

National database of public procurement audit errors and irregularities

Summary

National databases of public procurement audit errors and irregularities are dedicated IT repositories developed to store all errors and irregularities during audits on the use of European Structural and Investment Funds (ESI Funds) for the purpose of analysis, and preventive and corrective action. Such databases provide insight into underlying causes and indicate related financial corrections, if any.

National authorities put in place various measures for detecting and preventing errors in procurement, e.g. checklists, preliminary checks, advice and information events, etc. Despite these efforts, compliance with procurement rules still poses a challenge. In fact, audit findings¹ reveal that procurement procedures are often prone to errors and irregularities.² Typically, irregularities are caused by: complex legal and administrative frameworks, lack of administrative capacity and inadequate planning of projects and tender procedures.³

Systematically recording the types of errors detected provides a full picture of these errors and irregularities and helps tackle them effectively.⁴ Namely, regularly analysing these errors and irregularities gives a comprehensive understanding of the trends and recurring problems in procurement procedures and helps develop the right preventive actions. However, carrying out such comprehensive analysis requires that public procurement data be available and shared relatively well across all national institutions within a MS.

Setting up national databases of errors and irregularities in public procurement ensures that this data is centralised and shared automatically between all relevant authorities in the MS. Collectively gathering insights on the nature, extent and underlying causes of errors and irregularities also allows this information to be organised rationally and facilitates the formulation of typologies of the most commonly encountered errors. As a result, contracting authorities are more aware of their weaknesses and are able to adjust their practices to ensure better compliance with public procurement rules, allowing for better uptake and implementation of ESI Funds. Additionally, by spurring compliance with procurement rules, the database could have a positive impact on the reduction of appeals and the related administrative burden.

Input

Cost – €€

Medium set-up cost and low operation cost



Time – Less than 6 months



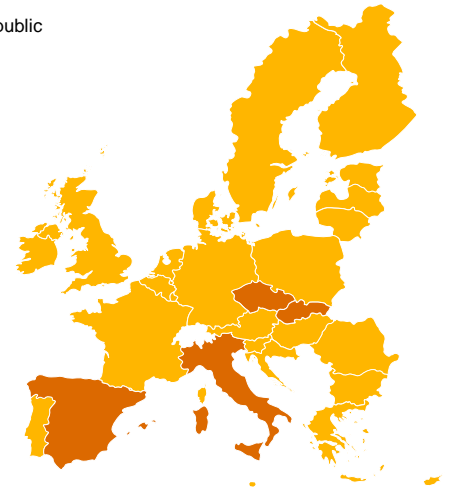
Complexity – Medium

Dedicated IT infrastructure and organisational process required



Good Practice Examples

- ✓ Czech Republic
- ✓ Italy
- ✓ Slovakia
- ✓ Spain



Impact

Ensure better compliance



A national database of errors and irregularities provides insight into the key obstacles that contracting authorities face in correctly applying specific rules and procedures. It is based on trends, and thus gives guidance to contracting authorities on how to adjust their practices to be compliant with procurement legislation.

Strengthen anti-corruption efforts



Even though not all errors and irregularities are linked to malpractice, there can be a link between irregularities, corruption and fraud. Thus, anti-corruption authorities and other similar bodies benefit from comprehensive information that can support their investigations.

Reduce administrative burden



By ensuring that contracting authorities become more compliant with procurement rules and procedures, the national database of errors and irregularities contributes to a reduction in appeals and remedy procedures related to the non-compliance of contracts, thereby reducing the administrative burden.

Key success factors and potential pitfalls

Design an effective process for inputting and analysing errors and irregularities

It is essential that the process for feeding the database with audit findings and analysing those findings is streamlined in such a way that it balances effectiveness and speed, and does not place too much burden on the body in charge of this process. Implementing the Once-Only Principle is very valuable in this regard.

Excessively legalistic jargon

To make the analysis of errors and irregularities accessible for users, it is important to avoid excessively legalistic analysis and language. Instead, the analysis of errors and irregularities should make use of simple language and focus on providing practical information to users.

Implement the Once-Only Principle

If the database is not designed according to the Once-Only Principle, information related to errors and irregularities must be inputted and analysis must be carried out, thus shifting the administrative burden to the body in charge of managing the database.

Related Good Practices

- Develop procurement risk assessment tools
- Voluntary oversight of procurement procedures

Case Study

Italy – SIDIF Database of the Italian Court of Auditors

All MS are required by law to report on a quarterly basis to the European Commission all detected errors and irregularities related to Cohesion Funds exceeding EUR 10,000⁵ via the European Anti-Fraud Office (OLAF). Since 2009, OLAF has made the submission of this information possible through its Irregularity Management System (IMS) database, which is available to all MS. Italy has been a pioneer in using the IMS system.

The Court of Auditors, which at that time was struggling to identify reliable national data on errors and irregularities, established a close relationship with OLAF and was granted direct access to the IMS database, of which it is also an observer. A collaborative exchange was thus initiated and the Court of Auditors is currently the only national institution that has access to the OLAF IMS system.

In 2010, as information needs regarding errors and irregularities have increased, the Court of Auditors deemed it necessary to create an independent database in order to perform specific analyses addressed to its audit and jurisdictional functions. The Court of Auditors therefore created the SIDIF (Community irregularities and fraud information system) database using the data collected by OLAF, and further organised the data. The database contains various elements, including the subject of the data, the identification of the funds, the irregular amounts, the amounts recovered, the litigation procedures in place, precautionary measures undertaken, and other statistical data. For each error type and audit authority, the database shows the number of errors detected, according to: irregularities, fraud, suspicion of fraud, linked EU funds, programming period, irregular amounts, amounts recovered/to be recovered, financial corrections, practices linked to irregularities, authority that identified the fraud or irregularity, and name of beneficiary.

The database is a useful tool for monitoring public procurement audit errors and irregularities, as well as a means of performing analysis and identifying trends. Since the practices that have caused the irregularities can be verified, the database further serves to carry out risk analysis that can allow corrective and preventive actions to be undertaken with regard to both practices and types of errors. In addition, the Italian Court of Auditors uses its database irregularities as a risk assessment tool in the field of public procurement.



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¹ Latvia State Audit Office, "Report to the Contact Committee of the heads of the Supreme Audit Institutions of the Member States of the European Union and the European Court of Auditors on the parallel audit of analysis of (types) of errors in EU and national public procurement within the Structural Funds programmes", see: http://www.lrvk.gov.lv/uploads/reviziju-zinojumi/2014/2.4.1-25_2014/057_wg_sf_final-report_en.pdf ² European Court of Auditors, "Efforts to address problems with public procurement in EU cohesion expenditure should be intensified" (2015), see: http://www.eca.europa.eu/Lists/ECADocuments/SR15_10/SR_PROCUREMENT_EN.pdf ³ *Ibid.*
⁴ Latvia State Audit Office, "Report to the Contact Committee of the heads of the Supreme Audit Institutions of the Member States of the European Union and the European Court of Auditors on the parallel audit of analysis of (types) of errors in EU and national public procurement within the Structural Funds programmes", see: http://www.lrvk.gov.lv/uploads/reviziju-zinojumi/2014/2.4.1-25_2014/057_wg_sf_final-report_en.pdf ⁵ Commission Regulation (EC) No1681/94