



AUDIT  
OFFICE



REPUBLIC  
OF CYPRUS

## **AUDIT OF TENDERS DURING THE COVID-19 PANDEMIC**

### **Purchase of COVID-19 Rapid Antigen Detection Test with the Method of Immunochromatography Executive Summary**



**AUDIT OFFICE OF THE REPUBLIC  
SPECIAL REPORT no. YY/02/2021**

**22 April 2021**



AUDIT  
OFFICE



REPUBLIC  
OF CYPRUS

## **AUDIT OF TENDERS DURING THE COVID-19 PANDEMIC**

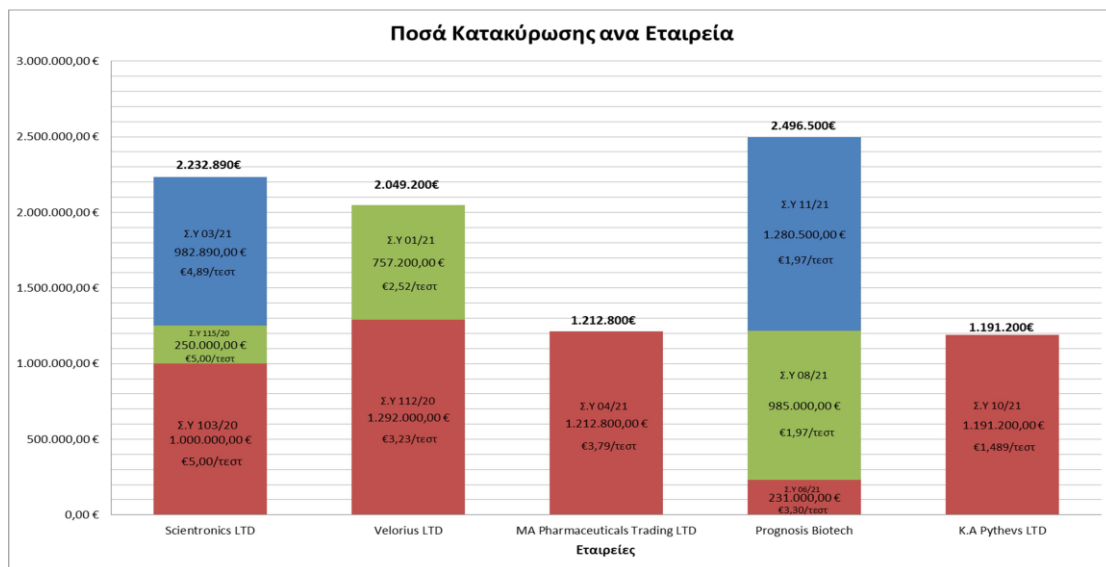
# **Purchase of COVID-19 Rapid Antigen Detection Test with the Method of Immunochromatography Executive Summary**

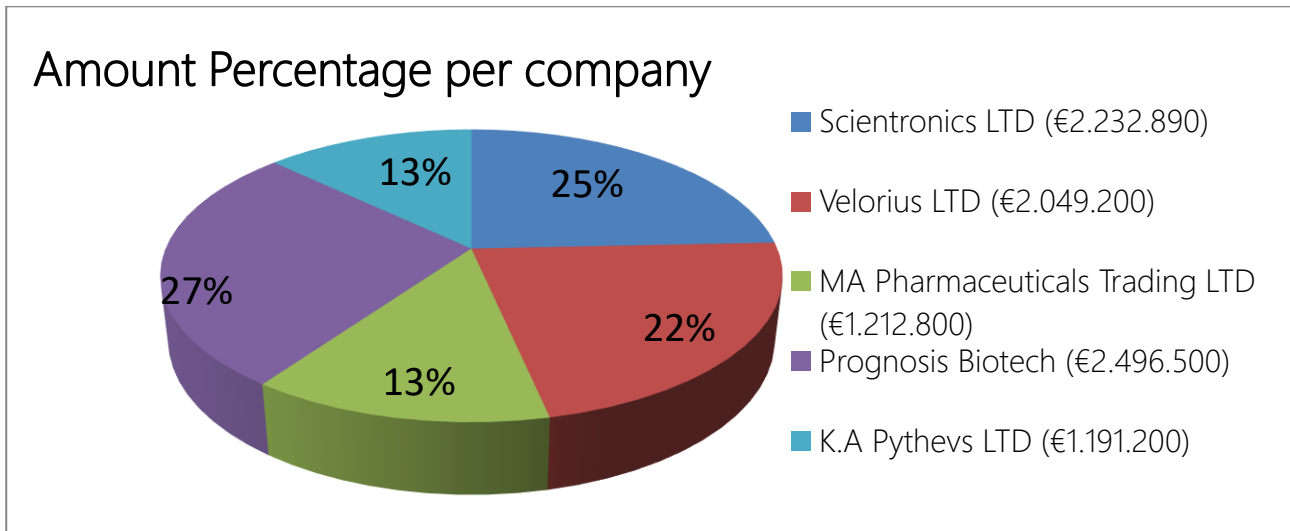
### **AUDITED ENTITIES**

Ministry of Health

## Executive Summary

For the purchase of COVID-19 rapid antigen detection test with the method of immunochromatography during the second period of the pandemic outbreak, the Purchasing and Procurement Directorate (PPD) of the Ministry of Health (MH), as the Contracting Authority (CA), has conducted 12 tenders/programs until the day of the audit, of which nine with the negotiation process on the basis of invoking the urgency that had arisen and three with the open procedure. According to the data submitted to our Office by PPD, until the day of the audit, nine contracts had been awarded upon negotiation and one of the three by open tender, for a total of 3,491,000 tests. Their value amounted to €9,182,590 in total, Including the options. The contracts were awarded to five different companies/suppliers, as analyzed in this Report and as shown in the graphs below:





From the study of the procedures followed for the 12 programs we investigated, we found that the PPD of the MH has satisfactorily followed and applied the procedures provided for in the relevant public procurement legislation for such exceptional circumstances, yet there are our individual comments/findings recorded for each program separately. We believe that with better management of the individual issues/omissions identified for each tender and analyzed in this Report, greater competition and equal treatment of stakeholders and possibly lower prices from the outset could possibly be ensured. Our above finding is reinforced by the result of the only open tender which was awarded by PPD in March 2021, in which its award price (€1.489/test) was about 24% lower than the lowest awarded price of nine negotiation procedures (€1.97/test), as well as 53% lower than the average bid price (€3.17/test) and 50% lower than the average cost per test, based on the total quantities (€2.97/test) of the negotiation procedures. It is noted that the PPD had announced, among the negotiation procedures, another open tender at the end of December 2020, which, however, was canceled in mid-February 2021, which affected its subsequent actions.

Of the nine tenders conducted through the negotiation process, for seven of them the Contracting Authority (PPD) had requested a bid from more than one economic operator, which helped to ensure even the minimum competition, which resulted in a gradual -under the circumstances- reduction in the prices, keeping them low over time. It is noted that similar conditions such as the current pandemic, as a rule, do not favor competitive prices if an CA does not act by applying, as far as possible, the principles that should govern public procurement.

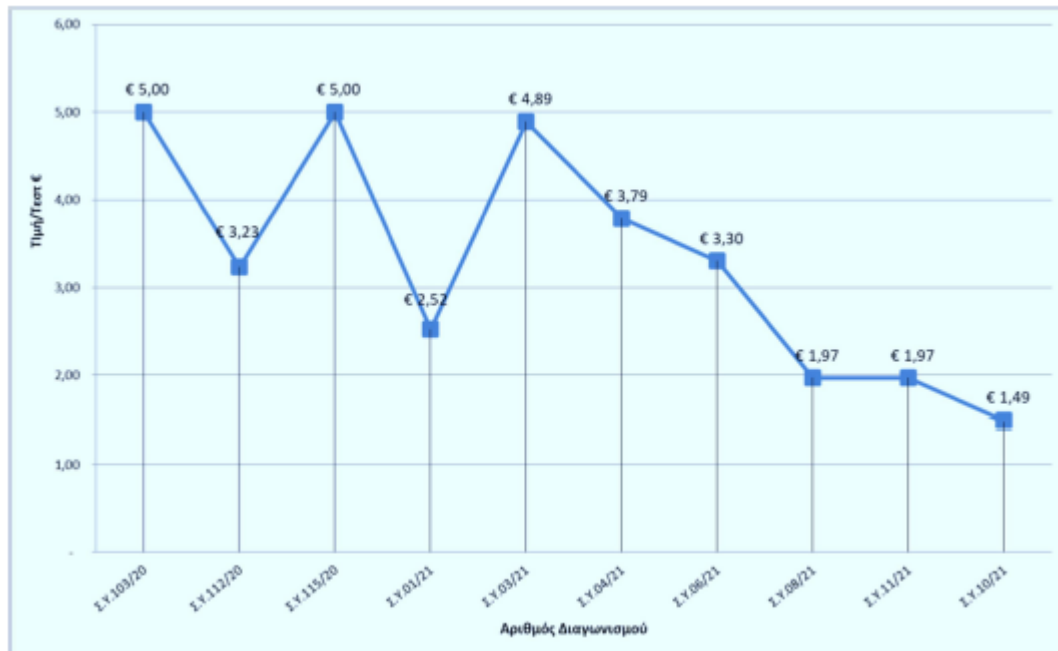
As the MH informed us, Cyprus is one of the first countries to have implemented a population control with rapid COVID-19 antigen test, since November 2020. The development of the technology of these tests by the manufacturing companies and their evolution to be reliable for use, occurred gradually. In view of the lack of data on the reliability of the rapid detection tests available on the market, the product specifications recommended by the World Health Organization (WHO) were initially used. Later, with the use of tests on a daily basis, the specifications improved and CA succeeded in procuring tests from 5 different manufacturers.

An important role in the actions of PPD resulting to such a large number of negotiation procedures, as evidenced by the facts, was played by the pressure caused thereto by the political decisions on the management of the pandemic, which were directly related to the increased and urgent supply needs of the testes in question, which however are not judged/examined in this Report.

According to the audit, over a period of four months (October 2020 - February 2021) the prices procured per test, which were assigned to four different companies/suppliers, even through negotiation procedures without a tender notice, were reduced by approximately 60%, taking into account the highest (€5.00/test) and the lowest (€1.97/test) price to which the assignment was made with the above procedure, until the completion of the audit.

The fluctuation of the purchase prices of the tests in question is recorded in the graph below, which shows the descending trend over time, and the further decrease in the last tender which took place with the open procedure:

#### **Awarded prices/rapid test over time**



Some fluctuations in prices are observed in cases where there could not be submitted more than one bid, confirming the finding that even minimum competition helped to constrain and reduce prices, since in cases where there were even two bidders, prices were reduced, unlike cases where a price was only claimed or only one economic operator participated.

As the MH informed us, the fluctuation of the purchase prices compared to the quantities, for the purchases made with the negotiation process, is recorded in the graph below, which shows the small quantity of tests that was procured at the price of €5.00/test. We were also informed that until the full development of the strategic plan for dealing with the pandemic, a smaller quantity was supplied since over time the gradual reduction of prices has been proven in many similar cases. Indicatively, they told us that, in the case of the tests in question, if it was decided to purchase the entire quantity of 2,691,000 tests with the first tender S.Y.103/20, which were purchased with the successive negotiation procedures, then based on the price of €5/test of this tender they would cost €13,455,000, instead of €7,991,390 that they have actually cost, based on the weighted average price of the negotiation procedures which amounts to €2.97/test (Table 2 in the Annex is also relevant to this Report).



For the sake of completeness of the total cost of these programs, we report that, based on data submitted to us by PPD, by the day the audit was completed, nine contracts on the hiring of services had been awarded by mobile rapid antigen sampling units for COVID-19. The total value of these contracts amounts to €11,809,100 + VAT, which is indicative, since the final cost depends on the total number of tests that will be performed by these units. The above procedures may be investigated separately by our Office, and if deemed appropriate/necessary the results will be included in a separate Report.

Regarding the quality controls of the tests in question, according to the MH, a check is made upon their receipt by the competent Receiving Committee, whether the product (code) received is the same as the awarded product, while for the control for which a large number of samples is required, the tests are initially given to specific workshops, in which the Ministry closely monitors the implementation process and their results. According to the MH, for the control of these tests, the true value lies with the determination of their positive value, a process which is done per manufacturer and, the instructions in the examination teams are the repetition of the positive results with a second rapid antigen detection test, from different company, for confirmation purposes.

An investigation in this Report was also made for complaints and publications, concerning the process of awarding and executing the contracts of the company VELORIUS LTD, which concerned

allegations for favorable treatment of the company in question by the MH, its ownership status, as well as and the suitability of the products it had offered. From the investigation we found that, regarding the process of awarding and executing the contracts, the PPD applied the relevant clauses regarding the penalty for the delay from the payments of the first contract with the said company. We also investigated the issue of problems presented by a portion of the tests delivered by VELORIUS LTD during the execution of its second contract, for which, as described in this Report, actions were taken for their control by PPD, in collaboration with the Competent Authority of Medical Equipment of the MH. Finally, after control and acceptance by the Competent Authority of Medical Equipment and after modification of the instructions of use by the manufacturer, these tests have been used and the initial quantity of 150,000 tests has been paid, while the quantity of 150,000 tests of the option has been received and used, with their payment pending until the day of completion of this audit.

In addition to the above, throughout the period of inspections carried out regarding the suitability of the products of this company, we found that PPD had excluded the said company from five negotiation procedures.

Finally, based on the audit carried out by our Office through the Registrar of Companies, within the framework of the responsibilities provided thereto by the current legislation, no participation has been ascertained in the ownership status of this company other than one, which is the sole shareholder, director and secretary of the company.

We note that any documented information / data to the contrary should be submitted to be investigated by another competent State Service, which has the legal capacity to do so.

Finally, complaints that were submitted to our Office by citizens during the preparation of this Report, that while they had once done the report in question, they received more than one result on their mobile phone or, while they had not done any examination, they received results on their mobile phones, were sent to the Ministry of Health/PPD for investigation.

As the MH informed us, during the investigation of the incidents of sending a message without conducting a test, it was found that an incorrect telephone recording had been made and, therefore, the message was received by another recipient and not the person who performed the test. Also, controls were found on minors or people with disabilities, for which the number of the parent/guardian was recorded. Because the process of registering the phone is in an examination form



and then the number is transferred to an electronic file and bulk messages are sent, there is a possibility of incorrect transfer of the numbers.

We suggested that strict controls and safeguards be applied when paying for services provided by mobile sampling units. Similar suggestions had been made by our Office and had been adopted by the MH for the payment of the molecular examinations for COVID-19 (the Special Report of our Service no. YPYG/01/2020 is relevant), to avoid paying for exams that have not been conducted, and similar and significant deductions had been made.

During the preparation of this Report, from the investigation of such a complaint, the MH, applying thoroughly and in-depth examinations of all the files submitted, as the service provider were obliged, made a complaint to the Police of a specific service provider of these tests, while he was also sent to the Law Office of the Republic for an opinion for further measures against him.