Public Audit Report
Lithuanian Road Administration Construction Works Purchase

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Vilnius

Summary

Audit started 2009-04-20
Audit concluded 2009-12-23

Full report in Lithuanian is available at the
National Audit Office internet site www.vkontrole.lt

When conducting this audit we aimed to determine whether there are weaknesses in the area of public procurement of construction works and to propose possible solutions for improving this area. The audit was conducted in the Lithuanian Road Administration under the Ministry of Communications and the Public Procurement Service under the Government of the Republic of Lithuania. We also communicated with the Ministry of Environment and the Ministry of Economy.

During the audit we determined that development of recommendations for estimated prices of construction works is not controlled either by the Ministry of Environment or the Certification Centre of Building Products. As a result state institutions cannot guarantee correctness of those rates although all the state, municipal and other expenses related to construction works are planned on the basis of those rates. In addition, project designers may amend those rates unrestrictedly therefore there is an increasing risk that construction cost rates estimated this way may differ from average market rates. This reduces accuracy of customer investment planning.

We recommended the Ministry of Environment to ensure justification of recommendations for registered estimated prices of construction works and legal regulation of classification and standardisation of recommended prices of construction works to avoid differences between recommended prices and prices proposed by project designers for the same work. At present estimated prices of construction works do not have influence on purchase results therefore purchasing organisations establish acceptable prices for each construction works purchase.

This shows that different purchasing organisations might purchase the same works at different prices and those prices might be unrestrictedly higher than estimated ones. Besides, project expenditure estimates are not always recalculated following the most recent rates. In such a situation risk arises that a purchasing organisation might often have insufficient funds to pay for the works it intends to purchase or that it might allocate too much funding for a specific project.

We recommended the Lithuanian Government to determine a legal obligation for purchasing organisations to purchase construction works at prices that are not higher than estimated prices and to always recalculate expenditure estimates following working recommendations for estimated prices of construction works.

The Public Procurement Service evaluates public procurement from the point of view of legality. The existing legislation regulates only procurement stages from announcement to contract conclusion, therefore other stages, for instance, construction works estimation, correspondence of contract performance to purchase results and other issues stay beyond control. We proposed the Ministry of Economy to initiate adoption of legal acts ensuring systematic monitoring and control of public procurement from initiation of purchase to conclusion of contract, payments and implementation of warranty obligations.

During the audit we determined that project consolidation by combining works in objects performing independent economic and/or technical functions or sites that are in far distance from each other prevent small and medium foreign and national contractors from submitting offers for such tenders. Abandonment of such practice would allow increasing construction works supply and thus providing possibilities to reduce contract price and increase efficiency of public procurement.

Besides, the Lithuanian Road Administration limited the scope of sub-contraction in all the public procurement documents what prevented small and medium contractors from participation in tenders. It is not appropriate to include customer reserve funds into supply offers and into the contract price because customer reserve funds might be used only to pay for the works that are not envisaged in the project however necessary to perform and those works are not known in the process of procurement.

We recommended the Public Procurement Service to determine a legal obligation for purchasing organisations to provide possibility for suppliers to submit a separate offer for each object performing independent economic or technical function, to regulate supplier qualification check in such a way as to prevent purchasing organisations from artificial restriction of competition by limiting the scope of sub-contracting and to define that customer reserve funds would not be included into the price of construction works contract.