

Scope and main issues:

In 2000 the National Audit Office of Denmark carried out a performance audit examination in order to establish whether the Danish Ministry of Foreign Affairs' set of rules for procuring consultancy services was sufficient and appropriate. It was assessed whether the Ministry of Foreign Affairs was able to document that consultancy services were being procured in the most advantageous way (in and outside competition), and whether the Ministry of Foreign Affairs administration ensures competence to act by means of independence and impartiality when choosing consultants. It was also examined whether the Ministry of Foreign Affairs' management launched the necessary analyses before procuring consultancy services and whether the Ministry of Foreign Affairs had an overall management of the use of consultants.

Findings:

The audit showed that the Danish Ministry of Foreign Affairs' set of rules for procuring consultancy services was sufficient and appropriate, but that improvements could be obtained in the area of documentation of the procurement process. On the overall level, the Ministry of Foreign Affairs also needed to carry out further analysis of the need for and the use of consultancy services.

End of Summary 1

State Audit Office, Estonia

Summary Title	Language
1) Organisation of public procurement related to road repair (2004)	English
2) Management of public procurement at the Ministry of Interior and its governing area (2002)	English
3) Management of procurement at the Ministry of the Environment (2002)	English
4) Procurement of maintenance services (2005)	English
5) Procurement management in the field of IT systems, software products and software services (2004)	English

Summary 1

Report title: ORGANISATION OF PUBLIC PROCUREMENT RELATED TO ROAD REPAIR (2004)

Owner: State Audit Office (SAO), Estonia. Full report in Estonian available at:

<http://www.riigikontroll.ee> . Summary in English at: <http://www.riigikontroll.ee/?lang=en>

Type of Audit: performance

Subject area: procurement of road repair works

Sector: Ministry of Economic Affairs and Communications (MEAC) and Road Administration

Scope and main issues: The State Audit Office audited the activities of the MEAC and the Road Administration in conducting the procurement related to road repair works. The objective was to establish whether in case of properly conducted road project the road repaired would remain in good condition – when suitably maintained – as long as specified in the project. The intention also was to explain whether the organisation of invitation to a competitive tender offered the road construction companies serious competition that could assure the state, acting as a contracting entity, profitable terms and conditions.

Main Findings: A number of mistakes had been made as roads were planned, in some cases the project was designed in such a way that the road surface could not survive for long. This had been also facilitated by the guidelines given by the Road Administration – while attempting to repair as many road kilometre as possible within a period as short as possible, the Administration had foregone several works which were inevitable for the maintenance of the good condition of the road surface for the required period.

Recommendations: In the guidelines for road planning the MEA should, in addition to issues related to the construction of new roads, set out requirements arising from the specific features of road repair work. The Ministry should have substantial competence to assess the tasks given to road construction system planners and undertake expert analysis. The Director General of the Competition Board should decide whether the initiation of additional investigation is required to explain whether agreements being in contradiction with the Competition Act have been accompanying the group agreements concluded to participate in the invitation to competitive tender financed from the funds of the European Union

End of Summary 1

Summary 2

Report title: MANAGEMENT OF PUBLIC PROCUREMENT AT THE MINISTRY OF INTERIOR AND ITS GOVERNING AREA (2002)

Owner: State Audit Office (SAO), Estonia. Full report in Estonian available at: <http://www.riigikontroll.ee> . Summary in English available on request, please contact: info@riigikontroll.ee

Type of Audit: compliance

Subject area: legality of the management of public procurement

Sector: Ministry of Internal Affairs and its governing area

Scope and main issues: The SAO audited procurement management in the Ministry of Internal Affairs, the Police Board, the Border Guard Administration and the Rescue Board in order to find out whether these agencies take adequate measures to manage the main risks related to public procurement. Furthermore, the audit aimed to give an overview of the implementation of the new Public Procurement Act. Therefore the audit covered mainly the public procurements carried out by the audited agencies between April 1, 2001 and December 31, 2001.

Main findings: In the opinion of the State Audit Office, the Minister of Internal Affairs has not paid sufficient attention to the management of public procurement risks in its governing area. The State Audit Office identified significant shortcomings in the planning and financing of procurements. Numerous shortcomings were identified in the preparation and preservation of documentation reflecting the public procurement procedure, as well as in the forwarding of information about procurements to the State Register of Public Procurements.

Recommendations: The Ministry of Interior should establish general guidelines for the conduction of procurements in the ministry and its area of government, establishing a system for the preparation of annual procurement plans and a procedure for their approval; requiring clear division of the tasks and obligations connected with procurements; defining aspects of the management of procurements to be controlled by specific officials of the ministry, incl. the internal audit service, before and after each procurement. The Ministry should create a system of control in order to avoid the conclusion of procurement contracts without financial coverage.

End of Summary 2

Summary 3

Report title: MANAGEMENT OF PROCUREMENT AT THE MINISTRY OF THE ENVIRONMENT (2002)

Owner: State Audit Office (SAO), Estonia. Full report in Estonian available at: <http://www.riigikontroll.ee> . Summary in English available on request, please contact: info@riigikontroll.ee

Subject area: procurement of environmental services

Sector: ministry of the environment

Scope and main issues: The SAO undertook an audit of a selection of procurement activities carried out by the Ministry of the Environment beginning from entry into force of the improved Procurement Act on 1 April 2002 until the third quarter of 2002. The audit was focussed on the measures taken by the Ministry to manage the risks regarding procurement of environmental services.

Main findings: The guidelines in force at the time of the audit specifying the organisation of public procurement of the Ministry of the Environment failed to regulate a number of essential activities leaving the obligations and responsibility of officials unclear. The requirement provided by law that the organisation of procurement activities should be based on generally understandable criteria, as well as the requirement to refrain from creating a situation that may raise doubts about the impartiality of officials and the objectivity of handling issues had not always been taken into account. The exclusion of possible tenderers was not identified, however, on several occasions mistakes were observed regarding the selection of the type of the tendering procedure. In a number of cases the expenses were not sufficiently justified. The financing practice leaves the responsibility line vague.

Recommendations: To review and update the guidelines specifying the organisation of public procurement of the Ministry of the Environment in order to facilitate procurement activities. To make use of expert assistance for the better formulation of procurement conditions and the evaluation of the quality of services. The existing practice of financing needs to be reviewed.

End of Summary 3

Summary 4

Report title: PROCUREMENT OF MAINTENANCE SERVICES (2005)

Owner: State Audit Office (SAO), Estonia. Full report in Estonian available at:

<http://www.riigikontroll.ee> . Summary in English at: <http://www.riigikontroll.ee/?lang=en>

Type of Audit: compliance

Subject area: procurement of maintenance services

Sector: government and agencies

Scope and main issues: The majority of facilities where government employees work are owned by the Government or the state-owned company Riigi Kinnisvara. The SAO examined the maintenance management in these facilities aiming to ascertain the criteria under which the government agencies decide whether to maintain facilities with their own staff or to buy the service. And, if contracted, how the procurement terms and conditions were worded in the competitive bidding announcement and proposed contracts. The objective was to find out whether the decisions made by the agencies were rational, based on economic calculations and whether this particular field required additional regulation. Issues relating to clean-up were dealt in more detail.

Main findings: The Ministries, including the Ministry of Finance, do not consider general issues regarding the operation and maintenance of state-owned facilities on the national scale their area of responsibility. As a rule, government agencies do not outsource management services – management is carried out with own resources. The principles set out in the Estonian standard “Activities to guarantee the maintenance of facilities” are either unknown or if known, the prevailing attitude is that it is not appropriate for government agencies. Only a few employees have professional qualifications of a property or maintenance manager. Many essential management procedures are simply not carried out. The requisite maintenance of facilities is not always ensured.

As regards the procurement of cleaning services the government has not specified the minimum acceptable standards for the maintenance of office spaces. Each government agency relies on its own experience and management practices in establishing the terms and conditions and quality requirements for the procurement of cleaning services. There is often no overview of the costs relating to the upkeep of facilities and accounting for and reporting of costs does not allow comparison with similar expenditures made by other agencies or private sector

Recommendations:

The Ministry of Finance should develop quality requirements for the general maintenance of offices and guidelines for the implementation of the private sector standard in government agencies as well as provide guidelines to government agencies on the calculation of costs related to the maintenance of real property and for the introduction of a corresponding reporting system to make costs comparable in terms of agencies and of similar costs incurred in the public sector.

End of Summary 4

Summary 5

Report title: PROCUREMENT MANAGEMENT IN THE FIELD OF IT SYSTEMS, SOFTWARE PRODUCTS AND SOFTWARE SERVICES (2004)

Owner: State Audit Office (SAO), Estonia. Full report in Estonian available at:

<http://www.riigikontroll.ee> . Summary in English at: <http://www.riigikontroll.ee/?lang=en>

Type of Audit: compliance

Subject area: IT systems, software products and software services

Sector: Ministries of the Environment, Ministry of Economic Affairs and Communications and Ministry of Agriculture

Scope and main issues: The audit examined activities related to the management of procurements, which concern the field of IT systems, IT services and software products and which had been contested in the Public Procurement Office. The purpose of the SAO audit was to find out whether and why the Ministries had made mistakes in formulating the terms and conditions (qualification criteria for tenderers and technical conditions) of public tenders for IT systems and software services, which have caused delays in the receipt of the required items by public departments.

Main findings: None of the audited Ministries had a long-term plan for information system development and no specific action plan had been drawn up for the preparation and implementation of any of the examined procurement projects. The Ministries had not adopted general rules (list of procedures and standards) for the acquisition of software and IT services. , As a rule, they were not able to prepare properly the technical conditions of such procurements without external specialists. Contestations have arisen from the assessment of the technical competence of tenderers on whether the tenderers are technically competent to provide the procured items with the required quality and within the time limits. The decision-makers must be familiar with the specifics of the procurement item and be able to compare tenders. These requirements have not always been respected in full.

Recommendations: The Ministers should, in planning the procurement of IT systems, software products and software services, refer to the development plan for the long-term (at least three-year) procurement plans co-ordinated with the competent structural units of the Ministry and accepted by the Ministry's management. They should also prepare and approve the procurement implementation plan in the procurement preparation phase to specify the timeframe for specific activities, the entities responsible, the general co-ordinators and the financing scheme as well as assess the likely risks and envisage measures for risk management. The Minister of Economic Affairs and Communications should take a position on whether it is necessary and practicable to require, by a legal instrument adopted by the competent authority, the public departments to involve the Government Information Systems Development Centre in the preparation of procurement of IT systems, software products and software services. The principle of project-based financing of IT development activities in order to allow long-term planning of major (more complex, more important for the government) IT activities (and procurements) and thus create better conditions for their proper preparation should be laid down.

End of Summary 5

European Court of Auditors

Summary Title	Language
1) Court of Auditors – Special Report No 8/2003 concerning the execution of infrastructure work financed by the EDF (OJEC – C 181 – Volume 46 31 July 2003)	English
2) Court of Auditors – Annual Report concerning the financial year 2000 para (OJEC page 318-328, 15-12-2001)	English

Summary 1

Court of Auditors – Special Report No 8/2003 concerning the execution of infrastructure work financed by the EDF (OJEC – C 181 – Volume 46 31 July 2003)

http://www.eca.eu.int/audit_reports/special_reports/docs/2003/rs08_03en.pdf

Type of audit: Compliance audit

Subject area: Infrastructure work

Sector: The European Development Fund (EDF)

Scope and main issues:

The objective of the Court's audit was to examine the performance of infrastructure work financed by the EDF, with the aim of carrying out a sound analysis of the problems encountered during the performance of the work in order to remedy them. Most of the contracts audited concerned road construction or repair

Findings:

Shortcomings and errors in the design and implementation studies were the source of many of the implementation problems found, and the absence of any quality control of these studies meant that too many contracts were based on partly incorrect or unrealistic terms and conditions. As a result, changes were made during implementation affecting the scope, nature and duration of the works, as well as their cost, even their sustainability. In many cases the necessary changes were neither decided nor formalised with the requisite rigour. This added to the difficulty of preventing and containing disputes and claims that accompanied implementation. In some cases insufficient monitoring of divergences between contracts and results allowed contractors to escape their responsibilities or to ignore the conditions that resulted from competitive tendering.

Many of the implementation problems encountered recurred from one contract and one country to another, but the accumulation of experience did not result in build-up of sectoral expertise that could be applied for the benefit of all public works contracts.

Recommendations:

The European Union and the ACP States must improve supervision of the implementation of works contracts financed by the EDF and, in particular, must reduce the extent of the divergences that were found between contracts and their actual implementation. It would therefore be appropriate for the Commission to reinforce the support that it provides to ACP countries at the stage where contracts are being drawn up, and subsequently at the stage where their execution is being monitored. In order to do that, it should:

- (a) provide a more definite framework for the studies that form the basis on which contracts are concluded,
- (b) place more emphasis on the justification for any changes made while works are in progress, and should attach greater importance to the repercussions of such changes on the cost and quality of the works,

- (c) reorganise its departments so as to provide the delegations and ACP countries with back up and sectoral expertise commensurate with the management responsibilities which it is transferring to the delegations as part of decentralisation.

End of Summary 1

Summary 2

Court of Auditors – Annual Report concerning the financial year 2000 para (OJEC page 318-328, 15-12-2001)

http://www.eca.eu.int/audit_reports/annual_reports/docs/2000/ra00_1_en.pdf

Type of audit: Financial audit

Subject area: Procurement procedures

Sector: The EU Institutions purchase of services, supplies and works.

Scope and main issues:

The Court examined the design and operation of the controls over procurement procedures used by the institutions to purchase services, supplies and works.

This included:

1. a review of the controls in place at the institutions for ensuring compliance with the relevant articles of the Financial Regulation, the implementing measures and the public procurement directives in the purchasing of all services, supplies and works;
2. an examination of the procurement procedures associated with the payments in an intensified sample of transactions at the institutions

Findings:

In general, the procurement procedures applied by the institutions were legal and regular. Infringements, where they occurred, resulted, in the main, from the lack of experience/expertise in the domain of tendering for particular services, and pressures on departments to adopt administratively convenient solutions, e.g. exemptions from tendering on 'technical grounds' to facilitate the commitment of funds before the year end.

Recommendations:

Institutions need to introduce a system of preventive measures, such as training authorising officers in procurement procedures and developing checklists, to complement the roles the ACPC and Financial Control currently play if compliance with the directives is to be improved further. Internal control systems reviews and compliance testing by the internal auditors will also be important in the future, due to the planned abolition of the ACPC and Financial Control.

Institutions should focus, in particular, on controlling the following risk areas in order to improve compliance with the Financial Regulation and directives on procurement:

1. the late identification and incorrect valuation of purchasing needs;
2. the use of negotiated procedures without fully demonstrating that goods and services could only be provided by one particular contractor or supplier.

End of Summary 2

The State Audit Office Finland

Summary Title	Language
1) Statistics Finland's service procurements	English
2) The Defence administration's procurement activities - Supply procurement	English
3) The Finnish state's payment traffic procurement	English
4) The procurement and commercial use of multipurpose icebreakers	English
5) The procurement of public transport services	English
6) Universities procurement activities	English
7) Use of expert services by the defence administration	English
8) Procurements of system work and ADP consulting services by the tax administration	English

Summary 1

Report title: Statistics Finland's service procurements

Owner: National Audit Office, Finland. Full report is available at:

http://www.vtv.fi/chapter_images/3731_582003Statistics.pdf

Type of audit: performance

Subject area: service procurements

Sector: Statistics

Summary:

This audit concerns Statistics Finland's service procurements in three categories: printing services, recording services and expert services. The audit did not evaluate the appropriateness of procurements, but compliance with rules of procedure and due form. The main question was whether procurements complied with regulations. The purpose of regulations concerning public procurements is to ensure that public procurements are open and non-discriminatory and to increase competition in public-sector procurements. The ultimate objective is lower costs.

Statistics Finland did not put service procurements out to tender adequately. Of the seventeen procurements which were audited, only five were put out to tender. Service procurement at Statistics Finland as a whole needs to be brought in line with legislation. Since most of the audited procurements were not put out to tender, all the documents required under the Public Procurement Act were not prepared. Losing bidders were not informed by mail or in some other certifiable manner. The documentation of the procurement process should be improved.

Procurement documents should be recorded and filed so that every stage of the procurement process can be checked later on. Regardless of value, procurements must be announced or else a sufficient number of bids must be requested in relation to the size of the procurement. Oral requests for bids should be avoided and exceptionally any oral request for a bid should be confirmed in writing. Notification procedures and related guidelines should be brought in line with legislation.

Since low value and urgency were most often cited as reasons for not putting procurements out to tender, Statistics Finland's procurement guidelines should specify a threshold and define urgency. The threshold should be included in procurement rules, taking into account the special features of different types of procurements.

Bids should also be handled in a non-discriminatory way. The procurement unit has a duty to compare bids in writing before a procurement decision is made. A previous supplier should not be given preference automatically.

In repeated service procurements, the frequency of procurements should be considered, keeping in mind tendering costs and other factors. Attention should also be paid to the special features of contracts concerning service procurements.

End of Summary 1

Summary 2

Report title: THE DEFENCE ADMINISTRATION'S PROCUREMENT ACTIVITIES

- Supply procurement

Owner: National Audit Office, Finland. Full report is available at:

http://www.vtv.fi/chapter_images/3833_022001The_defence_administrations_procurement_activities.pdf

Type of audit: performance

Subject area: supply procurement

Sector: Defence

Summary:

The State Audit Office of Finland conducted an audit of the defence administration's supply procurement. This includes vehicles, transport agreements, soldiers' clothing, food, furniture, computer equipment, health-care supplies, medicine etc.

The purpose of the audit was to support, evaluate and monitor the progress of a project set up by the Defence Forces to simplify supply procurement. The viewpoint of the audit is the possibility to use funds more effectively and to cut costs by developing the organization and procedures of supply procurement. The audit of the defence administration's procurement activities has already led to development work in the administrative sector.

The Defence Forces should provide more detailed guidelines for the planning of units' and establishments' supply procurement. The commercial preparation of units' procurement should also be entrusted to full-time procurement personnel with commercial training. The Defence Forces should direct the organization of units' supply procurement more effectively.

The process of procuring garrison vehicles was observed to take an excessively long time. The Defence Forces should change guidelines so that cars and vans which do not require structural changes or the installation of additional equipment can be ordered by units directly from the supplier. As a result of this arrangement the Defence Materiel Establishment could focus its resources on making procurements which are technically more difficult.

The Defence Forces should conclude a framework agreement for computer workstations and should regularly take advantage of the expertise of the Defence Forces' Information Technology Establishment in this type of procurement. The Defence Forces should also investigate the feasibility of leasing computer workstations in the future.

End of Summary 2

Summary 3

Report title: The Finnish state's payment traffic procurement

Owner: National Audit Office, Finland. Full report is available at:

http://www.vtv.fi/chapter_images/3721_452003SSStates_payment_traffic_procurement.pdf

Type of audit: performance

Subject area: service procurement

Sector: central Government

Summary:

The audit focused on compliance with principles and statutory requirements concerning tendering for public service procurements. It also focused on how the financial objectives for payment traffic procurement were explained and chosen and how well they were achieved with the selected solution. The audit also considers whether costs resulting from long-term contracts can be paid from budget funds without authorization.

The procurement of the Finnish state's payment traffic exceeds the threshold and must be put out to tender at the EU level. According to the State Budget Act, the state's payment traffic must be managed economically and with an eye to security. According to the main principles in procurement regulations, a procurement unit must make procurements as economically as possible. Other key principles are the principle of equality and non-discrimination, the obligation to put procurements out to tender and the principle of transparency.

Decision-making concerning the relative weights of the selection criteria themselves (financial and quality factors) was not detailed in documents. Whenever overall economy is used as a gauge, officials should specify the weights of selection criteria before bids are opened, if the weight structure of evaluation criteria has not been presented in requests for bids.

Tendering and the procurement process complied with regulations concerning contracts exceeding the threshold. Tendering also complied with regulations concerning EU procurements, except that the procurement notice and requests for bids with their strict conditions may have kept the number of bidders below the minimum which is normally required under the limited procedure. To ensure real competition a sufficient number of bidders in relation to the nature and size of the procurement should be invited - at least five. Consideration should also be given to setting staggered limits according to the nature of the service procurement or other procurement.

Regulations concerning the state budget should be amended so that they spell out when agencies and other units can without budget authorization make commitments and contracts whose validity exceeds the period covered by the appropriation.

End of Summary 3

Summary 4

Report title: The procurement and commercial use of multipurpose icebreakers

Owner: National Audit Office, Finland. Full report is available at:

http://www.vtv.fi/chapter_images/3616_432003The_procurement_and_commercial_use_of_multipurpose_icebreakers.pdf

Type of audit: performance

Subject area: supply procurement

Sector:

Summary:

The first key question in the audit was whether it has been more economical for the state to procure multipurpose icebreakers rather than traditional icebreakers. The audit indicates that the answer is yes, although the difference between these alternatives has not been very large so far.

The second key question in the audit was whether the choice between traditional and multipurpose icebreakers was based on proper studies. The audit indicates that the answer is clearly no.

The third key question in the audit is whether the most economical multipurpose icebreakers have been selected. The first multipurpose icebreaker had the lowest procurement price. The second was procured on the basis of an option, in which case there is no need to request tenders under procurement rules. Since another reliable and competent supplier had asked for tenders to be invited, in the opinion of the State Audit Office, the Finnish Maritime Administration acted contrary to good practice in not informing decision-makers of the second supplier's willingness to submit a bid. Consequently the most economical option for the state was not selected.

Furthermore, suppliers were not treated equally since the other bidder was not informed of the significance of up-front payments in payment terms. The audit also indicated that certain aspects of contracts have not been observed and that this has resulted in economic damage for the state.

In the opinion of the State Audit Office, engaging in production and commercial activities through a government agency causes certain problems. Consequently the Finnish Maritime Administration's production and commercial activities should be separated from the agency's official tasks.

End of Summary 4

Summary 5

Report title: THE PROCUREMENT OF PUBLIC TRANSPORT SERVICES

Owner: National Audit Office, Finland. Full report is available at:

http://www.vtv.fi/chapter_images/3609_602003_The_procurement_of_public_transport_services.pdf

Type of audit: performance

Subject area: service procurement

Sector: Transport

Summary:

The term public transport refers to line services, purchased services and other regular passenger services which are available to the public. The state has traditionally supported public transport and its development through appropriations in the state budget.

The audit sought answers to the following questions concerning the procurement of public transport services:

- Were procurements organized and directed in a clear and comprehensive way?
- Did procurements comply with regulations?
- How could effectiveness and efficiency be improved in procurements?
- How is compliance with procurement contracts monitored?

The audit also examined the budgeting and application of funds and the effectiveness of cooperation among different parties in the procurement of transport services.

The audit indicated that terms concerning purchased services and purchasing principles were of a general nature and open to interpretation. This has in practice allowed considerable variation in the services purchased by different state provincial offices. The state provincial offices did not have approved service-level objectives to support the planning of purchased services, although development studies regarding this matter have been completed.

In the opinion of the State Audit Office, terms concerning purchased services and purchasing principles should be spelled out as soon as possible. Attention should also be focused on the economy of purchased services, for example by setting passenger thresholds for supported services. The audit indicated that procurements complied with regulations quite well. Minor deficiencies in procedures were observed with regard to the fair treatment of bidders and the administration of procurement documents, among other things.

On the basis of the audit it would appear that the competition situation for purchased services is not very good. New ways should be sought to improve the competition situation, for example by developing the content of purchased services and diversifying services.

The audit indicated that monitoring of the procurement of purchased services was meagre and sporadic. Breaches of contract which came to light in the audit suggest that deviations occur at least to some extent in all purchased services.

End of Summary 5

Summary 6

Report title: UNIVERSITIES' PROCUREMENT ACTIVITIES

Owner: National Audit Office, Finland. Full report is available at:

http://www.vtv.fi/chapter_images/3651_322002en.pdf

Type of audit: performance

Subject area: supply and service procurement

Sector: Education

Summary:

This audit focused on compliance with procurement legislation as well as the direction and organization of procurements. The audit covered four universities: the Helsinki School of Economics and Business Administration, the Turku School of Economics, the University of Joensuu and the University of Vaasa.

At the universities covered by the audit, decision-making and responsibility for procurements exceeding a set amount and for certain types of procurements such as computer, telephone and real-estate services have been centralized. Different university units decide on other procurements within the framework of their annual funds. This means that dozens of university units also act as procurement units, which requires that a large number of university personnel have extensive knowledge regarding procurement legislation, the procurement document process and procurement procedures.

In the opinion of the State Audit Office, this decentralized organization is one reason for the shortcomings which have been observed in universities' procurement activities. The universities should adopt means to reduce shortcomings resulting from the decentralized organization. According to observations, compliance with procurement regulations was deficient at all the universities covered by the audit. In many cases procurements were not put out to tender or else tender procedures were not in line with regulations. Likewise documents required in the procurement process were not prepared or were deficient in content. The grounds for failing to invite tenders were not always documented. University documents are also subject to record and archive obligations. In the case of procurement documents these obligations were generally neglected.

The universities make procurements from many different suppliers and in small lots. Consequently tendering, billing and other process costs are higher than if procurements were centralized. In the opinion of the State Audit Office, possibilities to rationalize the universities' procurements in order to lower process costs should be investigated. The objective of development plans for procurement activities is to increase the strategic management of procurements and procurement cooperation in administrative sectors so as to rationalize procurement activities and achieve procurement volumes. The Ministry of Education's administrative sector lacks this type of management. At the ministry's suggestion, a certain amount of procurement cooperation has begun within universities. Universities in the same area have also engaged in procurement cooperation. In the opinion of the State Audit Office, universities' procurement cooperation can be increased to improve and take advantage of procurement expertise, make better use of resources and obtain volume benefits.

End of Summary 6

Summary 7

Report title: USE OF EXPERT SERVICES BY THE DEFENCE ADMINISTRATION

Owner: National Audit Office, Finland. Full report is available at:

http://www.vtv.fi/chapter_images/5075_962005.pdf

Type of audit: performance

Subject area: service procurement

Sector: Defence

Summary:

The audit theme was prompted by the observation that a considerable share of expert and research services are procured without being put out to tender. The goal with the audit was to find out whether State funds had been used appropriately in the procurement of expert and research services and whether legislation on procurements is being complied with in these procurements.

With respect to specific procurements, the features examined were the commercial implementation of the procurement and whether it had been put out to tender. Another observation made in the audit was that expert services are procured as needed without making comparative calculations of the costs of procuring them relative to the costs of own activities. On the basis of the audit, the State Audit Office took the view that the Defence Administration should issue guidelines setting forth when work should be outsourced and when it should be done within an office as an official task.

In addition, the State Audit Office emphasises that the Defence Administration must ensure that the legislative provisions on procurements are complied with when expert and research services are procured and that this is done also when these services are purchased from persons who have retired from the Defence Forces.

End of Summary 7

Summary 8

Report title: Procurements of system work and ADP consulting services by the tax administration

Owner: National Audit Office, Finland. Full report is available at:
http://www.vtv.fi/chapter_images/3613_492003Tax_administration.pdf

Type of audit: performance

Subject area: service procurement

Sector: Tax

Summary:

The main goal of this audit was to determine whether procurements of system work and ADP consulting services by the tax administration complied with existing regulations. The audit focused on guidelines concerning procurements, procurement planning and the implementation of procurements in the tax administration in general as well as three individual procurement processes.

Not all procurements of system work and ADP consulting services by the tax administration were put out to tender at all or according to procurement legislation. Long-term service contracts should

also be put out to tender from time to time, for example when contract terms are revised. Reasons why the negotiation procedure has been used or why a procurement other than one of small value has not been put out to tender should be indicated in procurement documents.

Procurement processes should be documented and procurement documents should be archived so that all the stages of the procurement process can be verified later on. This would also facilitate the

monitoring of procurement planning, the progress of the procurement process and cost-effectiveness and ensure that the reporting required by legislation is performed. Procurement legislation should be revised with regard to in-house procurements from connected firms so that procedural regulations cover procurements in the entire public sector.

End of Summary 8

Bundesrechnungshof

Summary Title	Language
1) Annual Report 2004 on federal financial management	English

Summary 1

Report Title: Annual Report 2004 on federal financial management, Part II,

Item 3 "Inadequate application of procurement law", ,

Item 17 "Invitations to tender for public works are not in line with EC procurement law",

Item 18 "Invitations to tender issued by the Federal Office for Building and Regional Planning do not comply with EC procurement law" and

Item 42 "Infringements of procurement law in the accommodation of government offices".

Owner: Bundesrechnungshof, Federal Republic of Germany. Full report is available at:
<http://www.bundesrechnungshof.de/veroeffentlichung/bemerkungen_2004>

Type of audit: Performance and regularity audit.

Subject area: miscellaneous

Sector: Federal departments and Federal Employment Agency

Scope and major issues

The Bundesrechnungshof's audit work in 2003 included cross-boundary examinations into public contract awarding by federal governments and agencies with special regard to EC procurement law. The separate audit exercises addressed the procurement of various kinds of goods and services.

Findings

In a large number of cases, the Bundesrechnungshof found that federal departments and agencies infringed procurement law. In detail, the infringements concern non-compliance with the duties of:

- a neutral and non-discriminatory specification of the goods and services required,
- a fair and objective examination and evaluation of the tenders submitted and
- the comprehensive documentation of procurement procedures.

Furthermore, the Bundesrechnungshof has identified a trend towards improperly restricting competition.

The Bundesrechnungshof found that infringements were frequently caused by the departments' and agencies' lacking awareness of central procurement principles e.g. seeking best value for money and competitive tendering.

Recommendations

The Bundesrechnungshof urged the Federal department having overall responsibility for fundamental issues of procurement law to undertake stronger efforts to ensure compliance with procurement law.

End of Summary 1

State Audit Office, Hungary

Summary Title	Language
1) Summary of the Audit on the Operation of the Hungarian Defense Forces Public Procurement System projects	English
2) Summaries of the reports on the activity of the State Audit Office in 2002-2004	English

Summary 1

Report Title: *Summary of the Audit on the Operation of the Hungarian Defense Forces Public Procurement System projects*

Owner: State Audit Office (SAO), Hungary

The report is available at: <http://www.asz.hu/ASZ/www.nsf/AMain?Openframeset>

Type of audit: performance

Subject area: military equipments

Sector: Hungarian Defense Forces (Ministry of Defense)

Scope and main issues

In 2004, the SAO carried out a performance audit to examine the operation of the public procurement system of the Hungarian Defense Forces. The performance audit method was applied in order to assess if the legal background, the ministerial regulation of public procurement, the operational system of the military logistics ensured the implementation of fundamental public procurement principles as well as the assessment of the effectiveness of the procurements in the period of restructuring the military forces.

In order to carry out this system-oriented audit and with keeping the above objective in mind, some individual procurement measures of the Ministry of Defense and Hungarian Defense Forces institutions engaged in procuring military equipment were selected for the site audit. The experiences gained from the performance audit give an overview only of the regularity of the examined procurement measures.

Findings

Due to the SAO's former recommendations and since the regulation system was established, the defence procurement scheme (regarding those exempted from the public procedures) of the Ministry of Defense has undergone a development. However, the regulation system still included some duplications, overlaps and still missed some detailed regulations. The public procurements were generally carried out in accordance with the statutory and other legal provisions. However, the inaccurate interpretation of legal provisions led sometimes to the application of procedures not corresponding to the provisions themselves. On the basis of the internal regulations covering the whole area of financial management, the Ministry of Defense found it essential in general, to enforce the requirements, considerations of economy at each of its entities with autonomous financial management, but it failed to set specific requirements. In case of public procurements neither were there economy-approach requirements set on the entities and their respective scopes of activity.

Recommendations

The SAO's recommendations were the setting of economy-based requirements, the supervision and checks of the procurement measures' implementation and the efficiency of defense planning. The Ministry of Defense accepted these recommendations.

End of Summary 1

Summary 2

Report Title: *Summaries of the reports on the activity of the State Audit Office in 2002-2004*

Owner: State Audit Office (SAO), Hungary

The report is available at: <http://www.asz.hu/ASZ/www.nsf/AMain?Openframeset>

Type of audit: basically compliance audits

Subject area: procurements subject to the law

Sector: the sub-systems of public financial management; state property; organisations operating outside the area of public finance, financial management of political parties, audit experiences on some high-priority areas.

Scope and main issues

The SAO gives an account, in the form of an annual report, of its activities performed, without the intention of completeness, in the previous year to the Parliament every spring.

In the reports of the years 2002-2004, full-scope and in-depth information on the main issues, experiences and utilisation of the audit activity were provided. The annual reports usually present the most important findings, among others on public procurements, of the audits performed.

In the appendix of the reports, the most important experiences of the individual audits, completed in 2002-2004, are summarised. Each summary, where relevant, highlights those cases where managing the procurements were illegal. These summaries also include the relevant recommendations.

End of Summary 2

Office of the Comptroller and Auditor General - Ireland

Summary Title	Language
(1) Development of an ICT Human Resource Management System	English
(2) Primary Routes Improvement Programme	English
(3) Waste Management in Hospitals	English
(4) Purchasing of Tyres by An Garda Siochana (Police Force)	English
(5) Interview Recording Systems	English

Report Title: Development of Human Resource Management System for the Health Service (PPARS)

Owner: Office of the Comptroller and Auditor General, Ireland. Full report is available at: <http://www.audgen.gov.ie/viewdoc> [Value for Money Report No.51]

Type of Audit: Performance (Value for Money)

Subject area: Management of a major ICT project incorporating human resource management, payroll and related systems.

Sector: Health

Scope and Main Issues:

In 2005, the Office undertook a performance audit to assess the twin goals of a human resource management system which were to implement dynamic, devolved HR management and facilitate the production of key information across the health sector. The examination was undertaken against a background of considerable time slippage, cost escalation and reduced functionality, culminating in the project being suspended in order to determine the best way forward. The initial estimated cost of the project was in the order of €9m. The total cost incurred at that time the project was suspended was €131m.

Findings:

A number of issues associated with the arrangements for and management of PPARS procurement came to light in the course of our examination, including the following:

- In a project of such complexity and uncertainty it would have been prudent to assess the feasibility of the overall programme through the controlled and monitored implementation of a pilot project.
- Commissioning protocols should be in place.
- Contracts should be based either on defined specifications or managed in a way that focuses on milestones, deadlines and deliverables.
- High value contracts with consultants on large IT projects should incorporate provisions whereby each party shares the rewards and the risks.
- Lessons learned from this project should be assimilated into future management and governance arrangements.
- Industry ICT and project management expertise should be developed within the public sector to enable agencies to have access to expert resources.

The concluding chapter of the report outlines the main elements of good practice in relation to the management of major ICT projects.

Report Title: Primary Routes Improvement Programme

Owner: Office of the Comptroller and Auditor General, Ireland. Full report is available at: <http://www.audgen.gov.ie/viewdoc> [Special Report No.6]

Type of Audit: Performance (Value for Money)

Subject area: Proposed Investment of €5.6 billion on Roads Improvement Programme

Sector: Transport

Scope and Main Issues:

The national Development Plan, launched in November 1999, proposed investment of €5.6 billion on national road improvements during the period 2000 – 2006. By 2002, the estimated cost of the planned works had risen to almost €16 billion. The audit set out to examine the causes of the escalation in the cost of the planned works and review the estimation process which underpinned the costing of the programme. In addition, the audit examines the arrangements in place for the procurement of national road improvement projects and reviews key aspects of the overall management of the roads improvement programme.

Findings:

Over 40% of the total escalation in the reported cost was due to price movements and a quarter of this was due to underestimation of prices at the beginning of the programme.

A further 16% of the increase was due to a systematic failure to cost certain elements of schemes at the planning stage. In addition, the programme itself grew due to changes in the scope of projects and new works, accounting for 20% of the increase. The balance of the cost escalation was due to project specific increases and increases in the cost of projects with non-standard features.

There was a lack of costing expertise in the State body and there was a need for greater alignment between the funding provision and planned measures so that overall achievement could be monitored and measured.

The traditional procurement method employed involved the retention of most risks by the State and paying for them to the extent that they occurred and were measured.

Report Title: Waste Management in Hospitals

Owner: Office of the Comptroller and Auditor General, Ireland. Full report is available at: <http://www.audgen.gov.ie/viewdoc> [Value for Money Report No.49]

Type of Audit: Performance (Value for Money)

Subject area: Cost-effective ways to treat and dispose of hospital waste

Sector: Health

Scope and Main Issues:

Potentially hazardous waste material arising from healthcare related activities requires special management and the use of costly handling and disposal arrangements to avoid causing infection or injury to those who come into contact with it. Following the closure of individual hospital incinerators due to their failure to comply with increasing environmental standards, the Office undertook a performance audit to assess the impact of the tighter regulations governing waste handling and disposal in publicly funded hospitals.

The examination was carried out to identify:

- The output of waste in publicly funded hospitals in Ireland, and the type of waste produced
- The costs associated with the collection, handling, treatment and disposal of such waste
- Good practice in the management of waste in publicly funded hospitals.

Findings

Analysis found that none of the hospitals visited had adopted a clear set of relevant and comprehensive targets for waste management performance and, given the variations in cost comparisons across the hospital sector, there was scope for savings in the procurement and use of special colour-coded containers and refuse bags used in the collection and transportation of risk waste.

There is scope for hospitals to reduce the amounts of waste produced.

The level of recycling was low.

Cost differentials underline the importance of ensuring a good segregation of waste, so that only waste that needs to be treated as risk waste gets into that disposal stream.

Report Title: Purchasing of Tyres by the Garda Síochána (Police Force)

Owner: Office of the Comptroller and Auditor General, Ireland. Full report is available at: <http://www.audgen.gov.ie/viewdoc> [Value for Money Report No.40]

Type of Audit: Performance (Value for Money)

Subject area: Procurement of tyres for a transport fleet

Sector: Justice - Police

Scope and Main Issues:

The Transport Section of the Police Force has overall responsibility for the management and maintenance of the vehicle fleet. In 1993 it entered into an arrangement with a supplier whereby most police vehicles would, when required, be brought to nearby depot operated by the supplier to have tyres replaced and other related services carried out. The arrangement continued following a further tender competition in 1997. Following media allegations in 2001 that senior police members involved in purchasing the vehicle fleet had been entertained on recreational trips abroad by the supplier in question, the Office undertook a performance audit on the purchasing of tyres to establish:

- If, in the period 1998-2000, there was a loss of economy in the purchase of tyres by the police force and if so, how great was the loss
- If the tendering and procurement procedures for tyres accorded with best practice
- The level of control over payment for tyres.

Findings

The cost of tyres purchased in the period 1998 to 2000 was over €2m. Often the more expensive brands of tyres were purchased and more than the tender price was paid for some extra items and related services. It was estimated that the total overpayment on all goods and services was around 10% of the total paid to the supplier.

Crucial aspects of the tender evaluation appear to have been misleading and management appear to have consider the submissions without spotting deficiencies.

Management and control systems in relation to tyre purchasing were completely inadequate. The police force ceded control of key aspects of the supply of tyres to the supplier and allowed themselves, in crucial respects, to become captive to the supplier.

Report Title: Garda Interview Recording Systems

Owner: Office of the Comptroller and Auditor General, Ireland. Full report is available at: <http://www.audgen.gov.ie/viewdoc> [Special Report No 5]

Type of Audit: Performance (Value for Money)

Subject area: Procurement of recording equipment for use in police interview rooms.

Sector: Justice - Police Force

Scope and Main Issues:

Facilities to record evidence taken by police were installed in 220 interview rooms in police stations across the country. The equipment, which was purchased in 2001, consists of audiovisual recording equipment using VHS. The audit examined whether the process for the identification and acquisition of the equipment represented good public procurement practice and whether the acquisition of the equipment complied with public procurement law.

Findings:

There had been breaches of the public procurement laws but these breaches were not material in that they would not affect the ultimate contract award decision.

Pilot testing was undertaken on the basis of a single equipment solution and the relative merits of more modern DVD systems may not have been evaluated in sufficient detail. Certain pilot stage acquisitions were not the subject of competitive tendering.

The lessons learned include

- The importance of ensuring that a definition of requirements is framed in a manner that maximises the number of technology and equipment solutions offered by tenderers
- The need to ensure that the terms and conditions in tender documents support the procuring organisation in its quest for the best offer and, conversely, do not risk ruling out the acceptable bids by the inclusion of unnecessary terms
- The desirability of having an independent expert on the evaluation team.

Court of Audit, Portugal

Summary Title	Language
1) Concomitant Audit over the execution of a construction job to improve a local road	English
2) Audit over a Port-Maritime Institute	English
3) Audit over a Rail Transport Institute	English
4) Audit of Euro 2004, 1st stage	English
5) Audit of EXPO`98	English
6) Audit of Centralised Public Tenders in the Health sector	English
7) Audit of a public-owned company	English

Summary 1

Report Title: Concomitant Audit over the execution of a construction job to improve a local road

Owner: *Tribunal de Contas*, Portugal.

http://www.tcontas.pt/pt/actos/rel_auditoria/2004/audit-dgdc-re1008-2004-1s.shtm

Type of audit: Compliance

Subject area: Execution of public works

Sector: Local Public Administration

Scope and main issues:

In 2004, the *Tribunal de Contas* carried out a concomitant audit over the execution of a construction job contract to improve a local road, with the objective of verifying whether the work underway was compatible with the one that had initially been planned and whose contract received a seal of approval from the Court.

Findings

Analysis of all the documentation and clarifications presented by the audited body revealed that prevailing norms had not been observed in the following aspects:

- There had been an alteration of the object of the construction job placed to public tender;
- The implementation of the construction job was different from that which had been placed to tender and, for the one implemented, no tender procedure had been opened;
- No written contract had been drawn up for the work in progress;
- There had been failure to comply with the deadlines specified for implementation of the works.

Recommendations

No specific recommendations were made given the nature of the action.

Financial responsibilities were indicated and the respective process was submitted to the Public Prosecution Service.

End of Summary 1

Summary 2

Report Title: Audit over a Port-Maritime Institute

Owner: *Tribunal de Contas*, Portugal

http://www.tcontas.pt/pt/actos/rel_auditoria/2003/rel002-2003.shtm

Type of Audit: Compliance

Subject Area: Contracts for public works

Sector: Indirect public administration responsible for the port and maritime sector

Scope and main issues:

The objective was to determine whether the pre-contractual procedures developed by the Institute and the construction job contracts that had been signed, complied with applicable legislation. On the date that the auditing initiative commenced, a global reform of the port sector was underway, implying the reformulation of the institute's management models and instruments. As a result, analysis was made of the Institute's interaction with other organisations in the sector, in particular in terms of the distribution of attributions and powers related to the awarding of port-maritime works.

Findings:

Analysis of the 28 construction job contracts (port-maritime and terrestrial construction works) revealed that there had been failure to comply with regulatory norms for the procedures prior to signature of the said contracts, in the following aspects:

- Introduction of relevant alterations into the base documents of the tender, during the time period established for presentation of bids;
- Divergences between the various tender documents in relation to the execution deadlines for the construction job;
- In tender procedures subject to invitation it was not possible to ascertain, due to lack of due grounds, the criteria used for selection of the entities invited to present bids;
- Requirement were established, within the framework of the construction jobs, to supply means and materials intended to guarantee the exercise of inspection of the works, including cars, mobile phones and computing equipment;
- Sub-factors related to the bidder's economic, financial and technical capacity had been included in the parameters related to bid appraisal criteria;
- Failure to indicate the weighting (%) of the sub-factors that constituted the various factors used to establish the bid appraisal criterion;
- Failure to provide due grounds for the awardings made;
- Direct commissions were made without existence of the respective legally required pre-requisites;
- Complementary works to the construction job based on unforeseen circumstances which are not permitted by law.

End of Summary 2

Summary 3

Report Title: Audit over a Rail Transport Institute

Owner: *Tribunal de Contas*, Portugal

http://www.tcontas.pt/pt/actos/rel_auditoria/2004/audit-dgtec-rel012-2004-1.s.htm

Type of audit: Compliance

Subject Area: Contracts for the acquisition of goods and services

Sector: Indirect public administration responsible for the rail sector

Scope and main issues:

The objective was to determine whether the pre-contractual procedures undertaken complied with applicable legislation.

Findings:

Analysis conducted of the procedures related to the acquisition of goods and services revealed that there had been failure to comply with several regulatory norms for the procedures prior to the said acquisitions, in the following aspects:

- Failure to draw up an estimate of the probable costs of the desired goods or services;
- Absence of tender specifications, tender programmes or equivalent documents;
- Failure to draw up a written invitation to the entities selected to present bids;
- Direct commissions were made in situations that are not permitted by law;
- Illegal admission of bidders and bids;
- Failure to carry out a prior hearing or deficient grounds given for the decision to dispense with such a procedure;
- Absence of any reference to the criterion governing the award or use of vague or incorrect awarding criteria;
- Insufficient statement of grounds for the awardings made;
- Use of complementary contracts based on facts that were not legally admissible.

Recommendations:

- Prior to or simultaneously with the prior decision/deliberation to contract goods and services, calculation should be made of the approximate cost of the goods/services that it is aimed to acquire;
- The written elements included in the pre-contractual procedures should include a set of norms that regulate, in a clear and concise manner, the various formalities that must be respected by the said procedures;
- Greater attention should be paid to requesting qualifications documents for the purposes of admission of bidders and greater rigour in the verification of validity of these documents should be used;
- The awarding criterion and the underlying factors to be used should be previously established, quantified and disclosed in the documents included within the pre-contractual procedure that has been set into motion;
- The classification and listing of the bids stated within the *Analysis Reports* must comply with the pre-defined adjudication criteria and indicate which specific elements thereof have been

subject to weighting in the framework of each of the factors that are integrated within the aforementioned criterion;

- In contracts that are preceded by direct commission within the framework of exceptional norms, verification of compliance with the legal and de facto pre-requisites set therein must comply with the actual situation, which thus requires greater rigour in the analysis made and the subsequent grounds established for the decision taken.

End of Summary 3

Summary 4

Report Title: Audit of Euro 2004, 1st stage

Owner: *Tribunal de Contas*, Portugal.

http://www.tcontas.pt/pt/actos/rel_auditoria/2004/audit-dgdc-rel19-2004

Type of audit: Performance

Subject area: Public works construction jobs and projects

Sector: Local municipal councils and entities within the State and Local business sector.

Scope and main issues:

The 1st stage of the audit analysed the design/construction of the essential infrastructures for holding Euro 2004, in particular, the stadiums, car parks and road and rail access, and also the promotion, organisation and commercial exploitation of the event.

Findings:

- The public promoters attained their key objective to conclude the stadiums within the schedule foreseen by UEFA - 6 months prior to organisation of the event itself. However, although the stadiums were completed within schedule there was a considerable delay in the completion of road and rail access.
- The choice of architectural plans and associated detailed specifications were generally made without public tender, within the framework of a special law for this purpose, and the sole criterion used was the prestige and technical recognition of the architect, without any comparative analysis of the economic and technical merit of the bids.
- In most cases the project-planners were not required to provide any project insurance that would guarantee coverage of any expenses resulting from project errors, omissions and deficiencies, nor were contractual mechanisms created in order to establish liabilities for the project-planners.
- Several of the geological and geo-technical studies were insufficient and thus hindered implementation of the construction jobs.
- Various construction jobs were launched in a regime of price series, notwithstanding the fact that the public promoters did not have sufficient technical teams in order to conduct the daily controls required for this modality.
- Excess amounts were recorded in the final cost of the construction jobs due to the failure to provide the respective plots of land in due time, project errors, omissions and deficiencies, alterations intended to achieve improvements in the finishing materials, safety requirements defined after the adjudications were made, weak co-ordination of the architectural and structural plans and the plans for the technical installations, absence of construction job managers, inspection deficiencies, revision of prices associated to extension of the implementation deadlines and additional costs due to shortening of implementation deadlines.

End of Summary 4

Summary 5

Report Title: Audit of EXPO`98

Owner: *Tribunal de Contas*, Portugal.

http://www.tcontas.pt/pt/actos/rel_auditoria/2000/audit-dgtc-rel43-2000

Type of audit: Performance

Subject area: Evaluation of the execution of the Project from the perspective of its effectiveness, efficiency, cost control and transparency.

Sector: State business sector

Scope and main issues:

Analysis of execution of the EXPO`98 project, in relation to the organisation, structure, management and financial control, implementation of the construction job and construction areas, operations, *promark*, acquisition of computing equipment and accommodation, exhibition and real-estate revenues for the period between 1993 and 1998.

Findings:

In relation to the construction jobs carried out:

- The cost of the construction jobs analysed presented a global deviation of 87.5% in relation to the initial estimated cost, due to additional works, premiums and excess costs paid in order to comply with the deadlines set for conclusion of the works.
- In most of the awarding procedures adopted, the legal regime applying to public works was not observed.
- In the public tenders launched by the various operational areas, the guidelines issued were not always observed, in relation to contracting principles, to compliance with European Directives and to details of the contracts signed with the European Investment Bank (EIB).
- The awarding procedures adopted by most areas did not always confer transparency to the choices made, nor did they allow suitable functioning of market rules in order to make it possible to obtain the most economically-favourable bids.
- The delays in the presentation of projects, caused by failure to define the objectives desired and/or by a delay in their design and preparation by the respective architects, meant that the majority of the construction jobs were implemented on the basis of draft projects or preliminary studies in a regime of price series which did not make it possible to make a suitable global estimate of the inherent costs.
- Systematic alterations and revisions of the project in the execution stage of the works, led to delays and higher costs.

End of Summary 5

Summary 6

Report Title: Audit of Centralised Public Tenders in the Health sector

Owner: *Tribunal de Contas*, Portugal.

http://www.tcontas.pt/pt/actos/rel_auditoria/2001/audit-dgtc-rel56-2001

Type of audit: Performance

Subject area: Centralisation of public purchases

Sector: Central Public Administration and Hospitals

Scope and main issues:

The overall objective of the audit was to evaluate the cost-effectiveness and efficiency of the National Health Service's system for the acquisition of goods, via centralised public tenders. Given the defined objective, the audit was guided by a comparative analysis of the centralised public tenders, de-centralised public tenders implemented by 2 Hospitals that did not adhere and the specific procedures carried out by 8 adhering Hospitals.

Findings:

- The State did not attain the objectives that had been established for the centralisation of tenders, in particular in terms of obtaining globally more favourable purchasing conditions and reduction in the procedural times for public tenders for the acquisition of goods and services within the framework of the Ministry of Health.
- Because there was no obligation to adhere to the centralised public tenders in order to acquire materials for clinical consumption, several hospitals chose not to adhere to the respective public tenders, justifying this decision on the basis of technical, economic and time-related factors.
- Despite the fact that the centralised tenders included a high number of a type of products from the same family, they were unable to cover the technical requirements of some of the hospitals.
- Comparative analysis of the procedures of the selected public tenders made it possible to conclude that, in general terms, the audited hospitals were able, via individual procedures, to obtain more advantageous price conditions than those verified in the centralised tenders, even in situations where the chosen supplier was the same.
- The acquisitions made via individual procedures in 1999 and 2000 by the selected hospitals represented cost savings of 12.3% of the total charges included within the sample, in comparison with the level of charges that would have been incurred by these acquisitions if they had been made at the prices of the centralised tenders.
- The delivery deadline contains obtained by the Ministry were no faster than the individual tenders, in any of the selected products.
- Application of selection criteria and the grounds underlying the awarding proposals in the hospitals' tenders proved to be insufficient in relation to legal requirements.

Recommendations:

Recommendations were made in order to achieve greater agility within the procedures and to take advantage of the centralisation of acquisitions in order to obtain more favourable conditions, countering the risk of not achieving any rationalisation benefits whatsoever.

End of Summary 6

Summary 7

Report Title: Audit of a public-owned company

Owner: *Tribunal de Contas*, Portugal.

http://www.tcontas.pt/pt/actos/rel_auditoria/2004/audit-dgtc-rel25-2004

Type of audit: Performance

Subject area: Activities of a public-owned company

Sector: State business sector

Scope and main issues:

The audit aimed to analyse the business activity of the company, whose mission was to design, plan, promote, implement and operate all the initiatives encompassed within the event Porto – European Capital of Culture 2001 or initiatives related to the event within the framework of urban renewal. The decision to undertake this audit was made by the *Tribunal de Contas*, following a request from the Government, expressly formulated by the Minister of Culture.

Findings:

- Several of the interventions carried out, due to implementation delays, were not used within the event for which they had been planned, in particular the *Casa da Música* (Music House).
- Porto 2001 invested €4,6 M in excess of the original budget.
- The interventions (library, museums, auditoriums and other cultural buildings) suffered from an average implementation delay of 9 months. These delays were primarily caused by deficiencies within the projects, that obliged unforeseen works to be carried out, which also increased the inherent costs related to the auditing and control companies that intervened in these works.
- The highest financial deviation (over 12.5%) was incurred in relation to an auditorium, that also recorded the worst delay in physical execution (over 305%), given that the project “was not in a proper state to be implemented”, which led the constructor to abandon the building works, and a consequent administrative seizure by the job owner.
- The urban renewal works, which ended with delays in excess of one year, interfered with the process of attracting people to the city and thus harmed the event rather than benefiting it.
- These works cost € 16.6 M more than the budget forecasts, even though 14% fewer works than those forecast were actually carried out in Oporto’s Baixa zone.
- At the date of the audit, construction of the *Casa da Música* – announced as the landmark project of Porto, European Capital of Culture – suffered from a delay of over two and a half years and a forecast level of costs three times higher than the original estimate, thus demonstrating serious planning and project deficiencies.
- The procedures of the ideas tender for selection of the architect for the Casa da Música lacked transparency in relation to the publicising of bid evaluation and selection criteria, which failed to uphold the principles of competition, equality and stability of public tender rules.
- The attribution of a bonus to the architect and negotiations within the framework of the construction jobs did not uphold criteria of public interest, cost-effectiveness and efficiency.

- At the time of the audit, the company had not yet established an institutional model for commercial exploitation of the facility.

Recommendations:

Recommendations were made to the State, in its capacity as shareholder, and to the Company, in relation to conclusion of the works and rigour and transparency in the remaining procedures.

End of Summary 7

Supreme Audit Institution of the Slovak Republic

Summary Title	Language
1) Report on the results of the check of compliance with the act on public procurement by Slovenská pošta, š. p. Banská Bystrica	English

Summary 1

Report title: Report on the results of the check of compliance with the act on public procurement by Slovenská pošta, š. p. Banská Bystrica

Owner: Supreme Audit Institution of the Slovak Republic. Full wording of the report is available on the website of the Supreme Audit Institution of the Slovak Republic: www.nku.gov.sk.

Type of audit: compliance check

Subject of audit: Check of the compliance with the provisions of the act on public procurement, of the procedures followed by the contracting authority in the procurement of goods, work, services and performances, of the rightfulness of public procurement methods and procedures used in concluding contracts in 2003 and the first half of 2004.

Audit objectives and key issues: The objective of the audit was to check the implementation of the principles of competition and economy in the conclusion of contracts.

Audited body: Ministry of Transport, Posts and Telecommunications of the Slovak Republic - Slovenská pošta, š. p..

Slovenská pošta, š. p. (hereinafter referred in short to as "SP, š. p.") was established on 1 January 1993. The field of activities of SP, š. p. covered the operation of posts within the territory of the Slovak Republic. From 01 October 2004 SP, š. p. was transformed to a joint-stock company with a 100 % state property share.

In 2003 it was possible to consider SP, š. p. a contracting authority under Act No.: 263/1999 Coll. on public procurement until 31 December 2003. With effect from 1 January 2004 Act No.: 263/1999 Coll. was substituted by Act No.: 523/2003 Coll. on public procurement. As a result of the Act substitution, SP, š. p. in 2004 no longer fulfilled the criteria based on which it would be possible to consider it a contracting authority.

Findings: Based on the audit performed it is possible to state that discrepancies were found mainly:

- in the area of file keeping on public procurement,
- in the area of following up of contract conclusions,
- in the area of accountancy.

Recommendations: In order to assure transparency and economy in incurring financial resources managed by Slovenská pošta, a. s., the Supreme Audit Institution of the Slovak Republic recommended the Public Procurement Office to initiate the transposition of the Directive 2004/17/EC of the European Parliament and of the Council coordinating the procurement procedures of entities operating in the water, energy, transport and postal services sectors of 31 March 2004 into the body of laws of the Slovak Republic without unreasonable delay.

Apart from the control audit mentioned above the Supreme Audit Institution of the Slovak Republic was systematically checking compliance with the Act on public procurement while performing checks in the area of public financial resources management and state property management.

The discrepancies detected in the area were as follows: In concluding contracts, the contracting authorities were not following the methods and procedures set under the Act. Apart from that, the Act was also violated by the fact that the contracting authorities did not provide the Public

Procurement Office with the list of public procurement subjects that they were supposed to contract during that calendar year using the over-limit public procurement method within the set timeframe, stating the presumed amount and prices. The contracting authorities did not always on request provide the European Commission with the report, or its part, that has been elaborated on every contract concluded based on the over-limit public procurement *method*.

End of Summary 1

Spanish Court of Audit

Summary Title	Language
1) Annual Audit Report of the Autonomous (Regional) and Local public sectors, financial year 1996. Item concerning "Public Procurement".	English
2) Audit Report on the contracts of assistance, consultancy and services awarded by the <i>Fundación para la Formación Continua</i> (FORCEM), Foundation for Further Education, financial years 1996 to 1998.	English
3) Audit Report on the contracting awarded by the foundations incorporated under Act 15/1997, of April 25, on establishment of new ways of management of the National Health Service. Financial years 1999, 2000 and 2001.	English
4) Audit Report of the procurement awarded by the foundations of the State public sector set up by the <i>Instituto de Salud Carlos III</i> . Financial years 1999, 2000, 2001 and 2002	English
5) Audit Report of the Autonomous (Regional) and Local public sectors, financial year 1997. Item concerning "Public Procurement".	English
6) Audit Report on the acquisitions of medications and pharmaceutical products in a sample of public hospitals of the National Health System, corresponding to 1999 and 2000.	English
7) Audit Report on past or currently in force contracts awarded in 1999 and 2000 on the activities and services susceptible of generating revenues in a sample of public hospitals of the National Health System, with special reference to the contracts that have the realization of clinical tests as an object.	English
8) Audit Report of the procurement awarded during the financial year 2002 by the Entities of the State public sector subjected to the procurement procedures established in the TRLCAP ("Public Procurement of the Public Administrations Act").	English
9) Annual Report related to the Autonomous (Regional) and Local public sectors, financial year 1998. Item concerning "Public Procurement".	English
10) Audit Report of the Autonomous (regional) and Local public sectors, financial year 1999. Item concerning "Public Procurement".	English
11) Audit Report on the procurement subscribed by the State public sector during the financial years 1999, 2000 and 2001.	English

12) Audit Report of the procurement awarded by the Provincial Delegations, financial year 2002, regarding the services of Home Assistance.	English
13) Report on a selection of contracts of building works of the high-speed line Madrid-Barcelona formalised by the <i>Ente Gestor de Infraestructuras Ferroviarias (GIF)</i> -Agency of Rail Infrastructures (GIF)- in the years 1999 and 2000.	English
14) Audit Report on the file, storage, safekeeping or management of medical histories and on the past procurement or in force in 1999 and 2000 on this activity for a sample of public hospitals of the National Health System.	English
15) Audit Report of the autonomous (regional) and local public sectors. Financial year 2000. Item concerning “Public Procurement”.	English

Summary 1

Report Title: Annual Audit Report of the Autonomous (Regional) and Local public sectors, financial year 1996. Item concerning “Public Procurement”.

Owner: Spanish Court of Audit. The report is not available in the website.

Type of Audit: Compliance audit.

Subject Area: All type of contracts.

Sector: Regional public sector

Scope and main issues:

That Report contains the result of the audit of the procurement awarded by the Autonomous Communities (Regional Governments) in financial year 1996.

The audit of the execution of the contracts awarded in this financial year whose execution term exceeds it has been limited just to the executed work, taking into account the documents remitted to the Court, and it does not include in many cases the end of them.

Findings and Recommendations:

- Some of the awarding was made through tender, with scarce use of competitive bidding, and therefore advantage of the possible falls characteristic of them was not taken.
- In the tenders a faulty ordination of the criteria of awarding, an assessment of the price of the offers carried out considering the average and not the lowest one, against the principle of economy that must preside over the management of the public funds; a lack of precision in the fixing of the limits to the alternatives that the bidders can offer and that, in many cases, the awards are based in faulty technical reports of assessment of the offers, have been sometimes observed.
- Some delays are observed in the execution of the contracts. This is not due to extensions granted, and there is no sign of the imposition of sanctions to the contractors. Such delays are based in a faulty preparation of the affected contracts. In turn, some complementary contracts have been detected that are in fact modifications of contracts, what supposed a considerable increase of the costs and the terms.
- In supply contracts, in some occasions, the need of the acquisitions for the operation of the public services has not been justified; and in those contracts of consultancy and assistance, their need has not been justified. In both types of contracts the negotiated procedure was used, without neither publicity nor minimum competition among companies, citing the existence of an only supplier or of being the object protected by

exclusive rights. However, the effective existence of some of these suppositions is not proved.

End of Summary 1

Summary 2

Report Title: Audit Report on the contracts of assistance, consultancy and services awarded by the *Fundación para la Formación Continua* (FORCEM), Foundation for Further Education, financial years 1996 to 1998.

Owner: Spanish Court of Audit. Full report is available at:
<http://www.tcu.es/uploads/567%20Formación%20continua%20de%20trabajadores.pdf>

Type of audit: Compliance Audit of the current regulatory scheme. An analysis of effectiveness as for the adaptation of the training provided to workers to the achievement of the pursued public interest has also been carried out.

Subject area: All the contracts awarded by the FORCEM during the years 1996 to 1998.

Sector: Non profit Foundation. The FORCEM is a private foundation of a charity-educational character constituted by companies association and trade unions that receives subsidies to develop its activities from the Spanish State Budget and funds from the European Social Fund.

Scope and main issues:

The contracts awarded by the FORCEM are not included in the area of the Procurements of the Public Administrations. They are subjected to the regulations of Private law, fundamentally the Civil Regulation, and to the regulatory scheme on Foundations.

As for recipient of public funds, the FORCEM is subjected to the regulatory scheme on concession of subsidies of the Spanish State and to the applicable Community regulatory scheme.

Findings:

The Report highlighted the following reach limitation: the FORCEM has lacked during the audited period of a registration of the contracts awarded. For that reason the Court of Audit had to draft a relationship of contracts from data shown in the accounting ledgers of expense accounts. These circumstances has prevented the Court of Audit to have the certainty that all the contracts have been identified and are well known.

- The FORCEM has lacked during the period analysed of procedural standards approved by its government organs, and therefore the procurement has had an erratic character as for its procedure. The direct consequence is that the FORCEM has used some public funds in a way contrary to the principles of economy and efficiency.
- Most of the awarded contracts were not formalized in writing.
- Publicity has not always existed in order to get an appropriate concurrence of offers.

Recommendations:

- Approval by the governing bodies of the FORCEM of a procurement procedure with third parties.
- Settle down of a registration of contracts in FORCEM as a form of improving their internal audit.
- Assurance about the fact that the contracts of FORCEM higher than a certain amount are carried out with publicity in the media.
- Convenience for the Government to consider the introduction of modifications in the current regulatory scheme of public grants in order to achieve that the big recipients of subventions and the entities collaborating in the administration of subventions, have to be subject while its contracting with third parties to a minimum covenant that allows to ensure the application of the principles of efficiency and economy.

End of Summary 2

Summary 3

Report Title: Audit Report on the contracting awarded by the foundations incorporated under Act 15/1997, of April 25, on establishment of new ways of management of the National Health Service. Financial years 1999, 2000 and 2001.

Owner: Spanish Court of Audit.

Available at: <http://www.tcu.es/uploads/618%20Fundaciones.pdf>

Type of audit: Regularity and performance audit of the execution of the current legislation, of the internal procedures and of the efficiency of the management, by means of the analysis of the contracting awarded by the Foundations constituted by the INSALUD.

Subject area: All type of contracts.

Sector: Area of the Social Security and State Foundations.

Scope and main issues:

It extends to the verification of the performance approaches, of the internal standards of procedure, of the applicable regulatory scheme, as for the employment of the principles of publicity, concurrence, objectivity and transparency in the contracting. Also, the coordination and uniformity of the performance in contractual areas of the different Foundations has been verified, contrasting the degree of efficiency reached by them in their contractual activity and the possible existence of derived accounting responsibilities coming from the contractual management.

The temporary environment of this Report corresponds to the contracting awarded by the four Foundations of the INSALUD in 1999, 2000 and 2001. If the execution of the contracts has extended to later exercises, the audit has also extended insofar as possible until that executed in that moment the audit works have been concluded.

Findings:

- Unequal execution of the requirements of publicity and concurrence in the contracting.
- Same disparity of coordination approaches and uniformity in the contracting.

Recommendations:

- Due to the public character of the service that offers – health care -, the Foundations must guarantee the observance of the constitutional principles of efficiency and economy in the administration of public funds.
- Subjection of their activity to the principles of publicity and concurrence and, in turn, to the principles of objectivity and transparency.

- The adoption of the measures for adapting the legislation currently in force to the Community legislation on contracting and inclusion in its application area all type of entities that gather the legal requirements, both subjected to public law as to private law.
- Effectiveness of the execution of the requirements of publicity and concurrence.
- Respect to the principles of objectivity and transparency in the contracting procedures.
- Use of technical and administrative rules in the contractual performance.

End of Summary 3

Summary 4

Report Title: Audit Report of the procurement awarded by the foundations of the State public sector set up by the *Instituto de Salud Carlos III*. Financial years 1999, 2000, 2001 and 2002

Owner: Spanish Court of Audit. Full report is available at:

<http://www.tcu.es/uploads/630%20Contrataci3n%20Fundaciones.pdf>

Type of audit: Regularity and compliance audit of the current regulatory scheme, the internal procedures and the efficiency of the management, by means of the analysis of the procurement awarded by the Foundations of the State Public sector set up by the *Instituto de Salud Carlos III*.

Subject area: All type of contracts.

Sector: Social security and State Foundations.

Scope and main issues:

The scope of the Audit extends to the verification of the performance approaches and the internal standards of procedure, delegation of functions and seizures, as well as the procedures and the execution of the regulatory scheme on procurement of the Foundations. In turn, the coordination and uniformity of the performance in the contractual matter of the different Foundations has been verified practicing comparisons among them.

The audit has reached the analysis of the efficiency of these Foundations in its contractual activity that includes terms, execution degree and execution of the contracts awarded in the following financial years: 1999, 2000, 2001 and 2002. For these financial years the possible existence of accounting responsibilities has been analysed.

Findings and Recommendations:

- The Foundations analysed, endowed with management autonomy, must abide in their performance the principles of efficiency and economy in the administration of the public funds.
- The Foundations audited must apply in their procurement the principles of publicity, concurrence and objectivity.
- The obligation of applying as regards procurement the prescriptions of the TRLCAP (Procurement Act) in those contracts that surpass the limits settled down by the Community Directive on public procurement, should be extended to the Foundations of the State Public sector
- The execution of the principles of efficiency and economy in the management of public funds as well as of the principles of publicity, competition and objectivity in their performance in procurement matters, have to be expressed in the publicity of their contracts, in the promotion of the concurrence in the presentation of offers, so that it is guaranteed the objectivity and the success of the awards.

End of Summary 4

Summary 5

Report Title: Audit Report of the Autonomous (Regional) and Local public sectors, financial year 1997. Item concerning "Public Procurement".

Owner: Spanish Court of Audit. The report is not available in the web page.

Type of audit: Audit of economic-financial administration of the public sectors analysed, including the administrative procurement made by them.

Subject area: All type of contracts.

Sector: Autonomous Public Sector and Local Public Sector.

Scope and main issues:

This Report contains the results of the audit of the accounts and the economic-financial activity of the Autonomous (regional) and Local public sector corresponding to the financial year 1997.

The results of the Report have been conditioned by the configuration of the Regional public sector itself that presents a high degree of regulations and organizational heterogeneity, shown in the different accounting regime followed in the different Autonomous Communities (Regional Governments), some of which continued without applying the Chart of Public Accounting.

The exam of the administrative procurement, made directly on basis of section 39 of the Functioning Act of the Spanish Court of Audit, has been extended to 358 awarded contracts.

Findings:

- The deficiencies detected refer to the elaboration of the particular administrative clauses, especially in the fixation of the approaches of award of the contracts and in the assessment of the offers of the bidders.
- In the execution of the contracts, some delays and modifications are observed. They don't respond to justified causes, but to deficiencies in the preparation of the contracts affected.

End of Summary 5

Summary 6

Report Title: Audit Report on the acquisitions of medications and pharmaceutical products in a sample of public hospitals of the National Health System, corresponding to 1999 and 2000.

Owner: Spanish Court of Audit. Available at:

<http://www.tcu.es/uploads/584%20Adquisici3n%20de%20medicamentos.pdf>

Type of audit: Compliance with the legal regulations; efficiency and economy.

Subject area: acquisition of medications for hospitals.

Sector: National Health System.

Scope and main issues:

16 public hospitals belonging to the National Health System and depending on different public administrations have been selected. The contracts for acquisition of medications that were signed by them in the 1999 and 2000 financial years analysed, as well as those held in previous financial years that extended their execution to the years mentioned, have been analysed in order to be able to formulate an opinion and recommendations on: the verification that the procedures have been adjusted to the legislation; comparative analysis about the relative importance of each one of the used procedures; compliance with the approaches of efficiency and economy and the degree of implementation of an appropriate planning.

Findings:

a) General aspects:

- There wasn't a common policy of purchases and better purchase conditions as offered to other hospitals have not been looked for.
- The Inter-territorial Council of the National Health System has not fully exercised its coordination functions of joint planning and of establishment of general conditions of contracting. The different Public Administrations on which the hospitals depend on have not carried out formulas of voluntary coordination.

b) Regarding the procedure of acquisition:

- Acquisitions carried out outside the procedures settled down in the Law of Contracts of the Public Administrations have been detected in some occasions.
- The hospitals have sometimes used their own procedures of acquisition.
- Cases of division of the contracts to avoid the procedural requirements have been detected.
- The policy of acquisitions is based more in the short-term consumptions than in an annual planning.

c) On the prices and the purchase conditions:

- Around 30% of the total expenditure should be subject to real competition.
- Important differences have been observed in prices and conditions offered by the laboratories with independence of the volume of purchases.

- The variations of prices have been more important among hospitals than among medications, depending the saving more on the management capacity.
 - In the medications subject to concurrence saving has been obtained when the acquisition has been carried out through competence and promoting publicity and competition.
- d) *On the operation of the services of pharmacy of the hospitals:*
- The administration systems, the organisation and the operation are not always homogeneous.
 - They have computer applications that facilitate the administration of purchases and the follow up of the consumptions, but not all have made an appropriate use of them.
 - Different degrees of implementation of cost accounting and of imputation criteria, what produces lack of homogeneity to know the real cost.
- e) *On the administration of the expenditure:*
- Some direct orders have been carried out without the appropriate covering of contracts.
 - On certain occasions, faulty budgetary administration as consequence of the lack of planning.
 - The hospitals that operates like autonomous legal entities have managed the payments in a more effective way.

Recommendations

- The Inter-territorial Council of the National Health System should assess the opportunity to agree the general conditions of planning, coordination, contracting, acquisition and supply.
- The hospitals should carry out the acquisitions according to the Law of Contracts of the Public Administrations. If statutorily they are subjected to private Law, they should respect the principles of concurrence and publicity.
- The medications possibly subject to the principle of competition should be acquired under the best conditions that the market offers and an appropriate policy of generic medicaments has to be established.
- The use of minor contracting procedures should be limited.
- The convenience of using the alternatives that the legislation offers (agreements or framework contracts) should be studied.
- Consolidation and development of systems to dispense mono-dose medicaments.
- Appropriate planning of the annual acquisitions.

End of Summary 6

Summary 7

Report Title: Audit Report on past or currently in force contracts awarded in 1999 and 2000 on the activities and services susceptible of generating revenues in a sample of public hospitals of the National Health System, with special reference to the contracts that have the realization of clinical tests as an object.

Owner: Spanish Court of Audit.

Full report is available at: <http://www.tcu.es/uploads/620%20Hospitales.pdf>

Type of audit: Regularity Audit of the contracting regulatory scheme and operational audit that is focussed in certain activities and services susceptible of generating revenues, with special attention to clinical tests.

Subject area: All type of contracts.

Sector: Area of the Social Security.

Scope and main issues:

This audit has been extended to verify the adaptation of the contracting of certain activities and services to the applicable regulatory scheme and the contracting of clinical tests to its regulations, being centred in the study of the necessary administrative authorizations and of the regime of economic compensations agreed. The audit had a clear horizontal approach that facilitates the comparative analysis in relation to the way of contracting used by different hospitals of the National System of Health belonging to different Public Administrations.

The timing of this Report corresponds to the procurement awarded in 1999 and 2000, and to the execution during such financial years of the contracts awarded in previous years.

Findings:

In some cases it has been observed:

- The analysed procurement of certain activities and services present a marked patrimonial character. It has been verified, in this respect, the absence of authorization allowing for the patrimonial disposition issued by the competent organ.

- Lack of homogeneity and coordination among Public Administrations of the contracting of the activities and services analysed. It has motivated in occasions an undue certificate and procedure.

- Practices contrary to the principle of fixed price of the contracts.
- Continuous validity of the contracts, extended by means of successive extensions, infringing the admitted legal maximum six –years term.

- Deficiencies and lack of openness in the awarding procedure and irregularities in the execution, as well as a not very diligent economic management of the clinical tests.

Recommendations:

- Adoption of uniform and homogeneous approaches in this contracting type.

- Establishment of a follow up and control system of the revenues and a system of payments calculated on the sales volume.
- Regulation of diverse questions as the free benefit of the meals service to the personnel, at the hospitals' expense, as a retribution in kind, generating insecurity.
- Introduction of contractual clauses that establish quality control systems on the management of the services rendered.
- Control of the revenues generated by the execution of clinical tests.

End of Summary 7

Summary 8

Report Title: Audit Report of the procurement awarded during the financial year 2002 by the Entities of the State public sector subjected to the procurement procedures established in the TRLCAP ("Public Procurement of the Public Administrations Act").

Owner: Spanish Court of Audit.

Full report is available at:

<http://www.tcu.es/uploads/658%20Contrataci3n%20SPE%202002%20.pdf>

Type of audit: Compliance Audit of the current legislation that includes the description of the irregularities and the analysis of the deficiencies observed and of the consequences originated by them. When the reach of the verifications has allowed it, an analysis of efficiency and economy has been carried out.

Subject area: All type of contracts

Sector: All Central Government Departments. Entities belonging to the Social Security System. Other State public bodies to which Public Procurement Act is applicable.

Scope and main issues:

Public procurement is one of the areas that demand a higher volume of public resources, and it is the object of a specific regulation, both in its development procedures and its audit. In particular, the Act of Public Procurement of the Public Administrations (Legislative decree-law 2/2000, of June 16) establishes the legal framework for the different modalities. The legislation characteristic of the Court of Audit settles down in an explicit way its subjection to the audit activity, specifying the contracts subjected to a concrete audit. In execution of the legal provisions, besides examining the procurement awarded by the different entities and public sub-sectors in the framework of the special Reports, a concrete audit of the procurement awarded by the State public sector was carried out in a more systematic and more specific way and with a more general perspective.

The timing of this Report corresponds to the procurement awarded in 2002. If the execution has extended to later exercises, the audit has also been extended up to the moment of conclusion of the audit works.

Findings:

In some cases it has been observed:

- Lack of remission or incomplete or delayed remission of the relationship of contracts.
- Errors in the certificate.
- Unjustified divisions, with the consequent evasion of the law clause.
- Lack of enough justification of the procedure used, in particular in the cases of urgent procedure.

- Omission or lack of accreditation of some steps settled down in the regulatory scheme.
- Deficiencies in the writing of the projects and in the supervision, planning and control of its execution.
- Omissions while imposing penalizations in cases of delays due to the contractors.

Recommendations:

- To adopt of the appropriate measures to guarantee the shipment of the relationship of contracts to the Court of Audit in the terms expressed in the regulatory scheme.
- To develop the rigor in the preparatory phases, settling down in its case model forms of particular administrative clauses.
- Special attention to valuation of prices should be paid.
- To pay special attention to the follow to the execution, making effective the covenants and penalizations if it were the case.
- To apply the maximum rigor in the selection in the awarding methodology.
- To look after an appropriate certification of the contracts, especially in cases of consultancy and technical support and services.

End of Summary 8

Summary 9

Report Title: Annual Report related to the Autonomous (Regional) and Local public sectors, financial year 1998. Item concerning "Public Procurement".

Owner: Spanish Court of Audit. This report is not available in the web page.

Type of audit: Compliance audit.

Subject area: Contracts awarded by the regional public sector during financial year 1998.

Sector: Regional public sector.

Scope and main issues:

This Report contains the results of the audit of the accounts and the economic-financial activity of the regional public sector corresponding to financial year 1998.

Findings and Recommendations:

- A big quantity of the contracts have been awarded by means of tender. However, the awarding by means of competitive bid allows obtaining better prices for the Administration.
- The criteria of awarding, in some cases, are not expressed accurately.
- In the execution of the contracts frequent delays have been observed not due to the concession of justified extensions. There is no sign of the imposition to the contractors of the sanctions legally foreseen.
- In some files of supply contracts, the necessity of the corresponding acquisitions for the operation of the public services, as the regulations require, has not been justified.
- In some files of consultancy or assistance contracts, the particular inadequacies of the means owned by the contracting Administrations or the convenience of not increasing them to cover the necessities that were sought to satisfy have not been justified, nevertheless it works as a necessary previous condition for the awarding of those contracts.

End of Summary 9

Summary 10

Report Title: Audit Report of the Autonomous (regional) and Local public sectors, financial year 1999. Item concerning “Public Procurement”.

Owner: The Spanish Court of Audit. Full report is available at:
<http://www.tcu.es/uploads/585%20Informe%20autonómico%20y%20local%201999.pdf>

Type of audit: Audit of economic-financial administration of the analysed public sectors, including the administrative procurement made by them.

Subject area: All type of contracts.

Sector: Autonomous (Regional) public sector and Local public sector.

Scope and main issues:

This Report contains the synthesis of the most relevant aspects pointed out in the audits approved by the Spanish Court of Audit and by the Regional Audit Institutions, on the economic-financial activity of the autonomous sector in 1999 and of the Local Entities located in Autonomous Communities that didn't have constituted a Regional Audit Institution. It supplements the content of the Statement related to the General State Account of the year 1999.

Findings and Recommendations:

- Some of the awarding was made through tender, with scarce use of competitive bidding, and therefore advantage of the possible falls characteristic of them was not taken.
- Sometimes, the terms of awarding are not expressed in the Sheets of Clauses, what harms the transparency and objectivity principles in the public procurement. Some technical reports of assessment of the offers on which the awards are based present deficiencies, as the assessment of the prices of the offers in function of the average and not of the falls, what is contrary to the principle of economy in the administration of public funds.
- Sometimes delays not due to granting justified extensions are observed in the execution of the contracts; it is not stated the imposition to the contractors of the legally foreseen sanctions. In turn, modifications of projects of works in progress have been detected, without the existence of new non-susceptible necessities of forecast when the original projects were elaborated. In occasions, those ones contain units whose realization is absolutely necessary and inseparable of those initially projected, that in fact constitute modifications, though they are processed as complementary contracts.

End of Summary 10

Summary 11

Report Title: Audit Report on the procurement subscribed by the State public sector during the financial years 1999, 2000 and 2001.

Owner: The Spanish Court of Audit.

Full report is available at: <http://www.tcu.es/uploads/623%20Contratacion.pdf>

Type of audit: Compliance Audit of the current legislation that includes an analysis of efficiency and economy.

Subject area: All type of contracts.

Sector: General Administration of the State and its Autonomous Entities.

Scope and main issues:

The report includes besides the description of the irregularities, the analysis of the deficiencies observed and of the consequences originated by them. When the reach of the verifications has allowed it, an analysis of efficiency and economy has been carried out.

The timing of this Report corresponds to the procurement awarded in 1999, 2000 and 2001.

Findings: In some cases it has been observed:

- Lack of remission, incomplete or delayed remission of the relationship of contracts.
- Errors in the certificate.
- Unjustified divisions, with the consequent evasion of the law clause.
- Lack of enough justification of the procedure used, in particular in the case of urgent procedure.
- Omission or lack of accreditation of some steps settled down in the regulatory scheme.
- Deficiencies in the writing of the projects and in the supervision, planning and control of its execution.

Recommendations:

- To adopt the appropriate measures to guarantee the shipment of the relationship of contracts to the Court of Audit in the terms expressed in the regulatory scheme.
- To develop the rigor in the preparatory phases, settling down in its case model forms of particular administrative clauses.
- In application of the principles of efficiency and economy, the valuation of the price should be stressed.
- To pay special attention to the follow to the execution, making effective the guarantees and penalizations if it were the case.
- To apply the maximum rigor in the selection in the awarding methodology.
- To look after an appropriate certification of the contracts, especially in cases of consultancy and technical support and services.

End of Summary 11

Summary 12

Report Title: Audit Report of the procurement awarded by the Provincial Delegations, financial year 2002, regarding the services of Home Assistance.

Owner: Spanish Court of Audit. Full report is available at.

<http://www.tcu.es/uploads/662%20Diputaciones%20Prov%20Servicios%20Asistencia%20%20domiciliaria.pdf>

Type of audit: Compliance of the regulatory scheme and verification of the efficiency.

Subject Area: Home Assistance and Remote Assistance.

Sector: Local authority (provincial delegations).

Scope and main issues:

Analysis of the benefit of Home Assistance Service to the elderly and dependant persons, consistent in attentions of domestic, social character, psychological and rehabilitative support to individuals or families that are in situations of special need, in order to promote, to maintain or to re-establish the individual's autonomy or family group in the habitual means of life.

Findings:

In some cases it has been observed:

- Important heterogeneity in the regional regulatory schemes, so that there are main general differences as for the establishment degree, content, qualification, costs, budgetary assignment and legal basis that provoke different degrees of satisfaction of the social necessities.
- The passed over of competencies of the Provincial Delegations as regards social services in favour of the regional administration, contravenes the principle of local autonomy and hinders the fulfilment of the principle of equality.

a) Contracts of Home Help:

- Absence of legal development, what contravenes the general regulatory scheme of contracts, including regulations on rates.
- It is not stated the existence of studies, reports or previous projects dedicated to quantify the objectives and aims and the form in which the service should be carried out. It makes it necessary in certain occasions to modify the contract to adapt it to the real necessities.
- Faulty delimitation in the contracts of the legal, economic and administrative regime of the service.
- Widespread non-existence of standard procedures to control the execution of the benefit, including the quality of it.

- Existence of important differences in prices among the different effective contracts.
- b) Tele-assistance Agreements:
- Absence of reference to the provisions regulating the Agreements.
 - Excessively complex procedures, what hinders its execution and stumps the ownership.
 - Absence of regulations from the Provincial Delegations as for the service neither as for the public prices.
 - Absence of procedures to verify the execution of the benefit and its quality.

Recommendations:

- With a previous character to the introduction of an indirect system of administration of the public service of home assistance, studies and reports directed to know the reality should be carried out.
- When it is considered necessary the participation of the users in the financing, the corresponding fiscal regulatory scheme of public prices should be approved.
- The participation of other Public Administrations must be documented by means of the appropriate agreement.
- Enough control procedures that allow verifying the execution should be introduced.

End of Summary 12

Summary 13

Report Title: Audit. Report on a selection of contracts of building works of the high-speed line Madrid-Barcelona formalised by the *Ente Gestor de Infraestructuras Ferroviarias (GIF)* -Agency of Rail Infrastructures (GIF)- in the years 1999 and 2000.

Owner: Spanish Court of Audit. Full report is available at:
<http://www.tcu.es/uploads/561%20GIF-AVE%201999-2000.pdf>

Type of audit: Compliance Audit of the current regulatory scheme.

Subject area: Contracts for works higher than 100 million pesetas (600.000 €) and their modifications.

Sector: Ministry of Development. State Public sector.

Scope and main issues:

The scope of the audit is the 31 contracts of works awarded by the GIF during years 1999 and 2000 for the construction of the high-speed line Madrid-Barcelona. All the contracts are subjected to the Law of Contracts of the Public Administrations and financed with funds coming from the General Budget of the Spanish State and from European funds dedicated to this purpose.

It has been verified, in accordance with the foreseen objectives, the legality of the performances related to the formalization and the execution of the contracts: preparation, bid, award and formalization of the contracts; Obligations of the contracting party, the contractor's obligations, acceptance of the works, settlement of the contract and incidences taken place in the term of guarantee of the works.

Findings:

In some contracts it has been observed:

- Imprecision of the requirements of technical solvency that the Law settles down for awarding the contracts.
- Non-fulfilment of the National Historical Patrimony Act, as for the inclusion of budgetary appropriations dedicated to works of conservation of this Patrimony.
- Faulty preparatory performances. The necessary lands to execute the infrastructures were not available what gave rise to the reprieve of the beginning of the works with the rising delay in their execution.
- Lag time between the financing received by the GIF and the payment of the work certifications, what has originated high surpluses of liquid assets.
- Excessive modifications of the contracts, generally accompanied by agreements of extension of the execution time limit.

- The incidences in the execution of the works supposed the non-fulfilment of the dates foreseen for the reception and delivery of infrastructures.

Recommendations:

- Revision of the approaches of valuation for the awarding of the contracts so they are homogeneous and quantifiable.
- Improvements of the planning, preparation, award and execution of the contracts with the purpose of avoiding foregone delays.
- Performance in order to accomplish that stipulated by the legislation of the Historical Patrimony in relation to the public works.
- Measures tending to avoid high levels of liquid assets.

End of Summary 13

Summary 14

Report Title: Audit Report on the file, storage, safekeeping or management of medical histories and on the past procurement or in force in 1999 and 2000 on this activity for a sample of public hospitals of the National Health System.

Owner: Spanish Court of Audit.

Full report is available at:

<http://www.tcu.es/uploads/589%20Contrataci3n%20Historias%20Cl3nicas.pdf>

Type of audit:

Compliance Audit in the area of public procurement and data of personal character protection. Organisation and activity of management of files in case of safekeeping them with their own means. Efficiency and economy in the procurement process.

Subject area:

28 hospitals linked to different Public Administrations.

Sector: National Health System

Scope and main issues:

Horizontal audit of all the contracts held or currently in force in 1999 and 2000, in all their phases. Analysis of the management, safekeeping, computerization and guarantees regarding the accessibility of the files of medical histories under the different management models (integral management of files totally subcontracted, integral management of files subcontracted, and mixed management).

Findings:

- The 14/1986 Act, of April 25, of General Health, stated formally with generic character the applicable regime to the medical histories but it didn't contain a systematic and sufficient regulation, what has produced that each hospital has developed its own internal regulations, giving rise to differences and asymmetries; in particular, in essential aspects as the definition of the concept of medical history, the determination of its ownership, the accesses allowed to the documentation or the regime of internal control.
- The objective foreseen by the 14/1986 Act of just one history per patient in each health area has not been reached.
- The audits of internal control have been practically non-existent.
- The typology of the procurement has been very diverse. The pattern of integral management through companies of specialized services has been the most efficient one.

Recommendations:

- The competent authorities should watch over that the management of medical histories is carried out with full guarantee of the right to privacy of the patients.

- The principle of just one medical history per patient should be put into practice.
- Audits or periodic tests of internal control should be carried out.

End of Summary 14

Summary 15

Report Title: Audit Report of the autonomous (regional) and local public sectors. Financial year 2000. Item concerning "Public Procurement".

Owner: Spanish Court of Audit. Full report is available at:

<http://www.tcu.es/uploads/625%20Sector%20%20Aut%20y%20Local%202000.pdf>

Type of audit: Audit of economic-financial management of the analysed public sector, including the public procurement made by them.

Subject area: All type of contracts.

Sector: Autonomous (regional) public sector and Local public sector

Scope and main issues:

This Report contains the synthesis of the most relevant aspects pointed out in the audits approved by the Spanish Court of Audit and by the OCEX (Regional Audit Institutions), on the economic-financial activity of the regional sector in 2000 and of the Local Entities located in Autonomous Communities (Regions) that had not established a Regional Audit Institution. It supplements the content of the Statement related to the General State Account of the year 2000.

Findings and Recommendations:

In some cases it has been observed:

- Undue division of contracts whose amounts exceed that established in the regulations for the minor contracts, with the purpose of processing them as such, avoiding this way improperly the principles informing the public procurement and the controls and guarantees characteristic of the ordinary procedure for greater contracts.

- In the works processed through the exceptional procedure of emergency, the lack of justification of concurrence in the cases required by the regulations has been also observed.

- The award of the contracts was made mainly through competitive bids to the detriment of the tender, in spite of the fact that this one is conceived as the ordinary form of awarding public works.

- Other incidences detected in the audit refer to the lack of justification of the competitive bids, the inadequate determination of the approaches of awarding in the rules, the scarce assessment of the prices of the offers, the fact of not establishing the limits to the alternatives that can offer the bidders and the incorrect motivation of the awards through insufficient technical assessment reports.

- Delays in the execution of the contracts not based on the concession of extensions. Modifications of contracts take place that don't respond to new needs but to lack of foresight in the phase of preparatory actions. Complementary contracts that constitute authentic modifications of the initial ones have been detected.

- In the area of the Universities deficiencies in the internal control, lack of appropriate justification of the necessity of the supplies and faulty documentation of the consultancy, attendance and services contracts were also detected.

End of Summary 15

National Audit Office, United Kingdom

Summary Title	Language
1) Non-Competitive Procurement in the Ministry of Defence	English
2) Improving IT Procurement – Progress by the Office of Government Commerce in improving departments' capability to procure cost - effectively	English
3) Ministry of Defence: Major Projects Report 2004	English
4) Improving Public Services through better construction	English
5) Purchasing and Managing Software licences	English
6) Procurement of Vaccines by the Department of Health	English
7) Modernising Procurement in the Prison Service	English
8) Ministry of Defence: The Rapid Procurement of Capability to Support Operations	English
9) Improving IT Procurement: the impact of the Office of Government Commerce's initiatives on departments and suppliers in the delivery of Major IT-enabled projects	English

Summary 1

Report Title: *Non-Competitive Procurement in the Ministry of Defence*

Owner: National Audit Office, UK. Full report is available at:

http://www.nao.org.uk/publications/nao_reports/01-02/0102290.pdf

Type of audit: performance (value for money)

Subject area: Defence equipment procurement

Sector: Defence

Scope and main issues

It is a long standing principle of public procurement that effective competition between suppliers is likely to be the best means of achieving value for money. Experience shows, however, that it may not always be practicable or sensible to use competitive procurement. If an item is proprietary or an existing design requires modification but it involves intellectual property rights, using competitive is almost impossible.

In November 2001, the National Audit Office examined the procedures followed by the Ministry of Defence once it decides to procure goods or services non-competitively. It considered how well the Department put into practice its existing framework and whether the outcomes of non-competitive contracts are in line with agreed prices and timely delivery has been achieved. The scope of the study included:

- The framework and guidance for non-competitive procurements
- How the Department conducted non-competitive procurements
- The outcomes which the Department achieved from its non-competitive procurement

Findings

Our analysis found that the Ministry of Defence's non-competitive procurement performance was good with two-thirds of the contracts being delivered within the agreed timescales. However, the Department's should make more use of past experience to inform future practice.

End of Summary 1

Summary 2

Report Title: *Improving Procurement – Progress by the Office of Government Commerce in improving departments' capability to procure cost - effectively*

Owner: National Audit office, UK. Full report is available at:
http://www.nao.org.uk/publications/nao_reports/03-04/0304361-i.pdf

Type of audit: Performance (Value for money)

Subject area: Department's Procurement

Sector: All central Government departments

Scope and main issues

This report assesses the impact that OGC has had since its inception in April 2000, to work with departments to improve their procurement capability and to secure better value for money. The examination was based on a comprehensive survey of 86 departments, agencies and the largest non-departmental public bodies responsible for just over £15 billion of total procurement spend; in-depth case studies of two departments – the Department for Work and Pensions and the Office of the Deputy Prime Minister and one agency – the Vehicle & Operator Services Agency. The report also makes reference to international comparisons and consultation with suppliers, the Chartered Institute of Purchasing and Supply and the Small Business Service.

Findings

The main findings were as follows:

- OGC Consultancy delivers services directly to departments and also offers assistance from experienced practitioners at all stages of the programme and project lifecycle, from strategy and scoping through to contracts and benefits management.
- OGC has also negotiated deals centrally on more favourable terms with a number of suppliers who are strategically important to government. The Memorandum of Understanding struck with Microsoft is estimated will save the public sector some £100 million.
- The OGC has tackled many of the shortcomings of the Gershon Report related to procurement arrangements in departments and Agencies. Gateway reviews now provide for detailed scrutiny of major procurement projects at critical stages in their development so that significant risks can be identified sufficiently early to be managed.
- The NAO survey suggests there is scope for clear communication to departments of the benefits which OGC's advice and guidance can offer, for example the market intelligence function provided by its Supplier Relations division.

End of Summary 2

Summary 3

Report Title: *Ministry of Defence: Major Projects Report 2004*

Owner: National Audit Office, UK. Full report is available at:
http://www.nao.org.uk/publications/nao_reports/03-04/03041159_I.pdf

Types of audit: Performance (value for money)

Subject area: Defence equipment procurement

Sector: Defence

Scope and main issues

The Major Projects Report 2004 covers cost; time and performance; and, data for projects in the year ended 31st March 2004. The study examined 30 defence equipment projects; 10 projects were still in the assessment phase while the remaining 20 had received an investment decision to proceed. In this year's report, seven projects are new, three in the main phase of procurement and four in the assessment phase. In the future, procurement of Defence equipment will be influenced by the Defence White Paper and the outcome of the 2004 Spending review. Key issues highlighted in previous reports still remain in terms of the Department's success in continuously improving its procurement performance. The distinction between older legacy projects and newer projects is irrelevant in this regard.

The Department has belatedly grappled with issues of performance. Sir Peter Spencer, the Chief of Defence Procurement, completed his review of the performance of the Defence Procurement Agency in implementing Smart Acquisition in January 2004. The report highlighted the need for proper and consistent application of the principles underpinning Smart Acquisition. To this end, a programme of continuous improvement is now in place covering skills, performance management, project review and assurance, financial management, commercial and supplier development, and joint working within the department.

Findings

- As in recent years, there appears to be little evidence that project performance has improved. Our findings suggest cost overruns and delays will continue. The Department expects its top 20 equipment projects will meet key user requirements but at a cost of £50 billion, 14 percent higher than the expected cost of £44 billion when the projects were approved. In the previous year, forecast costs have increased by £1.7 billion, a four percent increase, and projects have been delayed by an average of three months.
- As recent Major Projects Reports have shown, there is little evidence that project performance has improved in recent years. Many of the projects, begun under Smart Acquisition, have not consistently applied the principles designed to underpin improvement in project performance.

End of Summary 3

Summary 4

Report Title: *Improving Public Services through better construction*

Owner: National Audit Office, UK. Full report is available at:

http://www.nao.org.uk/publications/nao_reports/04-05/0405364case_studies.pdf

Type of audit: Performance (value for money)

Subject area: Public Services

Sector: All central Government departments

Scope and main issues

This report assesses the progress that departments' and their agencies have made in improving their construction delivery performance since our 2001 report, in part by examining data on 142 construction projects delivered between April 2003 and December 2004 as well as the impact of Office of Government Commerce initiatives.

In February 2003, the Chief Secretary to the Treasury launched two strategic targets aimed at improving the cost, time predictability and quality of construction projects. In addition, reduction in average time scales of procurement was made a priority. Sole responsibility for delivery of the targets rests with the relevant department in question. The Office of Government Commerce has defined how the targets are to be measured and is responsible for monitoring and reporting overall progress. There are two main aims associated with achieving these strategic targets:

- 70 percent of central government construction projects to be delivered to time and budget, by March 2005.
- Also, by March 2005 for each sector to reduce the average time period from start of procurement to award of contract by 25% for construction projects taking over a year, and 15% for all other construction projects

Findings

The impact on departments of the OGC's initiatives is still not clear. Guidance provided by the OGC is not always followed, partly because many departments do not have the skills and experience to implement it effectively. Furthermore, many departments may simply choose not to use the advice and support the office can provide. For example not all departments and their agencies conduct independent Gateway Reviews of their significant construction activities.

End of Summary 4

Summary 5

Report Title: *Purchasing and Managing Software licences*

Owner: National Audit Office, UK. Full report is available at:

http://www.nao.org.uk/publications/nao_reports/02-03/0203579.pdf

Type of audit: Performance (value for money)

Subject area: Software licences

Sector: All central Government departments

Scope and main issues

This report examines how departments purchase and manage their software licences; focusing in particular the extent to which departments are taking advantage of the Memoranda of Understanding which OGC has negotiated with IT suppliers. The study is based on a survey of 66 departments and agencies together with more detailed examinations of four departments. Departments are still primarily responsible for deciding what software to purchase and how they manage it. The OGC is responsible for promoting value for money improvements in the way departments undertake their procurement.

Findings

- Departments have been slower in taking up the terms offered by Microsoft than OGC anticipated. However, OGC and Microsoft consider that many departments are waiting until their existing agreements expire.
- Ten departments were able to estimate savings achieved to date which were around £5.4 million, all of which had come from Microsoft.
- OGC has negotiated agreements with other suppliers to encourage departments to purchase software from a wider range of companies. Other than Microsoft, suppliers so far consider the take up by departments as disappointing and have little impact on the level of business they receive from public sector organisations.
- For the four departments subject to a rigorous examination i.e. The MOD, DFES, Land registry and Ordnance survey, our examination reveals measures to achieve cost savings are already in place or being put in place.
- Nine departments could not easily identify the cost of the various licences they own. However, all departments had information on the detail of their licences avoiding the risk of financial penalty as a result of breaching contractual obligations.

End of Summary 5

Summary 6

Report Title: *Procurement of Vaccines by the Department of Health*

Owner: National Audit Office, UK. Full report is available at:

http://www.nao.org.uk/publications/nao_reports/02-03/0203625.pdf

Type of audit: Performance (value for money)

Subject area: Vaccines Procurement

Sector: Health

Scope and main issues

In 2002, following Parliamentary and media concerns about possible links between donations made by the Chief Executive of PowderJect to the Labour Party and the award of the contract for smallpox vaccine supplies, the National Audit Office (NAO) examined the robustness of the Department's arrangements for buying vaccines including small pox, within the context of their central purchasing arrangements. The examination did not seek to question the particular choice of vaccines nor procurement arrangements in NHS organisations.

The Department and the NHS Purchasing and Supply Agency buy goods and services under EU procurement directives. The Agency plays a key role in the tendering and contracting process for childhood vaccines, but the procurement of the first tranche of smallpox vaccine was arranged in-house by the Department's Communicable disease Branch with advice provided by the Procurement Policy Advisory Unit.

Findings

It was found the Department acted properly in awarding vaccine contracts by complying with appropriate EU procurement regulations, encouraging sufficient competition and evaluating tenders fairly. The procurement arrangements for emergency supplies of small pox vaccine were unusual as the Department chose not to adopt standard competitive procedures, for national security. This is allowable under EU regulations.

The numbers of suppliers able to compete for the contract were limited because of the strain of vaccine needed, speed of delivery, security of supply and small number of companies operating in this market. Nevertheless, the Department went further by seeking to establish a degree of competition by exploring with a number of companies whether they could meet the necessary requirements. In the event, only PowderJect could supply the required doses against the time-scale and specified criteria. However, suppliers contacted by the NAO considered the procurement process was not transparent. The common theme was that the Department did not reveal to the companies in detail the procurement criteria or timeliness. The Department's view is that they provided to each company as complete information as they felt able to give under the circumstances.

The review by the Permanent Secretary with regards to the donation and vaccine procurement revealed that in the short-term the only source of the Lister strain small pox vaccine in the UK was from PowderJect. The key factors in award of the contract were the Lister Strain, speed of delivery and national security issues.

End of Summary 6

Summary 7

Report Title: *Modernising Procurement in the Prison Service*

Owner: National Audit Office, UK. Full report is available at:
http://www.nao.org.uk/publications/nao_reports/02-03/0203562.pdf

Types of audit: Performance (value for money)

Subject area: Prison service procurement

Sector: Law & Order

Scope and main issues

The NAO report examined the Prison Service's efforts to improve the procurement activities of its prisons, to make best use of purchasing power, control stock levels and consumption, reduce waste and improve efficiency. The report focused on the 128 prisons in England & Wales managed directly by the prison service. Each prison is headed by a Governor with delegated financial responsibility to buy the goods and services required to maintain and operate each establishment.

Findings

The Prison Service has made great strides to improve the performance of its central purchasing team by centralising a number of purchasing functions and improving the skills and training of procurement staff across the service. The key findings were as follows:

- The Prison Service presided over a 24% reduction in stock holdings from £62.8 million in March 2000 to £47.6 million in March 2002.
- Savings of £5.76 million in 2001-2002 arising from the negotiation of central contracts.
- Significant differences between the costs of procurement in similar prisons still remain. Apart from the Governor there is often no single person with the authority and responsibility to ensure that the different procurement activities are efficient overall.
- Procurement within the prison service lacks as yet a common service-wide IT support for purchase, order processing and stock control.

End of Summary 7

Summary 8

Report Title: *Ministry of Defence: The Rapid Procurement of Capability to Support Operations*

Owner: National Audit Office, UK. Full report is available at:

http://www.nao.org.uk/publications/nao_reports/03-04/03041161.pdf

Type of audit: Performance (value for money)

Subject area: Defence procurement

Sector: Defence

Scope and main issues

This report examines how successfully the Department (The MOD) procures Urgent Operational Requirements, including how well Urgent Operational Requirement activity is managed. Urgent Operational Requirements is a process used to describe the additional capability requirements of specific operations. The process is a streamlined version of the Department's normal procurement procedures with the sole aim of providing speedy and flexible procurement of capabilities as and when needed.

The varied nature of operations and operational environments means needs may change at very short notice.

Given that the Department does not have the resources to buy all the equipment or services it may need for all the various types of operations, it has to plan on the basis that it will have to meet some capability gaps by Urgent Operational Requirements.

Findings

- For operations in Iraq and Afghanistan the Department procured 312 Urgent Operational Requirements to support the war effort at an approved cost of £658 million. Enhancement to existing capabilities ranged from light machine guns and armour protection to temporary accommodation and medical supplies.
- Urgent Operational Requirements equated to approximately 2 to 3 percent of the some £6 billion spent each year by the Department on the procurement of equipment.
- The Department's analysis of Urgent Operational Requirements in Iraq is fragmented preferring to report by exception. Based on the available data, the report found two thirds of Urgent Operational Requirements were delivered on time.
- Some Urgent Operational Requirements for the operation in Iraq were delivered with impressive speed, reflecting staff commitment in the Department and in industry. Ingenuity in the form of leasing, rather than off-the-shelf purchases helped to deliver customised solutions.
- The Department has recently appointed a Senior Responsible Owner to strengthen leadership in terms of guidance and delivery in the provision of Urgent Operational Requirements.
- Weaknesses still persist with management information available to everyone involved with a complete and common picture of the progress of Urgent Operational Requirements and to measure outcomes.

End of Summary 8

Summary 9

Report Title: *Improving IT Procurement: the impact of the Office of Government Commerce's initiatives on departments and suppliers in the delivery of Major IT-enabled projects*

Owner: National Audit Office, UK. Full report is available at:
http://www.nao.org.uk/publications/nao_reports/03-04/0304877.pdf

Type of audit: performance (value for money)

Subject area: IT procurement

Sector: all central Government departments (excluding Health and Defence)

Scope and main issues

In 2004, the National Audit Office (NAO) undertook a performance audit examination to assess the impact of recent initiatives designed to improve the capacity of central Government ministries and department to procure new IT systems successfully. The was against a backdrop of a number of high profile major IT procurement failures in recent years. The study focussed in particular on the work of the Office of Government Commerce (OGC) – a central body set up within HM Treasury in 2000 - to assist Government departments to improve their IT procurement capability.

The OGC put in place four main initiatives designed to improve the procurement of IT projects:

- A “Gateway” Review Process designed to establish a series of review points or “gates” whereby IT projects are subject to regular scrutiny by independent expert review teams.
- The establishment of the “Successful Delivery Toolkit” - an internet-based set of tools and guidance;
- The introduction of new training and development programmes for staff engaged in the procurement of major IT systems - the Successful Delivery Skills Programme and Programme and Project Management Specialism
- Closer working with representatives from the IT supply industry including the creation of good practice codes for both departments and suppliers.

Findings

Our analysis of the OGC's activities suggests that the Gateway review process, in particular, is increasing the likelihood of IT project and programme success, but more remains to be done to develop project and programme management skills, and closer links with the IT supply industry.

End of Summary 9