



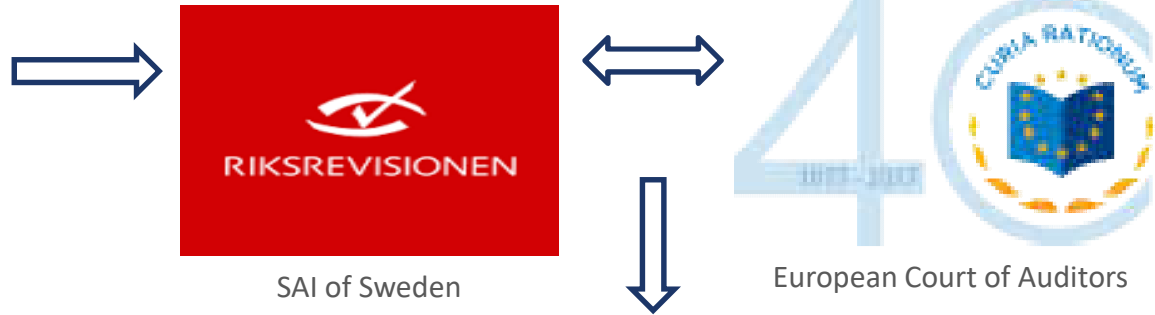
STATE AUDIT INSTITUTION
Republic of Serbia



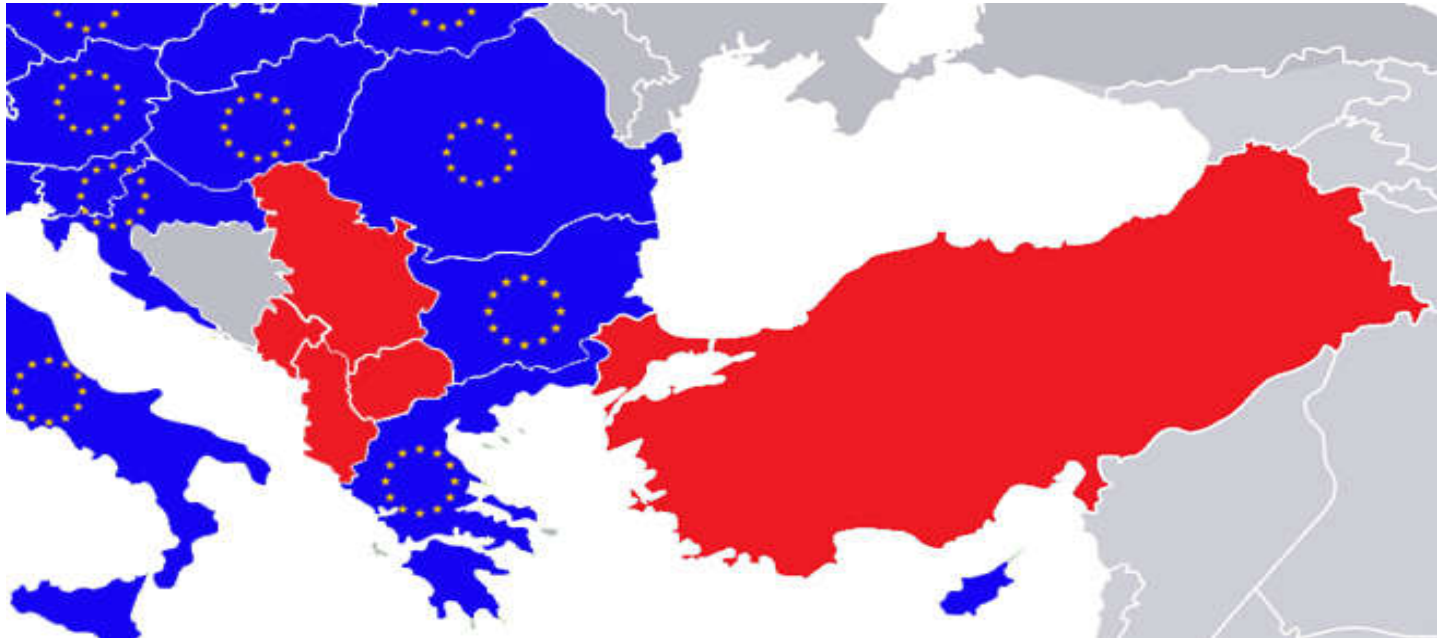
Efficiency and Economy
of the Implementation of
the Negotiated
Procedure without
Public Invitation to Bid

PERFORMANCE AUDIT

SECOND PARALEL
AUDIT



NETWORK OF THE SUPREME AUDIT INSTITUTIONS OF EU
CANDIDATE AND POTENTIAL CANDIDATE COUNTRIES AND ECA



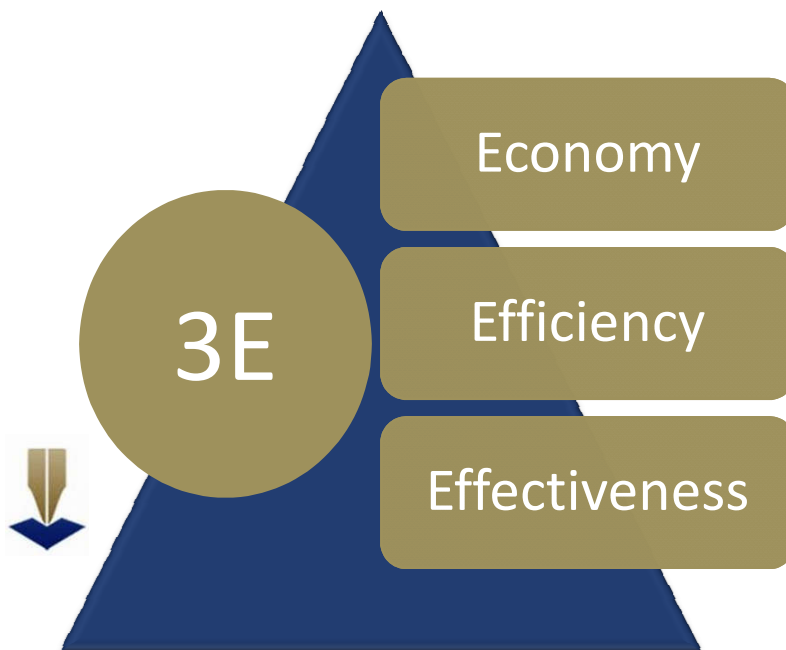
PERFORMANCE AUDIT

TOPIC

Efficiency and Economy of the Implementation of the Negotiated Procedure without Public Invitation to Bid

Have the funds been used properly?

Have the funds been invested in right things?



Audit goal

Audit question

Scope and methodology

Auditees

Key message

Conclusions and findings

Recommendations

CONTRACTING
AUTHORITY



To determine
whether
CONTRACTING
AUTHORITY ensures



Are the issued RECOMMENDATIONS connected to improvement in
the AREA OF NEGOTIATED PROCEDURE

MAIN QUESTION

Do auditees in negotiated procedure without public invitation to bid adequately ensure efficiency and effectiveness of public procurement?



1. Do auditees conduct adequate analyses prior to initiating negotiated procedure without public invitation to bid, in compliance with principles of economy and efficiency.

2. Do auditees undertake adequate measures, in order to reach the best price-quality ratio in the negotiated procedure without public invitation to bid?

3. Have auditees and competent authorities established adequate supervision over negotiated procedure without public invitation to bid?

PUBLIC PROCUREMENTS

NEGOTIATED PROCEDURE

In 2015

104,527

contracts concluded after completed public procurement procedure

354.9

billion dinars of contracted value

2,939

contracts concluded after completed negotiated procedure

billion dinars of contracted value

494 contracting authorities implemented PP via negotiated procedure

NEGOTIATED PROCEDURE IS THE PROCEDURE WHEREBY CONTRACTING AUTHORITY DIRECTLY NEGOTIATES WITH ONE OR MORE BIDDERS ON ELEMENTS OF PUBLIC PROCUREMENT CONTRACT

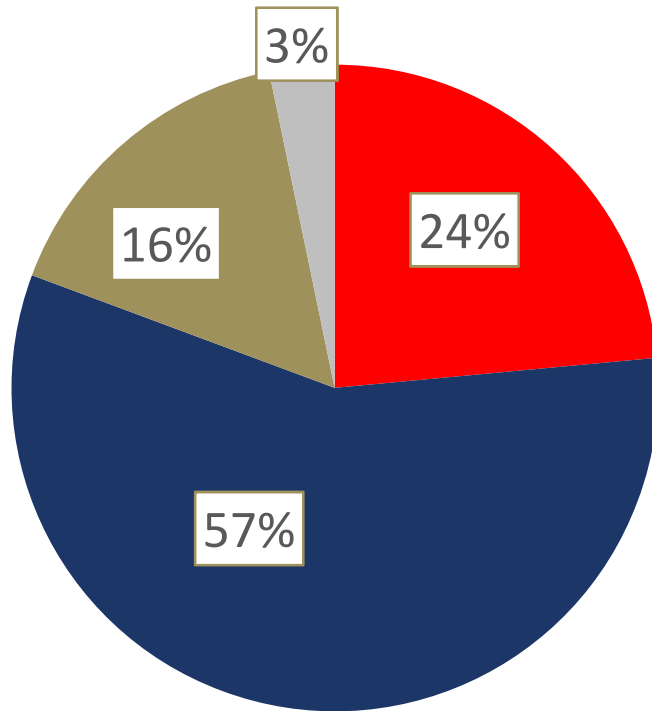
Article 36 of PPL, among other things, prescribes that the contracting authority may conduct negotiated procedure **WITHOUT PUBLIC INVITATION TO BID:**

1) if it did not receive any bid or application in open or restricted procedure, or if all bids were inadequate, provided that the originally defined subject of public procurement and conditions for participation in the procedure, technical specifications and criteria for awarding the contract are not altered;

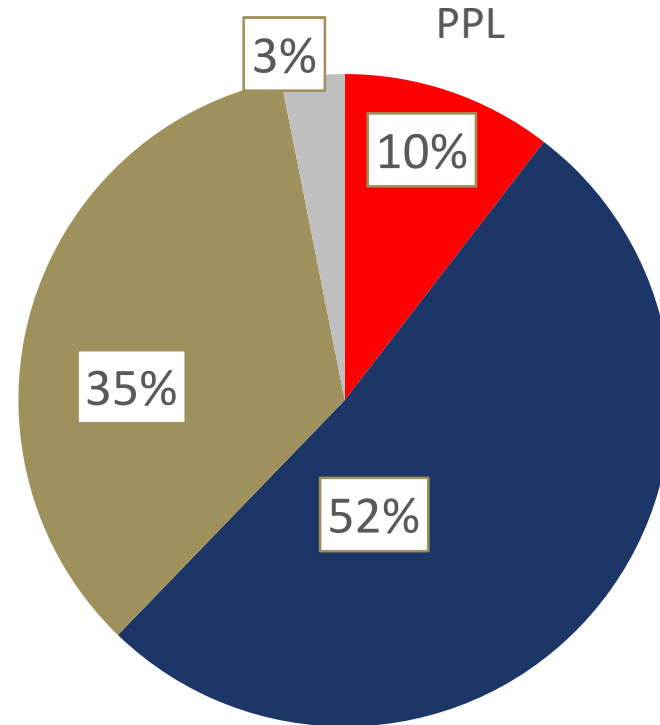
2) if, for technical or artistic reasons related to public procurement subject, or for reasons related to the protection of exclusive rights, the procurement may be executed only by a particular bidder;

if, for reasons of extreme urgency brought about by extraordinary circumstances or unforeseen events, whose appearance in no case depends on its will, contracting authority was not able to observe time limits laid down for open or restricted procedure. The circumstances which justify such urgency cannot be in any relation with contracting authority.

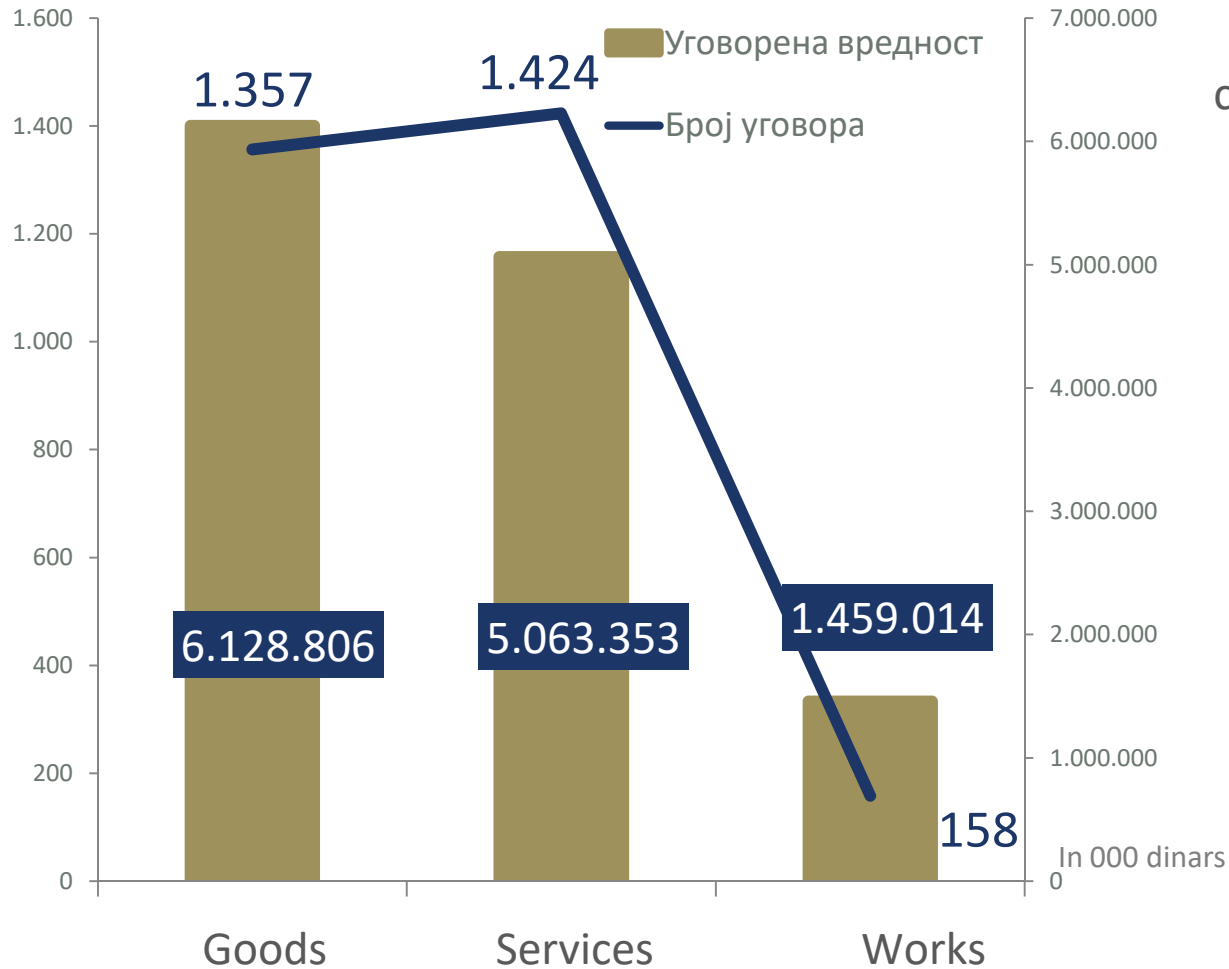
NUMBER OF CONCLUDED CONTRACTS
according to items of the Article 36 PPL



CONTRACTED VALUE
according to items of the Article 36
PPL



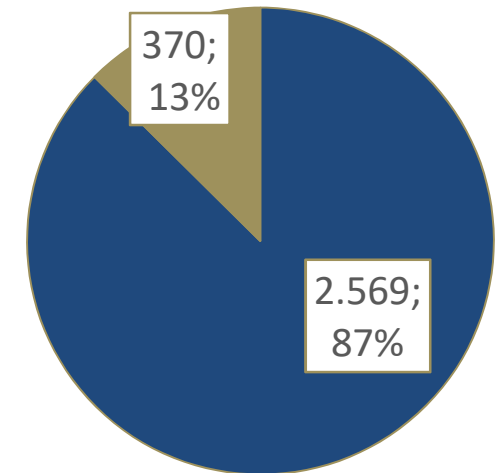
- 36.1.1) - Open procedure
- 36.1.2) - With precisely defined bidder
- 36.1.3) – Urgent procedure
- Other



Total number of concluded contracts and amount of concluded contracts according to the procurement subject

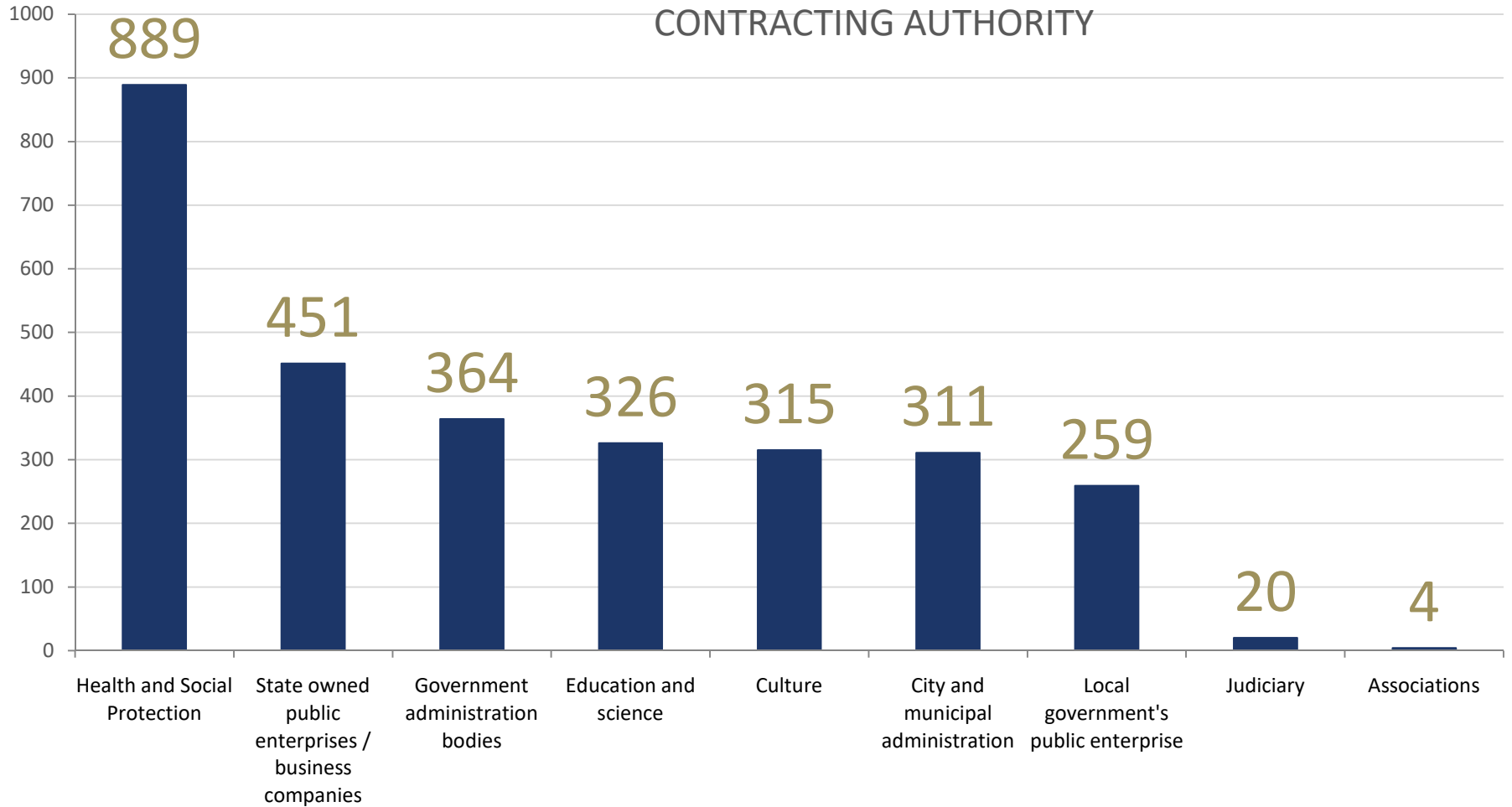
Source of data: PPA

Number and participation of concluded contracts according to the contract awarding criteria



- Number of concluded contracts according to the lowest price offered criterion
- Number of concluded contracts according to the economically most advantageous bid criterion

NO. OF CONCLUDED CONTRACTS ACCORDING TO CATEGORIES OF CONTRACTING AUTHORITY



QUANTITATIVE AND QUALITATIVE CRITERIA FOR SELECTION OF AUDITEES

- No. of concluded contracts
- Largest total concluded amount
- Average No. of risk indicators
- No. of negative opinions from PPA
- No. of cancelled negotiated procedures
- Participation of No. of concluded contracts in negotiated procedures compared to total number
- Participation of concluded contract amounts in negotiated procedures compared to total concluded contract amount
- Contract awarding criterion - lowest price offered / economically most advantageous bid

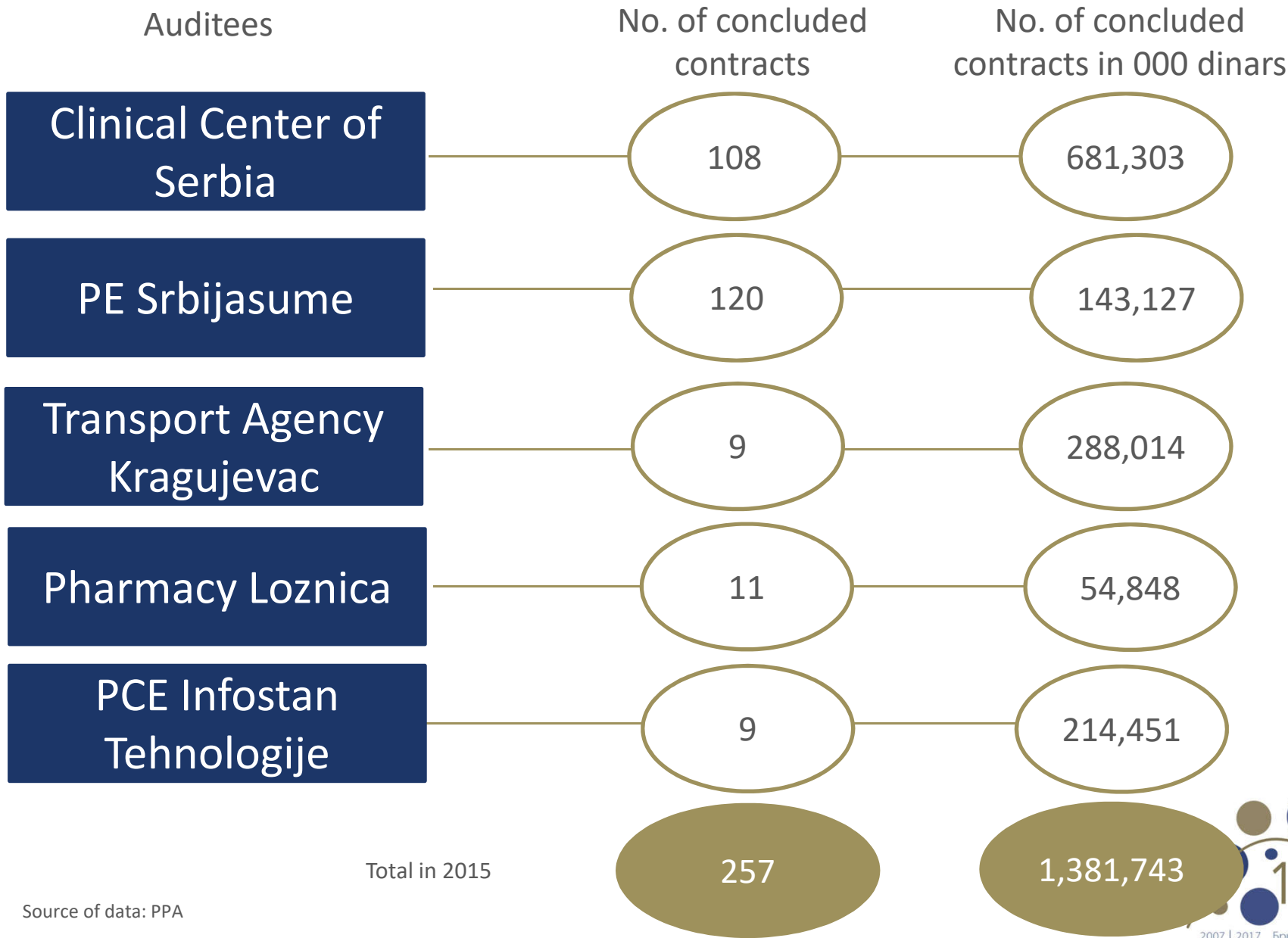
Clinical Center of Serbia

Transport Agency Kragujevac

PE Srbijasume

Pharmacy Loznica

PCE Infostan Tehnologije



Source of data: PPA

KEY
MESSAGE

Negotiated procedure without public invitation to bid would be more efficient and economical if contracting authorities would focus more attention to market research, negotiation and control.

CONCLUSION

1. Prior to initiating initiating negotiated procedure without public invitation to bid, auditees conduct partial market research, but they do not document the research results and do not consider life cycle costs.

2. Auditees do not undertake fully appropriate measures, in order to achieve best price-quality ratio.

3. Insufficiently efficient coordination between auditees and competent authorities, insufficient control and inefficient evaluation lead to application of negotiated procedure, as the least competitive procedure

1.

Prior to initiating initiating negotiated procedure without public invitation to bid, auditees conduct partial market research, but they do not document the research results and do not consider life cycle costs.

Auditees conduct partial market research of the public procurement subject-matter and bidders, but they do not document the research results

1/5 of auditees have evidence that they conducted market research

Analyses of life cycle costs of public procurement subject-matter are not conducted by auditees

5/5 of auditees do not conduct analyses of life cycle costs

2.

Auditees do not fully undertake appropriate measures, in order to achieve best price-quality ratio

Auditees insufficiently consider contract awarding criteria

94% contracts have been awarded according to the lowest price offered criterion

6% contracts have been awarded according to economically most advantageous bid criterion

By using negotiated procedure, auditees do not fully ensure efficient principle value for money

They negotiate most often regarding the price, or they do not negotiate at all

21% of contracts were concluded by accepting initial offer without the presence of the bidder

85% of contracts were concluded based only on a single submitted offer

3.

Insufficiently efficient coordination between auditees and competent authorities, insufficient control and inefficient evaluation lead to application of negotiated procedure, as the least competitive procedure

Insufficiently efficient coordination between auditees and competent authorities lead to application of negotiated procedure, as the least competitive procedure

4/5 does not have data harmonised with the Public Procurement Administration regarding conducted negotiated procedures

Incomplete control and evaluation of all stages and appropriateness of the procedure may result in uneconomical and inefficient public procurement in the negotiated procedure

5/5 of auditees do not have fully established objective and systematic control of all stages of conducted negotiated procedures

RECOMMENDATIONS

1. To conduct full market research, to consider life cycle costs of public procurement subject-matter and to document thereof, prior to initiating negotiated procedure without public invitation to bid

2. To consider in detail setting up contract awarding criteria, as well as parameters to be negotiated, in order to fully ensure the best price-quality ratio

3. To conduct and document control of all stages of negotiated procedure without public invitation to bid, as well as control of appropriateness of public procurement

**THANK YOU FOR YOUR
ATTENTION!**

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