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The government's use of joint public sector procurement frameworks

1. Introduction and conclusion

1.1. Purpose and conclusion

1. The Danish government's annual spending on goods and services is significant. Since 2000, a government procurement circular has instructed the public sector institutions to procure specific goods and services under joint public sector framework agreements (framework agreements). The Ministry of Finance estimates the annual value of procurement that flows through these agreements at approx. DKK 5 billion.

A framework agreement is a commercial agreement made for a specific period between the government and one or several suppliers. With the agreement, the government commits to buying specific goods and services from the contracted suppliers, and the suppliers commit to providing the goods and services in a specified quality and at a specific price. This type of agreement is generally entered into when standard goods and services meet the requirements of the government across the public sector. Frequently, procurement of this nature will be recurrent like office supplies, telephones, computers and cleaning. In 2023, 32 framework agreements with commercial suppliers were available to the public sector.

The purpose of the framework agreements is to obtain better prices and terms for the government. If the ministries fail to procure goods and services through the framework agreements, the government may not achieve value for money in the procurement of goods and services.

No statistics is available on the extent to which the ministries actually procure goods and services under the framework agreements (goods and services compliance). The Danish Agency for Public Finance and Management records only the extent to which the ministries buy from the contracted suppliers (supplier compliance).

2. The purpose of the study is to assess whether purchases made by five selected ministries have to a satisfactory extent been made through the framework agreements. The report answers the following questions:

- Have the ministries procured goods and services through the framework agreements, as they are required to?
- Have the ministries established procedures that facilitate utilisation of the framework agreements?

Joint public sector framework agreements

In the Circular on Public Sector Procurement, these agreements are referred to as Centralised Coordinated Agreements. The agreements can be set up by the Danish Agency for Public Finance and Management, by SKI (a government and municipal procurement service unit) and others as arranged. SKI and the Danish Agency for Public Finance and Management are responsible for the majority of the agreements.

Definition of procurement

In this report, the term "procurement" is used to describe the process from placing an order with a supplier to receipt of the goods or services and payment.

The five ministries

The five selected ministries are:

- The Ministry of Justice
- The Ministry of Finance
- The Ministry of Industry, Business and Financial Affairs
- The Ministry of Culture
- The Ministry of Food, Agriculture and Fisheries (the Ministry of Food).

Carrying out the examination required manual categorisation of every individual purchase made. This explains why the examination covers only five ministries. The five ministries are, however, among the ministries that are spending most on procurement.

Rigsrevisionen initiated the study in March 2023.



Conclusion

Two out of the five ministries examined in the study that have procured goods and services under the framework agreements have done so to a satisfactory extent. The remaining ministries have not. This is not satisfactory. The consequence is that the government does not fully realize the savings potential of procurement under framework agreements.

The Ministry of Justice and the Ministry of Finance have procured goods and services under the framework agreements to a great extent. The Ministry of Culture, the Ministry of Industry, Business and Financial Affairs and the Ministry of Food have done so to a lesser extent

Approx. 95% and 98% of all procurement by the Ministry of Justice and the Ministry of Finance, respectively, was executed under the framework agreements, in compliance with the public procurement rules. Twenty-six per cent of all procurements by the Ministry of Culture were not executed under the agreements, as the ministry was required to. Approx. 18% and 19% of the Ministry of Food and the Ministry of Industry, Business and Commercial Affairs' procurements, respectively, were not made under the agreements. The statement is based on a sample and is, therefore, subject to some uncertainty.

The majority of the ministries have established procedures that facilitate the utilization of the framework agreements

With the exception of the Ministry of Justice, all the examined ministries have established joint procedures that inform the department and underlying institutions of the agreements and the public procurement rules.

The Ministry of Justice, the Ministry of Food and the Ministry of Culture have monitored the utilisation of the contracted suppliers. The Ministry of Finance has not established a fixed procedure, but has monitored the utilisation on an ad hoc basis. The Ministry of Industry, Business and Commercial Affairs has not monitored the utilisation of contracted suppliers.

None of the ministries check whether the institutions actually buy the goods and services covered by the agreements.

The Ministry of Culture, the Ministry of Industry, Business and Commercial Affairs and the Ministry of Food, which have used the agreements to a lesser extent, should investigate more effective ways of ensuring procurement under the agreements.