



Extract from the report to the
Public Accounts Committee on
procurement under the Ministry
of Culture

January
2016

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Introduction and conclusion

1.1. Purpose and conclusion

1. This report concerns procurement by six institutions under the Danish Ministry of Culture.

Rigsrevisionen has previously reported on the government's use of consultants (report no. 20/2013) and procurement at institutions of higher education (report no. 20/2014).

The purpose of the study is to assess whether the institutions achieve value for money in their procurement. *Value for money in procurement* is achieved when the institutions scan the market before buying and, for instance, obtain quotations from several suppliers and buy standard goods and services across the institution.

The report answers the following questions:

- Is procurement by the institutions carried out in compliance with relevant principles for public administration, current legislation and guidelines for procurement of goods and services, and building and construction projects?
- Are the institutions and the Ministry of Culture managing and following up on procurement in a manner that supports achievement of value for money?

CONCLUSION

The study shows that neither the department of the Ministry of Culture nor *Koncern Udbud og Indkøb* (procurement support office under the ministry) monitors procurement at the individual institutions or across the department. Overall, it is Rigsrevisionen's assessment that the department of the Ministry of Culture, *Koncern Udbud og Indkøb* and the institutions should more effectively manage and follow up on activities in the area to secure that procurement delivers value for money and is executed in accordance with relevant rules.

In the sample, close to every fifth procurement transaction had not been carried out under the government's mandatory framework agreements. Rigsrevisionen is of the opinion that not only the cultural institutions, but also the government in general, may miss opportunities to secure better prices if the institutions do not use the framework agreements, since the discounts that the government can obtain from the suppliers depend on the volume of the aggregate demand. It follows that Rigsrevisionen recommends that all government institutions should follow the Danish government's Central Procurement Programme.

The six institutions that are examined in this study are:

- The Royal Library
- The Royal Danish Theatre and Orchestra
- The Agency for Culture¹⁾
- The Danish National Archives
The National Gallery of Denmark
- The Agency for Palaces and Cultural Properties¹⁾.

¹⁾ The Danish Agency for Culture and the Agency for Palaces and Cultural Properties were merged into the Agency for Culture and Palaces on 1 January 2016.

In overall terms, the principles for public administration concern good administrative practice (the doctrine of abuse of power). These principles must be complied with irrespective of the provisions of the EC directives on tendering, the Danish Act on Tendering Procedures, treaty norms or other principles. In accordance with general and unwritten administrative principles, all administrative authorities acting as contracting bodies must ensure that their actions are not subsequently questioned. For instance, procurement decisions must be made on an informed basis and appropriately documented in this respect. The contracting body must also ensure that contracts are entered with the suppliers that provide the right quality at the most cost-effective price, which generally means that the contracting body should scan the market before placing an order.

Source: The Danish Competition and Consumer Authority.

Half of all the procurement transactions in the study were not executed by the institutions in compliance with the relevant regulations of the EC directives on tendering and the Danish Act on Tendering Procedures. The institutions have found it particularly difficult to comply with the requirement to advertise contracts for goods and services with a value above the threshold of DKK 500,000 and they have failed to do so in two out of three procurement transactions. This is considered very unsatisfactory by Rigsrevisionen. It should be noted that The Royal Library and the Agency for Culture and Palaces have not neglected to comply with the regulations of the EC directives and the Act on Tendering Procedures to the same extent as the other institutions in the study.

Important actions and decisions were not documented for one in every third procurement transaction, and the inadequate documentation had demonstrably on several occasions worked to the disadvantage of the institutions, because it was impossible for them to determine whether the goods or services provided by the supplier were up to the standard agreed.

Rigsrevisionen is encouraged by the fact that the Ministry of Culture has worked out common guidelines for procurement of goods and services, which include recommendations to expose also purchases below the threshold values indicated in the tendering act to competition. However, the study shows that the ministry's guidelines are only to a minor extent followed by the institutions. The institutions are not legally required to expose procurement below the threshold values to competition, but in the opinion of Rigsrevisionen, they would be able to secure better value for money if they decided to do so. Rigsrevisionen finds that the Ministry of Culture should ensure compliance with the common guidelines, which should also cover building and construction projects.

Rigsrevisionen also finds that Koncern Udbud og Indkøb would benefit from being more active in its approach to procurement since the study has identified a number of areas with a potential for savings, if common procurement agreements are entered with the suppliers. Koncern Udbud og Indkøb could thus, to a larger degree than now, contribute to ensuring that the principle of value for money is applied to the procurement of standard goods and services.

The Ministry of Culture will impress on the institutions the need to comply with current regulations concerning procurement and EC tenders, and follow the guidelines on procurement issued by the ministry in order to ensure sound financial management and improved documentation of transactions. All the institutions have informed Rigsrevisionen that they agree with the conclusions and recommendations in the report and that they will specify more clearly the regulations and documentation requirements to their procurement staff.

It is Rigsrevisionen's assessment that this and previous studies demonstrates that the government institutions need to focus on procurement in order to ensure sound financial management and compliance with current regulations.