Monitoring Public Procurement

State Audit Office of Georgia
The role of the State Audit Office

Our objective is:

- To support the parliamentary oversight over the government and to take informed decisions

- To support government reforms aimed at increasing government accountability and transparency and improve public governance
Support public governance:
- To improve internal controls of the State Procurement Agency
- To increase transparency and accountability in public procurement
- To improve public procurement eService

Support the Parliament:
- Preventing inappropriate spending
- Increasing budget savings
- Identification risks of corruption

State Audit Office

Parliament of Georgia

Public Sector

Coordinating and monitoring Public procurement
Importance of the Public Procurement Monitoring

**Materiality:** Overall amount of the public procurement (2.9 billion GEL) was 30% of the Consolidated Budget in 2014

**Public Procurement Monitoring:**

- **Contributes to the parliamentary oversight by:**
  - Preventing inappropriate spending
  - Increasing budget savings
  - Detecting risks of corruption

- **Contributes to improvement of the public governance by:**
  - Improving internal controls of the Public Procurement system
  - Increasing transparency and accountability
  - Improving delivery of the public service
Methods used in Public Procurement Monitoring:

- Continuous Monitoring
- Entity level audit
- Systemic level audit
- IT Tools
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Guideline: Monitoring Public eProcurement

The guideline allows the State Audit Office of Georgia to verify the legality of the procurement, expediency and economy by using minimum audit procedures. Pre-defined risk criteria allows to identify risks related to:
Methods used in Public Procurement Monitoring:

- Continuous Monitoring
  - Termination of the tender procedures
  - Cancellation of tenders without reasonable explanation
  - Abuse of the disqualification mechanisms
  - Highly competitive procurement with single participant

- Entity level audit
  - Companies, that actively participate only in the tenders announced by certain organizations

- Systemic level audit
  - Altering the tender winners

- IT Tools
  - Simplified Procurement
Methods used in Public Procurement Monitoring:

**Benefits:**
- Simplifies the auditing burden for the auditee
- Does not require audit fieldwork
- Optimization of time and human resources

**Results:**
- Risk based annual planning of the audit work
- Preventive role
- Identification of the problem in a timely manner
Methods used in Public Procurement Monitoring:

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- IT Tools

In 2014, in the course of Financial and Compliance audits SAOG identified deficiencies related to the public procurement in amount of **108.3 million GEL**:

- Inappropriate documentation of the Public procurement - 58.5 million GEL
- Inappropriate management of the public procurement, which resulted loss of budget revenue - 27 million GEL
- Ineffective spending of the budgetary funds due to deficiencies in the procurement management - 14.6 million GEL
- Non-economy spending of the budgetary funds due to deficiencies in the procurement management - 4.7 million GEL
- Inappropriate management of the public procurement, which resulted in overpayments of the budgetary funds - 3.5 million GEL
Methods used in Public Procurement Monitoring:

<table>
<thead>
<tr>
<th>Continuous Monitoring</th>
<th>In 2013, SAOG conducted performance audit of the public procurement</th>
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<tbody>
<tr>
<td>Entity level audit</td>
<td>❖ The audit objective was to evaluate public procurements based on the economy, effectiveness and efficiency criteria.</td>
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<tr>
<td>Systemic level audit</td>
<td>❖ The auditee was State Procurement Agency</td>
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<td>IT Tools</td>
<td>❖ Audit team conducted comprehensive analysis of the 900 state procurement</td>
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Based on the audit results, SAOG identified the following:

- Misidentification of needs
- Procurement process is not standardized
- Deficiencies in the process of market research
- Urgent procurement are not documented and justified appropriately
- Tenders are cancelled and precedents are disqualified without reasonable explanation
- Misstatements in the procurement related missions
- Irregularities in the procurement made by the government owned enterprises
Methods used in Public Procurement Monitoring:

SAOG initiated performance IT audit of the State Procurement Electronic system in 2014.

The main objective of the audit is to evaluate, whether eProcurement System ensures that:

- Information assets are safeguarded
- Data integrity is maintained
- Public Procurement are transparent
- Personal data of the system users is confidential
- Competitive and nondiscriminatory environment is guaranteed for all participants
## Methods used in Public Procurement Monitoring: New possibilities

<table>
<thead>
<tr>
<th>Continuous Monitoring</th>
<th>Analysis of the state procurement database using modern IT tools will help SAOG to:</th>
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<tbody>
<tr>
<td></td>
<td>❖ <strong>Identify risks</strong> in public procurement based on the risk-based approach</td>
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<td>❖ Analyze vendors</td>
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<td>❖ Conduct systemic analysis of the procurement of the <strong>goods and services</strong> (CPV codes)</td>
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<td>❖ <strong>Identify high risk procurement categories</strong></td>
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<td>❖ Identify repeated procurement of the same products on the entity level</td>
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<td>❖ <strong>Analyze major suppliers and cartel schemes</strong> in the public procurement</td>
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Methods used in Public Procurement Monitoring: New possibilities

Data Visualization

- “Graph Trees“ allow to see the whole picture of the procurement
- Systemic view over stakeholders in the public procurement (Vendor->Contract->Procurer);
- Analysis of the contract frequency on the entity level;
- Identification of conflict of interest and related parties in the public procurement
Thank you for your attention!