

**USE OF EXPERT SERVICES BY THE DEFENCE  
ADMINISTRATION**

The use of expert services within the sector of the Defence Administration has been increasing in recent years. The Defence Forces are the biggest procurer of expert and research services within the State administration: in 2003 they accounted for 13 per cent of all purchases of these services. The Defence Forces spent a total of over €7 million on expert and research services in 2003. The Ministry of Defence spent in excess of €1.6 million on these services the same year.

The audit theme was prompted by the observation that a considerable share of expert and research services are procured without being put out to tender.

The goal with the audit was to find out whether State funds had been used appropriately in the procurement of expert and research services and whether legislation on procurements is being complied with in these procurements.

The Ministry of Defence's disbursement office and three disbursement offices belonging to the Defence Forces were scrutinised during the audit. A total of 159 procurements were examined at these disbursement offices. The total amount of payments for procurements included in the material examined was €2,523,920.

With respect to specific procurements, the features examined were the commercial implementation of the procurement and whether it had been put out to tender. If the procurement had not been put out to tender, the ground on which a direct procurement had been made was ascertained. A summary of these grounds was compiled and served as part of the basis for discussions of procurements of expert and research services. These discussions focused on the commercial implementation of the procurement and examined the grounds on which the procurement had been made.

Of the procurements in the material audited, 31 or 19% had been put out to tender. Those procurements that had been put out to tender within three years were counted as belonging to this category. A total of 128 procurements or 81% had been made directly. The audit revealed that some of these direct procurements had been made from persons who had retired from the Defence Forces.

Another observation made in the audit was that expert services are procured as needed without making comparative calculations of the costs of procuring them relative to the costs of own activities.

On the basis of the audit, the State Audit Office took the view that the Defence Administration should issue guidelines setting forth when work

should be outsourced and when it should be done within an office as an official task. If sufficient expertise to perform a task exists within the Defence Administration, a comparison between outsourced and in-house work should always be made and favourability of cost used as one comparative criterion.

In addition, the State Audit Office emphasises that the Defence Administration must ensure that the legislative provisions on procurements are complied with when expert and research services are procured and that this is done also when these services are purchased from persons who have retired from the Defence Forces.