



Value for money in ethical mirror through public procurement process

TFA&E – Goal 2

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Introduction

- Information about the workshop held in the Hague on EUROSAI Congress in June 2014.
- Content of presentation



Content

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- Subject of presentation
- Why is the topic chosen? What is the motive for reflecting on this topic?
- The aim of the presentation
- Main question and sub questions
- Why is ethics important in public procurement process ?
- Ethical principles important for public procurement process ?
- Graphical review of the process of public procurement
- Conclusions from the workshops
- The proposal for a working group



Why is the topic chosen? What is the motive for reflecting on this topic?

- ❖ Problem of occurrence of different forms of corruption, fraud, conflict of interest, money laundering, injustice and other unethical behavior, exists in vast number of countries in larger or smaller intensity
- ❖ It is particularly emphasized in a public sector in where public procurement is marked as area of significant risk, being exposed to corruption
- ❖ Fight against corruption is a challenge for a large number of countries in Europe and the World for extended period of time now
- ❖ Public sector dispose of huge resources, that are spent through public procurement system, which implies serious side effects of corruption
- ❖ Individuals with power of authority or knowledge, allows or miss to prevent corruption and other forms and consequences of unethical behavior



Why is the topic chosen?

What is the motive for reflecting on this topic? (Cont.)

- ❖ Extensive legal and institutional framework is established
- ❖ Practice shows that this is not sufficient:
 - **large number of irregularities detected in public procurement procedure** (*established through regularity audits*)
 - **inefficient public procurement** (*established through performance audit*)
 - **According to European Commission Report to Council and Parliament:**
 - additional contract expenses as result of corruption can sum up to **20,0 %** and **25,0 %**, in some cases even **50,0 %** of overall expenses in contract
 - in **2010**, overall direct expenses of corruption in public procurement, in five sectors (in 8 member states) is between **1,4** and **2,2 billion EUR**
 - corruption in high positions





Aim of the presentation and the main message

- ❖ Initiate consideration and discussion on possibilities to enhance and change approach in public procurement audit



Main question ?

Main question that SAI representatives should ask is:

What more can Supreme Audit Institutions do?

Can SAI contribute to enhance and assure that public procurement is conducted in accordance with value for money principle, principle of justice and power, and rules of ethical conduct?



❖ *Sub-questions:*

- a) *How to value influence of power (authority and power of knowledge) through all phases of public procurement, from planning of public procurement to the usage of public procurement object?*
- b) *Can we assure application of principles of justice and equality of participants within public procurement process, with the aim of greater common good – not only of public body conducting the procedure, but also of all participants in the process?*
- c) *Do SAI have and ought to have a role in assessing the application of principles of justice, power and value for money when auditing public procurement procedures?*
- d) *Can audit recommendations based on the principle value for money, principle of justice and power and on rules of ethical conduct, be preventive and reduce unethical behavior, particularly corruption (fraud, conflict of interest, money laundering).*





Why is ethics important in consideration to „value for money”?

- *value for money* is a term used when assessing whether organization received the most valuable goods or services, for the paid price
- according to the principle exchange of goods or services assures that value received in money equals to the value of purchased good, work done or given service, and vice versa
- crucial factor is *value ratio*
- principle that gives estimation whether exchange of goods or services provided to both sides a contentment on a good work
- Achieving „value for money” is expressed through „*three E*” (*Economy, Efficiency, Effectiveness*)



Why is ethics important in consideration to „value for money”? (Cont.)

- *value for money is a fundamental principle for public procurement*
- *it involves ethical conduct and ethical usage of resources*
- *value for money principle requires much more than achieving the best price – it requires the application of ethical principles in all phases, and for each phase in public procurement process*



Ethical principles important for public procurement process ?

- Apart from the usual principles that are prescribed by code of professional ethics for the public sector, we estimated that the three principles are essential for the improvement of ethics in the public procurement process.
- **"Value for money"** is the principle by which it can assess whether a business event which consists in the exchange of goods and / or services, enabled the participants satisfaction of doing a job well done. It is an important factor ratio value.

value of goods or services



amount of money

- **Principle of power** is determination and motivation of individuals (managers and professionals) to make decisions that ensure the greater good for the institution and the greater common good.
- **Principle of justice** is the right of each party to get what belongs to her.



- Graphical review of the process of public procurement and their problems.
[PODACI\HAG KONGRES\graphical review ppp-ENG.docx](#)
- Conclusions
- The proposal for a working group TFA&E



CONCLUSION

It can be done in the following ways:

- SAI's may in performing the audit of ethics in the public procurement process, contribute to the reduction of expenditure because of unethical behavior and

Encourage the auditees:

- by giving more attention to areas and levels of auditees operations that are not prescribed by the laws and regulations through
- by establishing clear procedures and rule of behavior in all stages of public procurement,
- by establishing methods and tools for control and reporting on implementation of those procedures and
- to apply, apart from the usual principles, the principle of value for money, justice and power
- In order to SAI's achieve the above stated objective it is necessary to educate and train the auditors to perform this type of audit and develop a methodology within SAIs (**guidelines, manuals, methods, tools, check lists, training system**) for assessing process of public procurement procedures in terms of ethics.



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Can/should this topic be a subject for discussion in this
TASK FORCE FOR AUDIT & ETHICS ??



THANK YOU FOR YOUR ATTENTION !!