

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



State Audit
office



S.A.O.



➤ 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



სახელმწიფო შესყიდვების სააგენტო
STATE PROCUREMENT AGENCY



Parliament
of Georgia

საქართველოს
პარლამენტი



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:

The image shows the cover of a document titled 'Guideline: Monitoring Public eProcurement'. The cover is blue with a close-up of a computer keyboard button labeled 'buy' in white. The text 'Guideline: Monitoring Public eProcurement' is printed in white at the top.

Guideline: Monitoring
Public eProcurement



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- ❖ Termination of the tender procedures
- ❖ Cancellation of tenders without reasonable explanation
- ❖ Abuse of the disqualification mechanisms
- ❖ Highly competitive procurement with single participant
- ❖ Companies, that actively participate only in the tenders announced by certain organizations
- ❖ Altering the tender winners
- ❖ Simplified Procurement



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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



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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



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In 2013, SAOG conducted performance audit of the public procurement

- ❖ The audit objective was to evaluate public procurements based on the economy, effectiveness and efficiency criteria.
- ❖ The auditee was State Procurement Agency
- ❖ Audit team conducted comprehensive analysis of the 900 state procurement





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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



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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

Continuous Monitoring

Entity level audit

Systemic level audit

IT Tools

Analysis of the state procurement database using modern IT tools will help SAOG to:

- ❖ **Identify risks** in public procurement based on the risk-based approach
- ❖ Analyze vendors
- ❖ Conduct systemic analysis of the procurement of the **goods and services** (CPV codes)
- ❖ Identify **high risk procurement categories**
- ❖ Identify repeated procurement of the same products on the entity level
- ❖ **Analyze major suppliers and cartel schemes** in the public procurement



Methods used in Public Procurement Monitoring: New possibilities

Continuous Monitoring

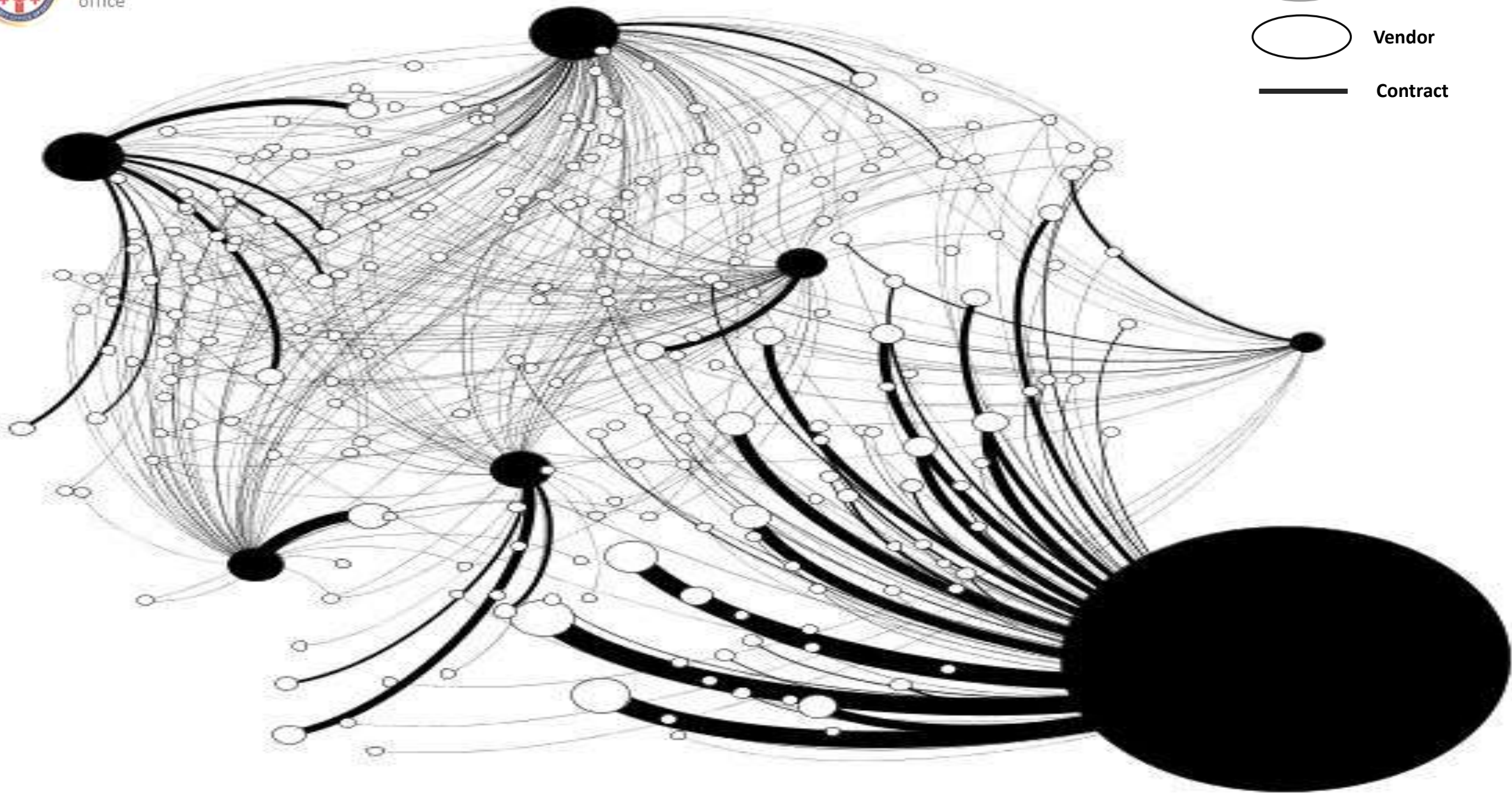
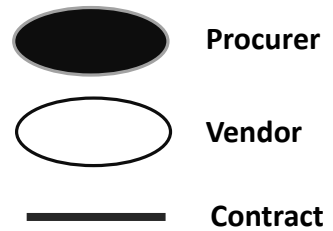
Entity level audit

Systemic level audit

IT Tools

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





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Thank you for your attention!