



AUDIT
OFFICE



REPUBLIC
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PERFORMANCE AUDIT ON THE PROCUREMENT PROCESS AND CONTRACT MANAGEMENT OF IT PROJECTS

Executive Summary



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AUDITED ENTITY

Department of Information Technology Services

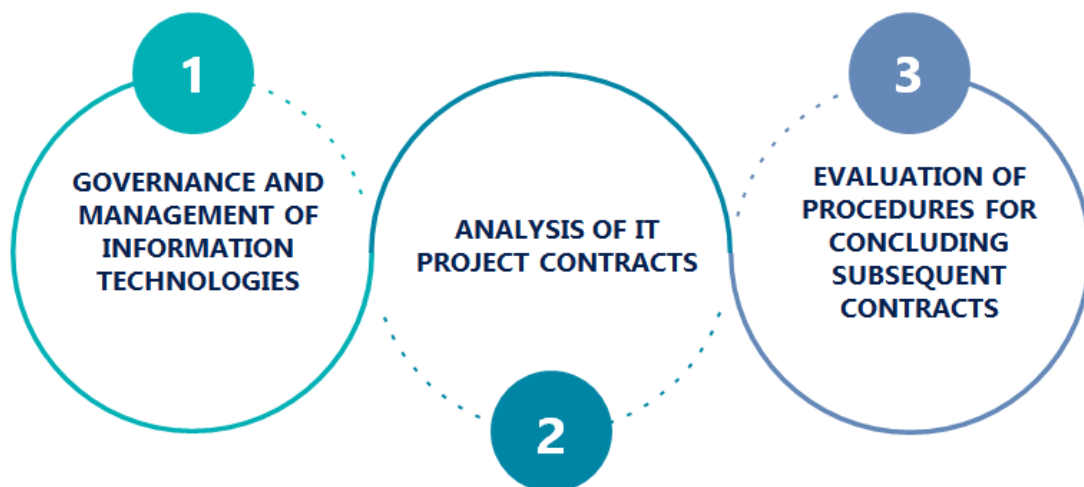
Executive Summary

The Department of Information Technology Services (DITS) is the responsible Governmental Body for issues related to the promotion and implementation of Information Technology in the Public Sector. Our Office, in the context of the sample audits of documents of procurement of works and IT services it carries out, observed that, in several cases, contracts after the initial award for upgrading or extending or purchasing additional IT services are awarded directly to the Contractors of the original contracts, without a competition procedure.

In most of the above cases, the desired result in terms of price and quality is not achieved, which, at first sight, stems from the weak negotiating position in which the State is to be found, as a result of the lack of competition, due to its dependence on the Contractor.

The purpose of this audit was to establish a representative sample of the contracts referred to in order to verify whether the direct award of subsequent contracts to the Contractors of the original contracts is the standard practice of the Department and then to assess whether this practice is the most effective, efficient and economical option to achieve the objectives set in each case.

The audit was divided into the following three sections.



In Section 1 we evaluated the framework in which IT projects are promoted, planned, implemented, maintained and upgraded in the public sector, as well as the role and responsibilities of the stakeholders.

In Section 2 we collected contract data and carried out a statistical analysis in order to draw general conclusions.

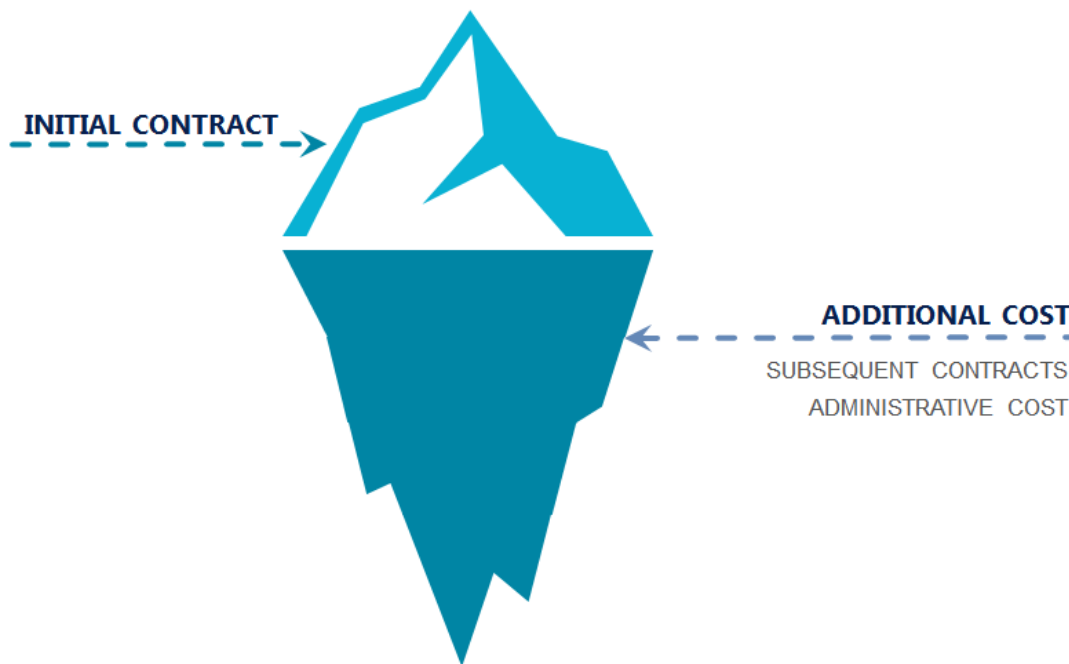
In Section 3, after determining the audit sample, we assessed in each case whether the direct award of subsequent contracts to the original Contractor was the most economical, efficient and effective option.

The main challenge and time-consuming process of the audit was to obtain the necessary data and documentation relating to the contracts of all Information Systems (IS) used in the public sector.

The audit was carried out between June 2018 and January 2020. It is noted that meanwhile on 1 March 2020 the Deputy Ministry of Research, Innovation and Digital Policy (DMRID) was established, to which the DITS was transferred, while retaining all of its existing responsibilities. Therefore, the conclusions, findings and recommendations resulting from the audit relate to the DMRID.

Our audit shows that the use of non-competitive procedures in cases of upgrading/expansion of IT systems should, as far as possible, be avoided, as this is usually not the most efficient, effective and economical option.

In most cases the duration and cost of the original contract are not representative of the real lifespan of an IT project, resulting the DITS resorting to the conclusion of a large number of subsequent contracts with the same Contractor following the negotiation procedure.



Although the use of the negotiation procedure is in some exceptional cases legitimate, our audit nevertheless shows that in practice this procedure is abused, without achieving the best results in the public interest.

At the same time, the weaknesses identified in the context of the governance and management of information technologies hinder the effective management of IT works.

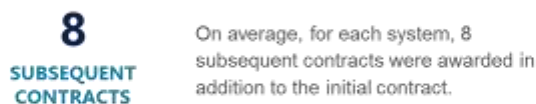
From the evaluation of the governance framework we found the following

	IMPLEMENTATION OF PROJECTS	Progress in implementing new IT projects remains low.
	STRATEGY	IT projects are implemented piecemeal and do not fall within an approved broader strategy framework.
	PERFORMANCE INDICATORS	There are shortcomings and weaknesses in performance indicators.
	PROCEDURES	We found shortcomings and weaknesses in IT procedures.
	ORGANIZATIONAL STRUCTURES	The organizational structures and responsibilities of the bodies involved in the implementation of IT projects are not well defined.
	BUDGET	The IT Budget of the Central Government is not uniformly managed.
	SECURITY AND INTEROPERABILITY	The Security Policy and the National Interoperability Framework have not been formally adopted and are not systematically implemented.

Compared to the overall life cycle of a system the initial contract was

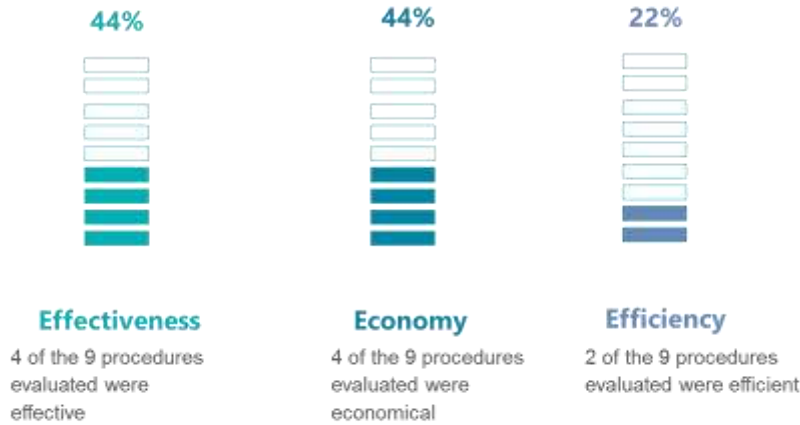







For each system the following are signed



For the subsequent contracts of a system it was found that



Evaluation results of 9 subsequent contracts

Reasons for low rating

-  Insufficient definition of requirements and schedules.
-  Invoking non-objective technical reasons.
-  Insufficient consideration of alternatives.
-  Use of non-objective criteria to estimate the cost of the contract.
-  Long procedure completion time.
-  Failure to achieve an optimal price, in relation to the subject of the contract

1.1.1.1 The most important recommendations of the audit are the following:

- ◆ The DITS should review its standard practice of limiting the duration of maintenance contracts to 5 years. The duration of contracts shall be determined separately on a case-by-case basis, on the basis of the expected lifespan of the system.
- ◆ The calculation of the Objective Cost Estimate (OCE) should be made on the basis of prices obtained from previous contracts with the same Contractor, other similar contracts and market research.
- ◆ The DITS shall define a uniform change process for existing systems (e.g. cases of modifications, upgrades, extensions).
- ◆ The DITS shall systematically adopt and implement appropriate standards and procedures to ensure the use of open communication technologies/protocols, the safety and interoperability of IS in the public sector.
- ◆ The owners of the existing IS (Government Departments), with the help of the experts of the DITS, should clearly define their requirements for modifications, upgrades, extensions of their systems, so that the competent body that will decide on the procedure to be followed, takes a decision on the basis of full and correct information.
- ◆ Where, following the decision to resort to the negotiation procedure for amending, upgrading and/or extending an existing IS, changes arise from the original requirements, the DITS shall apply a uniform procedure for assessing the impact of such changes and, if necessary, re-evaluate the original decision.

- ◆ The DITS shall establish performance indicators for the implementation of procurement procedures aimed at minimising administrative costs and required contract signing schedules.
- ◆ Where the DITS requests approval for recourse to the negotiation procedure for modifications, upgrades and extensions of existing IS and relies on technical reasons, these shall be objectively substantiated and a comparison of all possible scenarios shall be provided.
- ◆ The DITS should review the limits set for carrying out a cost-benefit study to reflect the total costs for the entire expected lifespan of the projects.

In the recent decision of the Council of the European Union (EU) No. 8711/20 dated 9.7.2020, it was recognised that accelerating digital transformation will be an essential component of the EU's response to the economic crisis caused by the COVID-19 pandemic, which was also highlighted in the joint declaration of the members of the European Council of 26 March 2020.

At the same time, in the recent decision of the European Council EUCO 10/20, dated 21.7.2020, with regard to the enhanced Multiannual Financial Framework 2021–2027, it is foreseen that for the disbursement of funds from the Recovery and Resilience Mechanism, Member States will have to submit national recovery plans to the European Commission, which will contribute effectively to the country's digital transition. It is noted that, according to the decision, the amounts to be made available through the Recovery and Resilience Mechanism, totalling €672.5 billion, are committed for use in the period 2021–2023.

The above decisions show that digital transformation will be a key EU priority in the near future. In this context, our Office looks forward to making full use of the findings of the audit and adopting our recommendations, in order to immediately remove the distortions that exist, so as to ensure the maximum utilization of the above projects through the most appropriate procedures.