

# Public procurement supervision and auditing in Estonia

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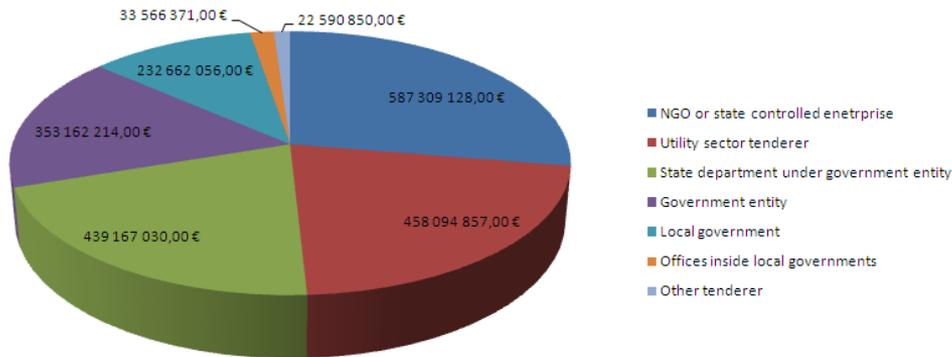
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## Public procurement in Estonia - framework

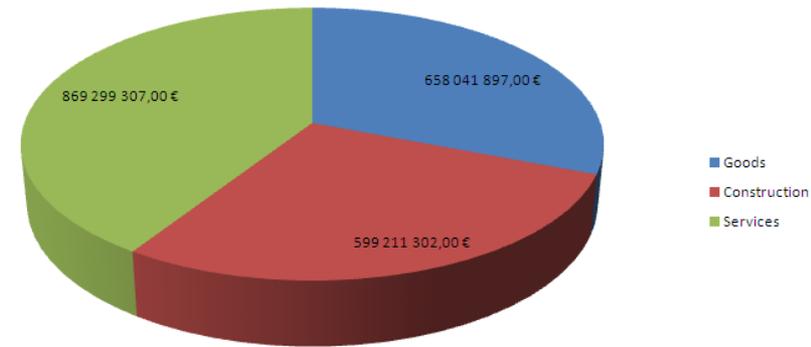
- Operating under the Public Procurement Act (PPA) from 2008 (+ 15 amendments).
- PPA applies to all these contracting authorities:
  - 1) the state or state authorities;
  - 2) local authorities, local authority agencies and associations of local authorities;
  - 3) other legal persons governed by public law and agencies of legal persons governed by public law;
  - 4) foundations where the state is one of the founders or where more than half of the founders are contracting authorities;
  - 5) non-profit associations where more than half of the members are contracting authorities;
  - 6) other legal persons governed by private law and having the characteristics specified in Public Procurement Act.
- 11 procurement types – most common are simplified procedures (5986 procedures in 2016) and open procedures (2964 procedures in 2016);
- Harmonization of new procurement directives of the European Union into Estonian legislative framework is in process in Estonian Parliament, estimated to come into force in spring 2017..

## Public procurement in Estonia (2016 data)

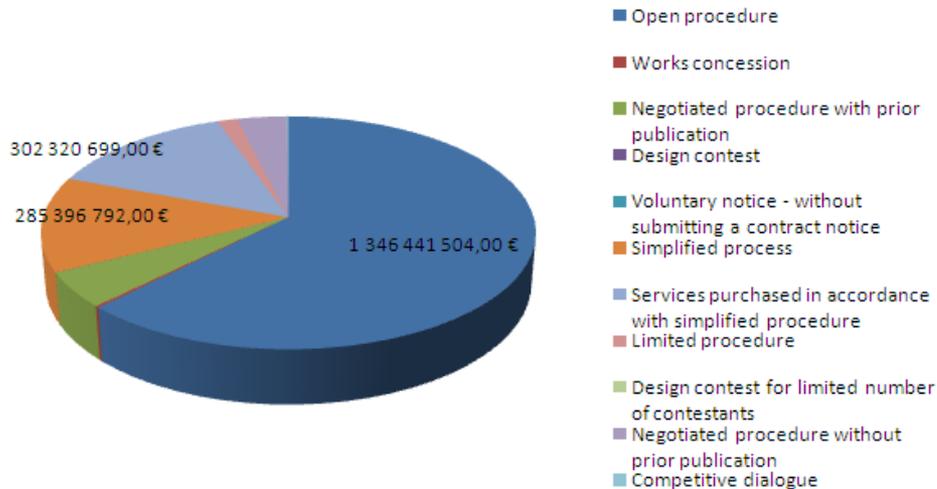
### Cost of contracts by authority



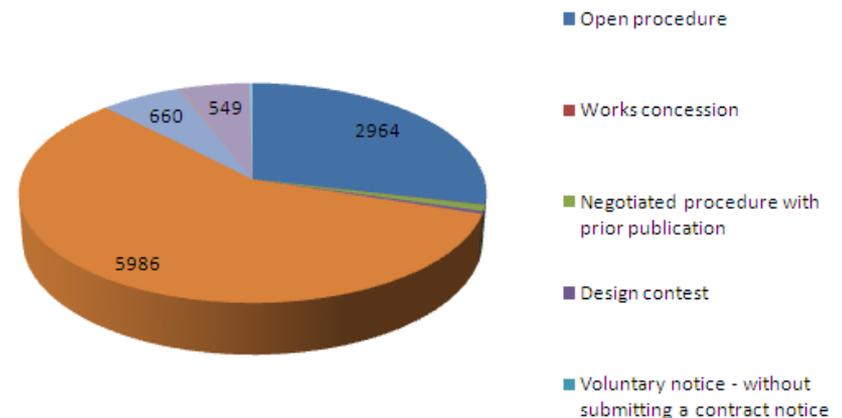
### Contract objects



### Cost of contracts by type



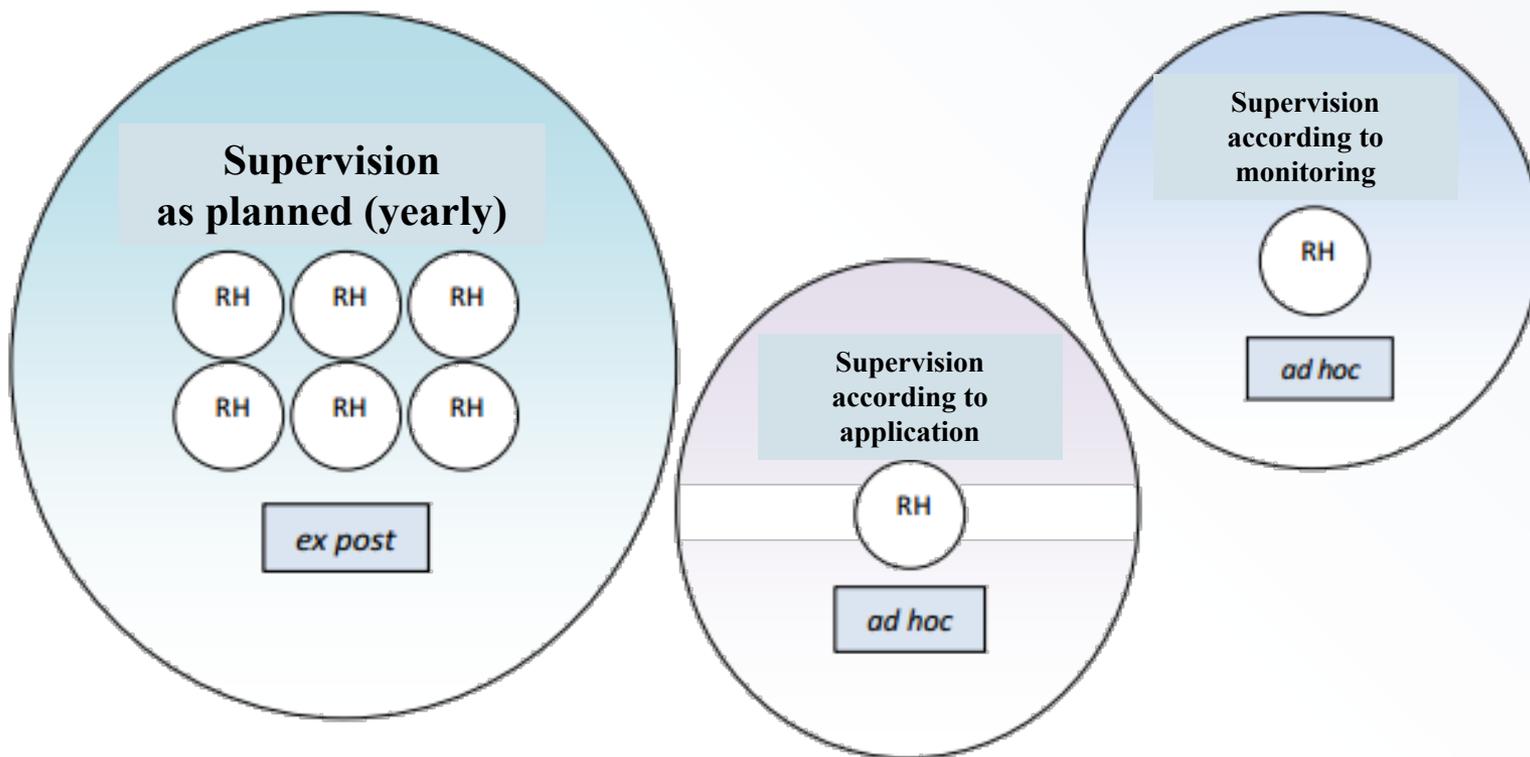
### Number of processes by type



## Public procurement in Estonia – supervision by Ministry of Finance

- On the basis of § 104 of PPA, the Ministry of Finance (Public Procurement and State Aid Department) shall exercise state supervision over organisation of public procurement:
  - 1) Conducting state supervision procedures as planned yearly according to complex risk-analysis:
    - 2013 – 4 contracting authorities (including 2 local authorities' institutions);
    - 2014 – 17 contracting authorities (including 16 local authorities and its institutions);
    - 2015 – 13 contracting authorities (including 6 local authorities and its institutions, analyzed 632 procedures);
  - 2) Conducting administrative supervision procedures according to complaints and regular surveillance (2016 – 37 procedures);
  - 3) Conducting analyses and providing uniform interpretation of PPA (online daily service), giving consultations and training. Also, court materials are systematically summarized and updated.

## Public procurement in Estonia – supervision by Ministry of Finance (2)



## Public procurement in Estonia – supervision by Ministry of Finance

Main disadvantages:

- Inadequate surveillance due to lack of manpower.
- Ministry of Finance has acknowledged, that it has no capacity to supervise the contract fulfillment even in yearly acts.
- Complexity of PPA enables different viewpoints even inside Ministry of Finance itself, let alone among contractors and (EU) fund distributors:
  - 1) *How to determine estimative cost of contracts and choose a correct process of procurement?*
  - 2) *Where are the limits where amendments in fulfilling the contract should be an object for a new procurement?*

*etc*

## Public procurement in Estonia – audits by National Audit of Estonia

- Local Government Audit Department:

**1) “Organisation of public procurements in Viimsi Municipality and its associations” (2013)**

<http://www.riigikontroll.ee/DesktopModules/DigiDetail/FileDownloader.aspx?FileId=13583&AuditId=2283>

**2) “Organisation of public procurements by companies, foundations and non-profit associations established or partially owned by rural municipalities and cities” (2010)**

<http://www.riigikontroll.ee/DesktopModules/DigiDetail/FileDownloader.aspx?FileId=11089&AuditId=2131>

**As a horizontal topic:**

**3) “Use of advertising and communication funds in local authorities” (2015)**

<http://www.riigikontroll.ee/DesktopModules/DigiDetail/FileDownloader.aspx?FileId=13258&AuditId=2342>

- Financial Audit Department:

**Yearly auditing of annual accounts and legality of transactions of the ministries.**

## Public procurement in Estonia – transparency enables effective surveillance

- According to PPA § 3 one of the general principals of public procurements is that the contracting authority must ensure that the public procurement is transparent and capable of being reviewed.
- Therefore all contracts estimated above 10 000 € (goods & services) or 30 000 € (construction) are to be made public via E-Procurement Registry (<https://riigihanked.riik.ee/register/Home.html>) and all contracts above international treshold (local authorities 209 000 € for goods & services; 5 225 000 € for construction) via website of the chief processor of the public procurement register.
- Every contracting authority is obliged to enable the electronic submission of tenders and requests at least to the extent of no less than 50 per cent of the financial capacity of public procurement planned. This mandatory rate is increasing as envisaged in new Act.

## Public procurement in Estonia – transparency enables effective surveillance

E-procurement means that every procurement must be made public as follows:

- contract notice (available at least 4 days in simplified process, 15 days in open process for goods&services or 21 days in open process for consruction) with qualification requirements for interested subjects;
- contract documents with all the detailed information (for example contract terms, buidling project etc);
- communication between contracting authority and interested subjects;
- all the resolutions made by the contracting authority;
- public procurement report, where the cost and other relevant information is presented;
- public procurement annex after the contract has been completed.
- **FOR CONTROLLER’S EYES ONLY:** all the tenders provided by interested subjects; declarations from outside sources (for example Tax and Customs Board – information about supplier’s financial commitmens).

... but why not the contract itself with all it’s amendments?

**Thank You for Your attention!**

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