

Public Procurement Audit Seminar

*SAIs Public Procurement Audit Cases and Findings
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The National Audit Office audit reports:

“Organisation of construction procurements in rural municipalities and cities”

Have rural municipalities and cities been able to take advantage of all competition opportunities in organising construction procurements?

The National Audit Office audit reports:

“Organisation of public procurements in companies, foundations and nonprofit associations founded by cities or rural municipalities or with their participation”

If and how rural municipality and city companies adhere to the Public Procurement Act.

Organisation of construction procurements in rural municipalities and cities

- The audit sample included 15 cities and rural municipalities which differed as regards the size, financial situation, and construction practice.
- As a result of the audit the National Audit Office found that in most cases rural municipalities and cities have organised public procurements to order construction work, but they have not been able to take advantage of all the existing competitive conditions in the public interest. The main reasons for the aforementioned include complexity of the legal environment in the field of public procurements and low ability of local governments to cope with it.

Organisation of construction procurements in rural municipalities and cities

The most important assessments and conclusions:

- Smaller audited local governments could not fulfil a lot of the requirements established by the Public Procurement Act At the same time generating competence in the field of public procurements is not expedient in all rural municipalities and cities as most local governments have to organise the tendering procedures prescribed in the Public Procurement Act seldom.
- In carrying out public procurements in the field of construction work rural municipalities and cities cannot establish enough requirements, which is one of the main reasons due to which they are not always satisfied with the quality of the completed buildings.
- In the situation where the construction prices became more and more expensive in several cases rural municipalities and cities were not able to resist the contractors pressure to increase the cost of the building.
- The internal audit measures established by rural municipalities and cities have not provided sufficient conditions for transparency of the public procurement organisation process as a whole.

Organisation of public procurements in companies, foundations and nonprofit associations founded by cities or rural municipalities or with their participation

- As a result of the audit the NAO found that a large number of public purchases is still being conducted without the organization of public procurements. Many companies and their owners, local governments, often fail to realize that transparent activities that promote competition help reduce squandering and risk of corruption within companies. However, the state has failed to ensure, in the field of public procurements, clear and unambiguous legal framework and supervision, and state supervision arising from the company's substantial activity.
- Current Public Procurement Act has been in force for nearly three years but the Ministry of Finance and Public Procurement Office have yet to explain the ambiguous sections of the Act that may cause confusion. This has provided a large number of local government companies with an opportunity to think that this Act does not apply to them. Thus, only 15 companies engaged in public interest have informed the Public Procurement Office of themselves as suppliers. All in all, as at 01.01.2009, there were 335 companies controlled by the state and by rural municipalities and cities, 247 of them owned by rural municipalities and cities.

Organisation of public procurements in companies, foundations and nonprofit associations founded by cities or rural municipalities or with their participation

The most important assessments and conclusions:

- 30 entities were analysed in the course of the audit and of those 20 companies (public limited companies and private limited companies) 17 had ignored the Public Procurement Act and had not defined themselves as suppliers. Upon making purchases, these companies adhere to the Public Procurement Act selectively (or not at all) and state supervision is not carried out for these purchases.
- Public Procurement Act is complicated and even in mid-size companies who try to adhere to the Act the need for organizing procurements is so rare that it is hard for the supplier to acquire consistent competence in organizing public procurements.
- The number of suppliers who failed to comply with the simplest requirements of the Public Procurement Act was disturbingly large

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The most important assessments and conclusions:

- The number of changes was the largest after concluding procurement contracts for construction procurement and insufficient construction projects were given as a main reason for that.
- Rural municipalities and cities as the members, founders and owners of non-profit associations, foundations and companies could not make them carry out public procurements.
- In 2008, the total amount of the purchases of three network-related suppliers was more than EEK 268 million whereas only one company carried out procurement during the entire year.

Thank You for listening!

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