



Extract from the report to the
Public Accounts Committee on
the Danish Defence's procurement
process for major defence equipment

December
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I. Introduction and conclusion

1. The report is about the procedures that govern the Danish Defence's procurement of major defence equipment. Rigsrevisionen's report no 6 from 2009 pointed – like several preceding reports – to problems concerning the Danish Defence's procurement of major defence equipment, which frequently turned out more expensive, delayed and of slipping quality.

The Ministry of Defence has since 2010 taken several steps to improve its procurement process for major equipment, including more stringent supervision of equipment projects and increased focus on project management. In respect to the latter, the Defence has now implemented the project management system PRINCE2. In a memorandum to the Public Accounts Committee of 7 May 2010 on the Defence's procurement of major equipment, Rigsrevisionen stated that it intended to follow progress in the area. Rigsrevisionen has therefore launched this examination in March 2013.

PRINCE2 is an acronym for PRojects IN Controlled Environments, version 2. PRINCE2 is a process-based method for project management developed by the British Office of Government Commerce.

2. The purpose of the examination is to assess whether the Ministry of Defence has improved its procurement of major equipment. The report answers the following questions:

- Has the Ministry of Defence improved its procurement process?
- Has the Defence established procedures to follow up on project procurement processes after the equipment has been delivered?

MAIN CONCLUSION

The Ministry of Defence has since 2010 worked to strengthen its procurement process for major equipment. Efforts have included implementing an extensive project management system designed for procurement of equipment, and expanding Defence Command Denmark's quarterly status reports on procurement projects, which provide an important basis for the department's supervision of defence procurement. The ministry has also defined and included performance targets for procurement of major equipment in the department's performance contract with Defence Command Denmark. Last, the ministry has worked to minimise the uncertainty attached to the information provided in the applications for funding that are submitted to the Danish Finance Committee.

However, Rigsrevisionen is of the opinion that the procurement process for major equipment can be further improved.

The Ministry of Defence started the development of the project management tool in response to problems encountered in the past with procurement of equipment. Rigsrevisionen's examination showed that individual and essential parts of the system have not yet been fully developed. Rigsrevisionen is also of the opinion that the Defence should develop guidelines for overall evaluation of individual procurement projects after deployment of the equipment. The Ministry of Defence will consider implementing elaboration of cost benefit reports as a project requirement. Rigsrevisionen's audit of four on-going procurement projects has shown that the project management tool is not applied consistently. Rigsrevisionen finds that the Defence should ensure that the organisation apply the project management system actively and consistently.

The quarterly status reports on procurement projects are essential for the ministry's supervision of the Defence's procurement of equipment. Rigsrevisionen finds that the quarterly status reports can be further improved. The guidelines for elaborating status reports should be amplified and the reporting practice tightened up.

The Ministry of Defence has taken various steps to minimise the uncertainty attached to the information provided in the funding applications concerning procurement of equipment. The ministry has decided that in the future, the nature of the individual procurement project will determine when the application should be submitted to the Finance Committee, i.e. before or after the call for tenders. Rigsrevisionen finds that when funding applications are submitted to the Finance Committee before the call for tender, it should be clarified that the information on project timing, costs and quality is subject to uncertainty. Rigsrevisionen also finds that the ministry should include information on the total costs of the projects in the funding applications.

Rigsrevisionen's audit of the projects showed that – at the time of the audit – all four projects were on budget, but the quality requirements (scope) of one of the projects had been slightly reduced and another project was expected to be delayed for four years.

Time concerns delivery and deployment within the planned time frame.

Costs concern the costs of the procurement compared to the budget.

Quality concerns the equipment's ability to meet the defined requirements in terms of, e.g. functionality, reliability and number of units.