



**REPUBLIC OF KOSOVO
NATIONAL AUDIT OFFICE**

Document no: 21.8; 22.0.3 -2013/2015-08

**AUDIT REPORT ON
MANAGEMENT OF PROCUREMENT PROCESS ON ROAD
MAINTENANCE**

Performance Audit

Prishtina, June 2017

The Auditor General of the Republic of Kosovo is the highest institution of economic and financial control, which, according to the Constitution and domestic laws, enjoys functional, financial and operational independence.

The National Audit Office undertakes regularity and performance audits and is accountable to the Assembly of Kosovo.

Our Mission is to contribute to sound financial management in public administration. We perform audits in line with internationally recognized public sector auditing standards and good European practices.

The reports produced by the National Audit Office directly promote accountability as they provide a base for holding managers' of individual budget organisations to account. We are thus building confidence in the spending of public funds and playing an active role in securing taxpayers' and other stakeholders' interests in enhancing public accountability.

Performance audits are carried out to assess whether Government programs are managed appropriately, are cost-effective and efficient, and whether the systems for measuring and reporting their efficiency are functional.

This report assesses whether the road maintenance process is being managed in an economic and cost-efficient way.

The Auditor General has decided on this audit report on "Management of Procurement Process on Road Maintenance" in consultation with the Acting Assistant Auditor General, Vlora Mehmeti, who supervised the audit.

The report issued is a result of the audit carried out under the management of the Audit Director Fatlinda Ramosaj, supported by Arben Selimi (Team Leader) and Bahri Statovci (member).

TABLE OF CONTENT

Executive summary	5
1 Introduction.....	8
1.1 Audit Problem.....	9
1.2 Audit objective	10
1.3 Audit questions.....	10
1.4 Audit criteria	11
1.5 Audit scope and constrains	11
1.6 Audit methodology	12
2 Description of the audit field	13
3 Main findings	14
4 Conclusions.....	22
5 Recommendations	23
Annex I	24
Annex II.....	26

List of Abbreviations

AI	Administrative Instruction
BO	Budget Organisation
EO	Economic Operator
GTC	General Terms of the Contract
LPP	Law on Public Procurement
MI	Ministry of Infrastructure
MP	Municipality of Prishtina
NAO	National Audit Office
SM	Summer Maintenance
SWM	Summer and Winter Maintenance
TD	Tender Dossier
VfM	Value for Money
WM	Winter Maintenance

Executive summary

What have we audited?

This audit looks into the management of procurement process on road maintenance performed by the Ministry of Infrastructure and Municipality of Prishtina. The process includes planning (identification of needs), draft of the Tender Dossier, and recording of expenses in order to assess whether was achieved the value for money.

Roads are an important asset in economic and social aspect and they should be maintained to ensure normal movement of citizens. In order to ensure normal movement, every year the Assembly of the Republic of Kosovo allocates budget to Budget Organizations.

Budget Organisations implement this budget by entering into contract agreements with the Economic Operators. Mainly the road maintenance is secured with framework contracts, which enables organisations to order services as required. However, before entering a contract, organisations have to identify and plan estimated amount of work. These estimations should be part of the contract with which should be aimed minimisation of differences between the plan and the implementation.

During 2013-2015, budget organizations have spent over 31 million Euros on road maintenance. The Ministry of Infrastructure has spent the most with 29%, followed by the Municipality of Prishtina with 10%, and the rest by other municipalities.

The audit scope includes examination and comparison of road maintenance contracts implemented during 2013-2015, the Ministry of Infrastructure and the Municipality of Pristina. These two budget organizations are identified as the biggest spenders in this category.

Through this audit, we aim to increase the accountability towards responsible authorities related to management of contracts on road maintenance and provide recommendations on improvement of existing processes.

What have we found?

- Late initiation of procurement procedures had led to extension of contracts as well as additional work. Due to this, the Bill of Quantities did not match with implementation and as a result were incurred additional costs. In addition, based on our analysis, upon comparing prices of works carried out we have found in some cases that the winning Economic Operator turned out to be more expensive than other responsive unsuccessful operator.
- Merging summer and winter road maintenance in a single tender has laid out requirements that are difficult to achieve, which has reduced competition and risked achievement of value for money. In addition, the selection criteria were not in full compliance with the Public Procurement Law. In some cases were used relative terms and were not expressed in amounts (numbers).

- The Ministry of Infrastructure and the Municipality of Prishtina had prepared technical specifications relating to length and the required kilometres of road. However, the Ministry of Infrastructure has not specified the width of roads, while the Municipality of Prishtina had not specified the length of roads in the contracts for repairs of roads. This has caused confusion relating to complete expenses on road maintenance per kilometre. Therefore, the price differences between the Municipality of Prishtina and the Ministry of Infrastructure were significant. In addition, there were significant differences between the same items of contracts of the Ministry and the Municipality.
- The Ministry of Infrastructure and Municipality of Prishtina had awarded contracts without publication of tender. This is in disagreement with the Public Procurement Law which does not allow extension or renewal of framework contracts. With such action is threatened the principle of transparency, non-discrimination and equal treatment of Economic Operators, basic principles of public procurement.
- The municipality of Pristina had terminated two maintenance contracts on the grounds that the performance of operators was poor. However, it had not announced open procedures for publication of tender, but had awarded the contracts to Economic Operators who had a contract with the Municipality of Prishtina. Regardless, the fact that the situation could have an emergency situation, this does not justify the contract award without publication of the tender, particularly, when first indications of incompetence or lack of will to implement the contract were noticed much earlier.
- Ministry of Infrastructure and Municipality of Prishtina lack proper documenting on reporting and recording of works and expenses incurred. In some cases we found that there were no consistencies in reporting of expenses through stages. At times, they were accumulative and other times they just presented the amount of works performed within the reporting period.

What do we recommend?

- The Ministry of Infrastructure and Municipality of Prishtina should initiate all procurement procedures for road maintenance on time in order to avoid annex contracts. In this regard, they should take into account delays that may be caused by complaints filed by Economic Operators, so that contracts are signed on time and implementation begins on time.
- To adhere the Law on Public Procurement when awarding contracts and setting out selection criteria. To avoid awarding contracts without publication of tender and to avoid use of relative terms and they should be expressed in numbers. Technical Specifications/Bill of Quantity in addition to the length of road should also include the width so that the information on expenses is complete.

- For the Ministry of Infrastructure, to consider the possibility of dividing road maintenance into two tenders, one for summer maintenance and one for winter maintenance, in order to reduce the value of lots and that criteria for qualification are more achievable by the EO, thus stimulating competition. Qualification requirements should be relevant and compatible with the value of the contract.
- Periodic (stages) reports of works carried out should be accompanied with a summary report wherein will be reflected the quantity and the value of works carried out on each road. The final report of the season contains a comparison between planned and actual quantities with explanations on any potential differences between. Reports should be:
 - Consistent/standardised for each lot (contract)
 - Informative, namely should contain the quantity and the value of works performed and the road to which they belong.
- The good practice of photographing the site before and after the completion of works and the reporting in a summary form are actions that contribute to good performance and as such should ensure that they become part of the organisational culture; and
- The Information from periodic reports should be consolidated in a database in order to facilitate a cost analysis that would serve for future planning.

1 Introduction

According to the Law no.2003/11 and Law no. 03/L-120 amending and supplementing the Law no.2003/11 on Roads, the Ministry of Infrastructure (MI) is responsible for the management, maintenance and construction of the motorway, national and regional roads, whilst municipalities are responsible for local and urban roads. They are obligated to submit the annual plan on winter and summer maintenance of roads for which they are responsible.

During the 2013 -2015, budget organisations have spent over 31 million euros in road maintenance. MI has spent the most by 29%, followed by Municipality of Prishtina (MP) with 10% followed by other municipalities for the remaining part.

According to data in the Kosovo Financial Management Information System (KFMIS), a total of 42 Budget Organization (OB) and over 200 Economic Operators (EO) have been involved during the 2013-2015 period.

There are two types of maintenance: summer maintenance and winter maintenance.

The primary objective of road maintenance is to ensure a normal traffic. BOs meet this objective by entering into a contract agreement with EOs through framework contracts, mainly for the reason that the same work is carried out in different places and at different times throughout the contracted period. The contract contains the bill of quantities aiming for the later to be implemented by 100%.

In order to enter into a contractual agreement, each BO should go through three stages of the procurement process, and they are:

1. Preparation of the procurement process - including the steps procurement official with other beneficiary officials of BO should take in order to have the planned procurement activity approved;
2. Development of procurement process - including the steps to be taken for selecting the most eligible economic operator to execute the works; and
3. Contract Management - including the steps to taken by the BO and EO together in order to meet the obligations set forth in the contract and to meet the contract's objectives.

All activities carried out in the above mentioned stages of procurement aim at ensuring the implementation of basic principles of public procurement which are: economy, efficiency, equal treatment and non-discrimination.

1.1 Audit Problem

We have obtained the first indications of the audit problem from the audit reports of the National Audit Office, from the Focus Group¹ organized by NAO and the reports of the media and non-governmental organizations that have handled road maintenance. These have indicated that there are problems and there is room for further study in this area.

Some of the main shortcomings that were reported in earlier audit reports that determine the problem are as follows:

Planning

- Inadequate identification of needs, unjustified and undocumented process;
- Technical specification included unnecessary, or little necessary positions (after the implementation of the contract, the winner is likely to result more expensive than the unsuccessful EO).

Tendering Process

- The bill of quantities was neglected and only the unit price was considered as a base;
- High value of tenders led to difficult achievement of qualification requirements by Economic Operators and low competitiveness.

Contract Management

- Payment for unexecuted works as a result of lack of supervision (small number of contracts supervisors/managers in relation to the number of contracts being implemented and given the volume/geographical scope of works) leave an opportunity for fraud and abuse; and
- Lack of proper summary reports on executed works.

¹ Focus Group consisting of: procurement officials from the Contracting Authority, representatives from civil society, international advisors and NAO auditors

1.2 Audit objective

Our audit objective is to examine roads maintenance contracts, evaluate practices offering the best value for money and to make recommendations on the improvement of procurement process in this area. With this audit we aim to contribute to better management of the procurement process and suggesting alternatives to achieve value for money in this process.

1.3 Audit questions

- 1. Has the adequate method of drafting the Tender Dossier been used to achieve value for money?**
 1. Is there an effective needs identification process in place (planning)?
 2. What method of drafting the TD enables the achievement of a more effective VfM?
- 2. What is the total cost of these contracts and the cost for square meter/length?**
 1. What is the total cost of services/items delivered according to the respective contract?
 2. Are there other types of project management costs that should also be included?
 3. What is the cost for square meter/length for each of the current contracts?
- 3. What procedures have been established to conclude that the contracted works have been executed with the required quality?**
 1. Are adequate procedures in place to ensure that only works executed at the required quality are accepted and that payments are not made unless the required quality is delivered?
- 4. What is our overall assessment on whether or not VfM is being achieved?**
 1. Are there considerable differences on the costs for square meter/length between different EOs?
 2. Have the awarded bids achieved better VfM than the unsuccessful bids?
 3. What are the potential savings that could be made through improved practices?

1.4 Audit criteria²

1. Has the adequate method of drafting the Tender Dossier been used to achieve VfM?

1. Identification of needs should be based on relevant information, i.e. field inspections, by considering the available budget for maintenance.
2. The Tender Dossier containing the bill of quantities with approximate quantities is the one properly drafted.

2. What is the total cost of these contracts and the cost per square meter/length?

1. Supply prices should be the same as the contracted ones.
2. BOs should include as project cost all associated costs either from planning, supply, works, or project management.

3. What procedures have been established to conclude that the contracted works have been executed with the required quality?

1. BOs should establish the level of quality required to have the works accepted and that quality should be achieved as planned.

4. What is our overall assessment on whether or not VfM is being achieved?

1. Prices contracted by different BOs for the same product should approximately be the same.
2. The winning price or the contracted price should be lower than the ones of the ineligible or unsuccessful EOs.
3. Supply prices should be the same as the market price.

1.5 Audit scope and constraints

The audit scope includes the examination and comparison of roads maintenance contracts, implemented during 2013-2015 in the Ministry of Infrastructure and the Municipality of Prishtina. These two BOs were identified as the biggest spenders in this category.

In the MI, we examined the contracts of 2013 – a total of nine contracts – the implementation deadline of which had expired in 2014 as well as the contracts of 2014 – a total of 14 contracts – which are being implemented and are valid as of 2017.

In the MP, we examined the contracts of 2013, 2014 and 2015 including Repair of Potholes in the City – three contracts – and four winter maintenance contracts of the same period. The findings are presented in this joint report on roads maintenance.

² For more information please refer to ISSAI 300, Criteria, p.7

1.6 Audit methodology

Our audit methodology included the examination of:

- Procurement legislation and regulations (LPP no.04/L-042);
- Roads legislation and regulations (Law no.2003/11 and Law no. 03/L-120).
- Local and international reports and studies on this area.

Analysis methods included:

- Review of the planning process – identification of needs.
- Examination of roads maintenance contracts and respective invoices;
- Interviews with relevant officers included in the roads maintenance process;
- Analysis of roads maintenance expenditures in 2013-2015;
- Comparison of prices of items between the selected BOs; and
- Comparison of prices between the winning and the unsuccessful bids;

2 Description of the audit field

Roads are important assets in both economic and social development aspects. When planning roads maintenance, their relevance regarding road users and value for money should be taken into account. MI and municipalities should have a strategic approach regarding the roads maintenance and should have a plan drafted for this purpose. The plan should be based on real needs, whilst its implementation should be continuously monitored along with the roads network performance. Issues to be addressed regarding the achievement of maintenance objectives should be reported to the responsible officials.

The closer the plan is to implementation the more achievable value for money will be. In order to achieve VfM, the Ministry of Infrastructure, respectively municipalities, should keep adequate maintenance records of expenditures by type, quantity and value. The register should be completed with the data that contract managers enter in the logbooks and summary reports on executed works.

This register should serve as a basis for planning future maintenance projects in addition to serving as a measure of performance.

In practice, there are two types of road maintenance: summer maintenance (SM) and winter maintenance (WM). The SM aims at the rehabilitation of roads, drainage, vegetation control and maintenance of road inventory. In the summer the largest share of expenses are made to improve the traffic layer (repair of potholes, construction of protective walls, cleaning of ditches and culverts, cleaning of vegetation, etc.), while in the winter season the largest part of the budget is spent on snow removal from the road, laying of salt and sand, etc.

The project manager and the contractor together pay weekly visits to the worksite where works to be executed in each road section are defined. The project manager specifies the type and quantity of work to be executed. Thus, works are carried out at the request of the contract manager and the main responsibility for the implementation of the plan, i.e. the achievement of objectives, lies on him.

3 Main findings

1. Has the adequate method of drafting the Tender Dossier been used to achieve VfM?

- ❖ Is there an effective needs identification process in place (planning)?

In the MI the bill of quantities (positions and adequate quantities) was not implemented as planned, since some items were unnecessarily included in the specification as they were not implemented at all, whilst some others had exceeded the planned quantity. For the contracts of 2013, the identification of needs - bill of quantities - was done by respective contract managers, while for the contracts of 2014 the identification of needs was done by the Department of Roads. The Department had inspected all roads and conducted a research on market prices which they used to produce the bill of quantities for each Lot.

They Department concluded that the budget of MI was not sufficient to cover the identified needs and has thus reduced the quantity required for each position, in order to adjust it to the current budget.

In the Municipality of Prishtina, identification of needs was done by the Department for Local Infrastructure based on the roads inspection and complaints received from the citizens.

- ❖ What method of drafting the TD enables the achievement of a more effective VfM?

In the MI, due to joining of SM and WM the value of contracts was higher which resulted in low competition.

In the tender of 2013, which was divided into nine lots had participated 18 EOs, out of which 10 were responsive. While in the tender of 2014, which was divided into 14 lots had participated 33 EOs out of which 15 were responsive.

Contract	Bid	Responsive	Unresponsive
Road maintenance SW 2013 (9 lots)	18	10	18
Road maintenance SW 2014 (14 lots)	33	15	28

Dividing the same tender out of nine into 14 lots had increased the competition, as the value of lots was smaller. The number of EOs interested for this tender had increased from 15 to 33, and the responsive bids had increased from 10 to 15, despite the fact that the legal requirement was at least 14 responsive bids for the tender of 2013, respectively 28, for the tender of 2014.

In both tenders the selection criteria - economic and financial status - were not in accordance with procurement guidelines as the MI had left it in the discretion of EO to determine the minimum value in order to be selected as responsible.

It was requested that EOs:

- To have carried out works in value no less than twice the bid in the last three years; and
- To have implemented a contract the value of which is half the bid.

This means that the requirement for turnover was expressed in relative terms, instead of being expressed in figures. In order to meet this requirement the EOs can bid with abnormally low prices that could jeopardize contract implementation.

The long term for implementation of the contract presents difficulties in drafting the Bill of Quantities, respectively matching the plan with implementation becomes more difficult which threatens the achievement of value for money. The contracts of 2014 in the MI were concluded for a three year period, unlike the ones in 2013.

Dividing tenders into many lots in the MP had resulted in greater competition. The MP had contracted maintenance of roads with three (3) tenders: 1) Repair of Potholes; 2) Cleaning and Washing of Roads; and 3) Winter Maintenance of Roads which was divided into four (4) lots. In the contract for Repair of Potholes in 2014 had bided 10 EOs out of which eight resulted being responsive. For 2015 had bided seven EOs which were all responsive. For the contract Cleaning and Washing of Roads had bided six EOs with a total of 23 bids which were all responsive. For the contract of WM had bided eight EOs with a total of 28 bids which were all responsive.

Contract	Bid	Responsive	Unresponsive
Repair of potholes	10	8	2
Cleaning and washing of roads	7	7	2
Winter maintenance of roads (4 lots)	8	8	8

However, two Lots for the contract of WM were awarded without a contract award notice, which is in disagreement with the LPP. The MP's contract duration for WM was one year with the possibility of extension for two other years, which is in contradiction to the LPP. One year after having signed the contract, MP extended the contracts for Lots 1 and 2, whilst the contracts of the other two Lots were terminated upon the respective contract managers' request on the grounds of poor performance by the EOs. Afterwards, MP divided the Lot 4 Contract into two parts. One was awarded to the EO implementing Lot 1 and the other to the EO implementing Lot 2 of WM. The contract for Lot 3 was awarded to another EO through negotiated procedure, without announcing an open tendering process.

2. What is the total cost of these contracts and the cost for square meters/length?

- ❖ What is the total cost of services/items delivered according to the respective contract?

Total expenses on road maintenance in the MI for contracts of 2013 and 2014 had achieved the value of €20,694,000, excluding motorway maintenance costs in the amount of €4,600,000.

Table 1 shows the expenditures for each of the contracts of 2013, whilst table 2 those of 2014.

Table 1. Expenditures on contracts of 2013 in MI

	Contracts	Contracted value	Executed amount	Additional works	% Additional works
1	Prishtina A	1,299,000	1,427,000	128,000	10%
2	Prishtina B	948,000	1,039,000	91,000	10%
3	Peja	958,000	1,055,000	96,000	10%
4	Ferizaj	1,297,000	1,408,000	111,000	9%
5	Prizren	894,000	982,000	87,000	10%
6	Gjilan	1,400,000	1,536,000	136,000	10%
7	Gjakova	988,000	505,000	0	0
8	Mitrovica A	1,387,000	1,515,000	129,000	9%
9	Mitrovica B	699,000	768,000	70,000	10%
	Gjithsej	9,870,000	10,235,000	365,000	4%

Since the MI was late in initiating the procurement procedure for a new contract, additional costs were incurred at approximately 10% for each contract. The contract for 2013 was foreseen to expire on May 31, 2014, while the MI had announced the contract notice on May 26, 2014. Due to inability to conclude new contracts for 2014 on time, the MI had signed annex contracts that allowed up to 10% additional works compared to the initial value of the contract.

Public Framework Agreement cannot be extended or renewed, which means that the duration of the contract should be determined at the beginning of the procurement process. MI had defined the duration of the contract but had not paid attention to the initiate procedures for a new contract on time.

Table 2. Expenditures on contracts of 2014 in MI

	Contracts	Contracted value (annual plan)	Executed amount	overspending/ under spending	% overspending/ under spending	Effective from
1	Prishtina A	1,140,000	1,438,000	298,000	26%	19/11/14
2	Prishtina B	877,000	810,000	-67,000	-8%	23/12/14
3	Mitrovica A	807,000	829,000	22,000	3%	19/11/14
4	Mitrovica B	487,000	606,000	119,000		27/11/14
5	Prizren 1	739,000	357,000	-382,000	-52%	19/11/14
6	Prizren 2	512,000	598,000	86,000	17%	19/11/14
7	Gjilan 1	654,000	895,000	241,000	37%	19/11/14
8	Gjilan 2	600,000	645,000	45,000	8%	23/12/14
9	Ferizaj 1	551,000	857,000	306,000	56%	23/12/14
10	Ferizaj 2	487,000	595,000	108,000	22%	23/12/14
11	Gjakova 1	487,000	85,000	-402,000	-83%	30/12/14
12	Gjakova 2	641,000	534,000	-107,000	-17%	23/12/14
13	Peja 1	578,000	733,000	155,000	27%	23/12/14
14	Peja 2	600,000	380,000	-220,000	-37%	23/12/14
	Total	9,159,000	9,362,000	203,000	2%	

Table 2 shows that the executed amounts exceed the contracted ones in 5 cases, the worst case by 56%, although the full year from the date of signing the contract was not over yet (contract entered into force on 23.12.2014, while the last payment was done on 29.07.2015 i.e. only after 7 months from the entry into force of the contract).

In the MP, the contracted cost complies with the incurred cost regardless of the little changes made in the stage quantities.

Table 3. Expenditures on summer maintenance contracts for 2013-2015 in MP

	Contracts	Contracted value	Executed amount	overspending/ under spending	% overspending/ under spending
1	2013	245,385	245,385	0	0
2	2014	295,586	295,586	0	0
3	2015	324,680	324,680	0	0

In the MP during 2013-2015 were spent €2,027,595 for cleaning of roads and sidewalks.

- ❖ Are there other types of project management costs that should also be included?

In addition to the abovementioned expenditures, MI has spent €1,096,563 to purchase industrial salt used for winter road maintenance.

❖ What is the cost for square meter/length for each of the current contracts?

The average cost of maintenance per kilometre in the MI for contracts of 2013 was €5,334. To this should be added the cost of approximately €1.1 million for salt, which increases the average cost to €5,905 per kilometre. Individual costs for each contract are presented in Annex II.

In the contracts of MI for SM and WM was not specified width of roads but only the length. Differences in cost per kilometre in the table below have resulted due to the fact that not all roads have the same width, but this was not documented by the MI (there are roads with two lanes and four lanes). The table below is presented for illustration purposes only.

Table 4. Cost per kilometre in the MI's contracts of 2013

	Contracts	Executed amount	Kilometres	Average cost per km
1	Prishtina A	1,427,000	206	6,929
2	Prishtina B	1,039,000	151	6,881
3	Peja	1,055,000	295	3,575
4	Ferizaj	1,408,000	228	6,176
5	Prizren	982,000	266	3,691
6	Gjilan	1,536,000	235	6,536
7	Gjakova	505,000	221	2,284
8	Mitrovica A	1,515,000	191	7,932
9	Mitrovica B	768,000	126	6,098
	Total	10,235,000	1,919	5,334

The table above shows the huge differences in the costs per km. Gjakova has the lowest cost of €2,284/km whilst Mitrovica A has the highest one at €7,932/km, approximately 250% higher.

Unlike MI, the MP had specified the width of the roads in the WM contracts, but had not specified the length in the SM contract for repair of potholes. In the MP, the annual cost for WM for 184 kilometres of road with an average width of 10 metres, was €1758. The cost of four lots of the contract for WM is approximately €1,314 up to €2,335/km.

Table 8. WM costs per kilometre in the MP's contract of 2013

Contracts	Incurring cost	Kilometres	Road m2	Average width	Average cost/km
	A	B	C	d=c/b	e=a/b
Lot 1	96,947	41.5	454,116	11	2,335
Lot 2	70,734	45.1	354,930	8	1,567
Lot 3	72,083	33.6	423,594	13	2,144
Lot 4	83,898	63.8	440,975	7	1,314
Total	323,661	184.1		10	1,758

3. What procedures have been established to conclude that the contracted works have been executed with the required quality?

- ❖ Are adequate procedures in place to ensure that only works executed at the required quality are accepted and that payments are not made unless the required quality is delivered?

Verification of quantity and quality is responsibility of the contract manager which keeps a journal of works carried out.

In MI, there were cases when payments were carried out without execution of works. Works were accepted based on cumulative progress payments, which progressively show the executed works, i.e. each stage contains the quantity of works executed within a period and the quantity of works executed in the previous months. Some of the stages accepted contained less works than in the previous one. This does not coincide with the logic of cumulative recording because the quantity either increases or remains the same when compared to the previous stage, but it is never less.

In one case in the MP for the contract Repair of Potholes for 2013, we have identified an overpayment in the amount of €10,644. Positions 2.1 and 2.2 of the contract on Repair of Potholes were contracted with a price of €2, respectively €1/unit while were paid €5/unit due to an error of the contract manager. In the commenting phase of the draft of this report, the KP has provided evidence that the EO to whom this amount was paid was contacted and that it was requested that the overpaid amount be returned to the KP account, to which request the EO has responded positively.

Another shortcoming identified in the works supervision process of MP is reporting to management level. Contract supervisors/managers only kept records in the logbooks and, on monthly basis, submitted stages of executed works together with the invoice directly to the procurement for payment. They had not drafted a summary report on the works done wherein would be presented the expenses for each road.

In MP, we have identified cases with no consistency in the reporting of expenditures by stages. They were occasionally cumulative and at times, they just presented the amount of works executed within the reporting period.

A good practice applied that we found in MI was the photographing of the road before and after the works.

4. Is the VfM being achieved or not?

- ❖ Are there considerable differences on the costs per meter length between different EOs?

Out of 14 contracts of 2014 in the MI, when compared prices between EOs we noticed significant price differences in positions of individual contracts, namely the price for one effective hour with a truck was €30 while in another contract was €80, which is 167% more expensive, then on-call services in one of the contracts were €20 while in another €70, or 250% more expensive, etc.

Similarly, huge differences were identified between the 2013 contracts, e.g. the price of a manhole lid was €100 in Prishtina A, while €20 in Prishtina B; the cost for cleaning a traffic sign was €10 in Prishtina B, and €0.5 in Prishtina A. Pick-up truck services with cost of €0.5/km in Prizren and €5/km in Prishtina B.

In addition, significant cost differences were also in contracts of WM in MP, for example, the price of sand for a m² was €4, while on the other lot it was €20, the salt supply in one of the lots was €40, and in another €70.

- ❖ Are the winning bids providing value for money?

In the MI, for the tender of 2014, only for the Lot Gjlani 2 were submitted two responsive bids. The contract was awarded to the EO on the grounds that its bid (the offered price multiplied by the estimated quantity) was the cheapest. However, the estimated quantity had changed during the implementation of the contract. Had the estimated quantities matched to the quantity implemented, the winning EO would have not been awarded with the contract, but would be another responsive EO who would implement this tender for €492,000 instead of €645,000 which were paid to the winning EO, namely €152,600 cheaper (for more see Annex 1, Table no. 2).

Another example is the Prizren Contract of 2013, where executed works for SWM had the cost of €852,054³, while the other responsive EO would have executed them for €817,737, namely €34,317 cheaper.

The same applies to the Ferizaj Contract, where the executed works had the cost of €1,408,037, which another responsive EO would have executed them for €1,376,733, or €31,000 cheaper. The average of potential savings for these two Lots is €33,000. When you add to this the potential savings of €153,000 from the Gjlani Contract of 2014, the total of potential savings would amount to €217,000.

In the MP, the overall price of works executed by the winning EO was lower than the price provided by the other responsive EO. While, in one case for the contract for "Repair of potholes in Prishtina City" executed works were not proximate to the planned ones. Had the estimated quantities matched with the executed ones, the winning EO would not have been awarded with the contract,

³ The total payment for Prizren was €981,599 including two annex contracts of €114,417 and €17,963.

but another responsive EO would, who would execute these works for €286,622 instead of €295,586, namely approximately €9,000 cheaper.

❖ What are the potential savings that could be made by improving practices?

With a better planning, ensuring that the bill of quantities does not suffer big changes, MI and MP can avoid additional costs and save their budget thereof.

As witnessed in two contracts of 2013, Ferizaj and Prizren, the average of additional costs was €32,000.

If Gjilan Contract continues to be implemented just the same way for the next two years (the contract is in force until the end of 2017), the potential savings as to its full implementation is likely to reach €458,000.

4 Conclusions

Due to inadequate internal controls over the roads maintenance procurement process in the Ministry of Infrastructure and Municipality of Prishtina led to inadequate planning of needs, insufficient competition, annex contracts, award of contracts in disagreement with the Public Procurement Law and in irregular and incomplete reporting on the works performed.

We will discuss these shortcomings further in detail:

- Late initiation of procurement procedures had led to extension of contracts as well as additional work. Due to this, the Bill of Quantities did not match with implementation and as a result were incurred additional costs. In addition, based on our analysis, upon comparing prices of works carried out we have found in some cases that the winning Economic Operator turned out to be more expensive than other responsive unsuccessful operator.
- Merging summer and winter road maintenance in a single tender has laid out requirements that are difficult to achieve, which has reduced competition and risked achievement of value for money. In addition, the selection criteria were not in full compliance with the Public Procurement Law. In some cases were used relative terms and were not expressed in amounts (numbers).
- The Ministry of Infrastructure and the Municipality of Prishtina had prepared technical specifications relating to length and the required kilometres of road. However, the Ministry of Infrastructure has not specified the width of roads, while the Municipality of Prishtina had not specified the length of roads in the contracts for repairs of roads. This has caused confusion relating to complete expenses on road maintenance per kilometre. Therefore, the price differences between the Municipality of Prishtina and the Ministry of Infrastructure were significant. In addition, there were significant differences between the same items of contracts of the Ministry and the Municipality.
- The Ministry of Infrastructure and Municipality of Prishtina had awarded contracts without publication of tender. This is in disagreement with the Public Procurement Law which does not allow extension or renewal of framework contracts. With such action is threatened the principle of transparency, non-discrimination and equal treatment of Economic Operators, basic principles of public procurement.
- The municipality of Prishtina had terminated two maintenance contracts on the grounds that the performance of operators was poor. However, it had not announced open procedures for publication of tender, but had awarded the contracts to Economic Operators who had a contract with the Municipality of Prishtina. Regardless, the fact that the situation could have an emergency situation, this does not justify the contract award without publication of the tender, particularly, when first indications of incompetence or lack of will to implement the contract were noticed much earlier.
- Ministry of Infrastructure and Municipality of Prishtina lack proper documenting on reporting and recording of works and expenses incurred. In some cases we found that there were no consistencies in reporting of expenses through stages. At times, they were accumulative and other times they just presented the amount of works performed within the reporting period.

5 Recommendations

In order to ensure a more economic, efficient and effective roads maintenance process, we recommend MI and MP to ensure that:

- The Ministry of Infrastructure and Municipality of Prishtina should initiate all procurement procedures for road maintenance on time in order to avoid annex contracts. In this regard, they should take into account delays that may be caused by complaints filed by Economic Operators, so that contracts are signed on time and implementation begins on time.
- To adhere the Law on Public Procurement when awarding contracts and setting out selection criteria. To avoid awarding contracts without publication of tender and to avoid use of relative terms and they should be expressed in numbers. Technical Specifications/Bill of Quantity in addition to the length of road should also include the width so that the information on expenses is complete.
- For the Ministry of Infrastructure, to consider the possibility of dividing road maintenance into two tenders, one for summer maintenance and one for winter maintenance, in order to reduce the value of lots and that criteria for qualification are more achievable by the EO, thus stimulating competition. Qualification requirements should be relevant and compatible with the value of the contract.
- Periodic (stages) reports of works carried out should be accompanied with a summary report wherein will be reflected the quantity and the value of works carried out on each road. The final report of the season contains a comparison between planned and actual quantities with explanations on any potential differences between. Reports should be:
 - Consistent/standardised for each lot (contract)
 - Informative, namely should contain the quantity and the value of works performed and the road to which they belong.
- The good practice of photographing the site before and after the completion of works and the reporting in a summary form are actions that contribute to good performance and as such should ensure that they become part of the organisational culture; and
- The Information from periodic reports should be consolidated in a database in order to facilitate a cost analysis that would serve for future planning.

Annex I

The following table shows how differences in planned quantities may result in higher costs to BOs.

Table 1 Road maintenance costs of one of the contracts in the Municipality of Prishtina.

Nr.	Përshkrimi i pozicioneve	Njësia	Sasia/ plani	Fituesi		I pasuksesshëm		Sasia aktuale	Fituesi		I pasuksesshëm	
I	PUNËT PËRGATITORE	Njësia	Sasia	Çmimi	Shuma	Çmimi	Shuma		Shuma	Shuma		Shuma
1.1	Mobilizimi I ndermarrjes per fillimin e punimeve. Punimi detaj i planit din	paushall	1	100	100	500	500	1	100	500		500
1.2	Te sigurohet punishtja, te nderrmiren masat e sigurise sipas ligjeve ne fuqi	paushall	1	500	500	500	500	1	500	500		500
1.3	Egzaminimi i materialeve para dhe pas vuarjës në vepër atestet Paraprake	paushall	1	500	500	2,000	2,000	1	500	2,000		2,000
II.	PUNËT E DHEUT dhe te DEMOLIMIT	Njësia	Sasia	Çmimi	Shuma	Çmimi	Shuma		Shuma	Shuma		Shuma
2.1	Germimi I kombinuar I dheut I kategorise III dhe IV (50+50), ngarkimi dhe tr	m ³	1,300	2	2,600	4	5,200	936	1,873	3,746		3,746
2.2	Thyerja e betonit, ngarkimi dhe transportimi i tij deri ne deponi ne distanc	m ²	1,200	2	2,400	2	2,400	1,783	3,566	3,566		3,566
III	PUNËT E RIPARIMEVE ME ASFALT	Njësia	Sasia	Çmimi	Shuma	Çmimi	Shuma		Shuma	Shuma		Shuma
3.1	Përgatitje e gropave për AB të tipit T ₁ , me trashësi d=5cm. Në çmim duhet ll	m ²	4,100	7	28,700	8	32,800	4,705	32,934	37,639		37,639
3.2	Përgatitja e gropave te tipit T2 trashesie d=14cm,ne çmim duhet llogaritur e	m ²	1,600	19	30,720	25	40,000	1,712	32,864	42,792		42,792
3.3	Përgatitja e gropave T2 deri ne shtresen e shendoshe d=35cm. Furnizimi, tra	m ²	180	22	3,996	26	4,680	205	4,555	5,335		5,335
3.4	Asfalt i ftohtë për sanime të gropave emergjente	m ²	180	10	1,800	15	2,700	-	-	-		-
3.5	Punimi i shtreses se re qarkulluese prej AB11dhe AB16, trashesie d=5cm m	m ²	12,600	9	113,400	8	100,800	15,037	135,334	120,297		120,297
3.6	Filer I lëngët (Liquid Crackfiller) kuarc 0-2mm I përzier me emulzion- për m	m ²	120	5	600	20	2,400	-	-	-		-
3.7	Përgatitje e gropave për AB të tipit T ₁ , me trashësi d=5cm. Në çmim duhet ll	m ²	800	7	5,600	8	6,400	311	2,175	2,486		2,486
3.8	Përgatitja e gropave te tipit T2 trashesie d=14cm,ne çmim duhet llogaritur e	m ²	300	19	5,760	25	7,500	-	-	-		-
	Punë të paparapara	Paushall	1	100	100	2,000	2,000	1	100	2,000		2,000
	Gjithesëjt:				196,776		209,880	-	214,502	220,861		
IV.	PUNËT E TAMPONIT-RIPARIMEVE ME PLLAKA TE BETONIT	Njësia	Sasia	Çmimi	Shuma	Çmimi	Shuma		Shuma	Shuma		Shuma
4.1	Furnizimi, transporti, planifikimi dhe punimi i materialit guror fraksion (0-	m ³	630	9	5,670	9	5,670	843	7,585	7,585		7,585
4.2	Furnizimi,transportimi,planifikimi dhe punimi i materialit guror fraksion (m ³	630	9	5,670	10	6,300	552	4,967	5,519		5,519
4.3	Furnizimi,transportimi,planifikimi i materialit fraksion (0-2)mm mbi pllaka	m ³	150	12	1,800	13	1,950	62	739	801		801
4.4	Furnizimi,transportimi dhe montimi i kubëzave C30/37(me trasësi 8cm) te	m ²	2,800	13	36,120	10	28,000	2,881	37,167	28,812		28,812
4.5	Betonimi me C16/20(MB 40) i pllatove, shkallëve, hyrjeve etj. Ne çmim te ll	m ²	40	65	2,600	70	2,800	27	1,774	1,910		1,910
4.6	Betonimi me C30/37(MB 40) i pllatove, shkallëve, hyrjeve etj. Ne çmim te ll	m ³	40	80	3,200	130	5,200	17	1,368	2,223		2,223
4.7	Ngritja e pllakave ekzistues ne pjeset e damtuara te rruges,trotuarit ne niv	m ²	1,100	7	7,700	3	3,300	2,028	14,195	6,084		6,084
	Gjithesëjt:				62,760		53,220	-	67,795	52,934		
V	PUNET E SKAJOREVE DHE GARDHIT SIGURUES PER KËMBËSOR	Njësia	Sasia	Çmimi	Shuma	Çmimi	Shuma		Shuma	Shuma		Shuma
5.1	Furnizimi,transportimi dhe montimi i gurëve skajor C30/37 të bardhë(T>5.0	m ³	130	9	1,170	15	1,950	-	-	-		-
5.2	Furnizimi,transportimi dhe montimi i gurëve skajor C30/37(T>5.0 N/mm ² të	m ³	1,450	9	13,050	8	11,600	887	7,985	7,098		7,098
5.3	Ngritja e skajoreve ekzistues në nivelin e duhur dha punimi i fugave me llad	m ³	550	3	1,650	3	1,650	211	634	634		634
5.4	Punimi i gardhit sigurues per këmbësore si dhe pahi elastike. Gardhi puno	m ³			-		-	-	-	-		-
5.5	Pahi elastike		60	25	1,500	35	2,100	-	-	-		-
5.6	Gardh sigurues		80	40	3,200	40	3,200	29	1,160	1,160		1,160
	Gjithesëjt				20,570		20,500	-	9,779	8,892		
VI	PUNIMET E UJËMBLEDHSAVE,KAPAKËVE, DHE SHENJAVE TE TRAFIKUT	Njësia	Sasia	Çmimi	Shuma	Çmimi	Shuma		Shuma	Shuma		Shuma
6.1	Furnizimi dhe montimi i ujëmbledhsave komplet të tipit T ₁ , prej materiali k	copë	14	200	2,800	120	1,680	-	-	-		-
6.2	Ngritja e kapakëve dhe kornizes ekzistues në nivelin e duhur. Në çmim duh	Copë	310	20	6,200	20	6,200	101	2,020	2,020		2,020
6.3	Furnizimi dhe montimi i kapakëve së bashku me kornizë për komunikacion	Copë	22	140	3,080	160	3,520	4	560	640		640
6.4	Furnizimi, transporti dhe montimi I tubave të brinjëzuar Ø200mm (PVC) në	m ³	80	5	400	8	640	27	135	216		216
6.5	Ngritja e ujëmbledhsave ekzistues komplet me kornizë. Në çmim duhet llog	Copë	200	15	3,000	20	4,000	53	795	1,060		1,060
	Gjithesëjt				15,480		16,040	-	3,510	3,936		
					295,586		299,640		295,586	286,622		

Planned quantities multiplied by the prices offered by EO1 have made EO1 a winner because, based on this combination of quantities and respective prices, OE1 was for €4,000 cheaper than OE2. After implementation of the contract and verification of the actual executed quantities, it is noticed that the cost for these quantities would have been for around €9,000 lower than the prices of OE2.

The same situation is also found in Gjiilan 2 Contract of MI, which is the only Lot where the winning EO had one competitor unlike the other regions where the winning EOs were the only ones eligible.

The stages of the SWM Contract have been implemented as the following, whilst the other stages of the contract (which are not listed in this table due to technical reasons) are not implemented at all.

Table 2 Expenditures for Gjilan 2 Contract of 2014 in MI.

Nr.	Përshkrimi i pozicioneve	Njësia	Para-masa	Sasia e realizuar	OE Fitues		OE i pasuksesshëm	
					Çmimi	Kosto aktuale	Çmimi	Kosto e mundshme
	Verore							
1.1a	Rip. I gropzimeve, plasaritjeve të shtresës qarkullu	m ²	1,998	3,349	8.00	26,794.7	4.9	16,411.8
1.2a	Largimi dhe prerja në formë drejtëkëndëshe e asfa	m ²	1,625	648	1.00	647.5	1.5	971.3
1.2b	Furniz. Vendosi dhe ngjeshja me modul Mv=80N/r	m ³	370	370	0.80	296.0	6.5	2,405.0
1.2c	Furniz. Vendosi dhe ngjeshja me modul Mv=80N/r	m ³	185	185	10.00	1,850.0	7.0	1,295.0
1.2d	Asfaltimi I demtimeve me AB -16 me trashesi 7cm	m ³	1,850	2,650	9.00	23,850.0	6.9	18,179.0
1.3a	Rip. I gropzimeve, plasaritjeve të shtresës qarkullu	m ²	9,500	25,415	9.00	228,735.0	4.8	121,992.0
1.3b	Rip. I gropzimeve, plasaritjeve të shtresës qarkullu	m ²	6,500	2,210	10.00	22,100.0	6.9	15,160.6
2.1a	Pastrimi dhe formesimi I kanaleve egzistuese	m'	5,800	2,200	1.20	2,640.0	0.4	880.0
2.4	Pastrimi I rigollave dhe skajoreve të ngritur (sa her	m'	12,200	13,265	1.50	19,897.1	0.6	7,958.9
3.1	Bankina tipi 1	m'	13,500	3,100	1.00	3,100.0	1.0	3,100.0
4.1	Largimi I vegjetacionit 4m nga skaji shtresës qarkull	m'	77,900	73,652	1.00	73,652.0	0.6	44,191.2
4.2	Largimi I materialit te erroduar dhe rreshqitjeve të	m ³	3,900	200	1.10	220.0	1.6	320.0
5.1	Pastrimi I shenjave te trafikut	copë	95	30	0.20	6.0	1.0	30.0
6.7	Furniz. Kalupimi dhe vendosja e betonit C30/37 per	m ³	40	22	0.90	19.8	90.0	1,980.0
6.8	Furniz. Kalupimi dhe vendosja e betonit C25/30	m ³	34	13	0.80	10.0	80.0	1,000.0
6.10	Furniz. Dhe montimi I armatures S500 H, të diametr	kg	6,290	1,650	0.15	247.5	0.8	1,320.0
	Dimërore							
1.1	Ore efektive dhe te udhetimeve	orë	803	761	35.00	26,622.4	48.0	36,510.7
1.2	Kujdestaria 24h	orë	373	279	20.00	5,580.0	48.0	13,392.0
2.1	Furnizimi me kripe	kg	870,324	692,580	0.09	62,332.2	0.1	48,480.6
2.2	Ngarkimi, transp. shperndarja neper rruge e kripes	kg	870,324	644,915	0.05	29,021.2	0.1	64,491.5
2.3	Furnizimi me rere	m ³	424	99	0.25	24.8	10.0	990.0
2.4	Ngarkimi, transp. Shperndarja neper rruge e kripes	m ³	424	84	0.50	41.8	9.0	752.4
3.1.1	Sinjalizimi I trafikut- Vendosi ,Largimi	copë	25	4	0.50	2.0	1.0	4.0
4.1.1	Punetor	orë	1,674	2,509	2.00	5,018.6	1.5	3,638.5
4.1.2	Kryepunetor	orë	167	679	3.00	2,037.0	2.5	1,697.5
4.2.1	Material guror natyror 0-32mm	m ³	35	163	1.20	195.6	8.0	1,304.0
4.2.4	Asfalt beton 0-16mm perzierje e nxehte	ton	15	19	1.20	22.2	45.0	833.4
4.3.1	Pick up kamioneta	km	1,674	8,091	2.50	20,228.7	1.0	8,091.5
4.3.2	Kamion veteshkarkues 8-12 ton	km	15	203	3.00	609.0	1.7	345.1
4.3.3	Ngarkues 0.4-3.0m ³	orë	25	130	1.50	195.0	45.0	5,850.0
4.3.4	Greder 45-75kw	orë	35	19	1.20	22.8	45.0	855.0
	Gjithsej					644,981.9		492,339.8

As seen from the table, the winning EO was paid €644,982 to implement this contract whilst the ineligible EO would have implemented it for €492,340 or for €152,642 or less.

Annex II

Table 3. Costs per kilometre in the MI's contracts of 2013

	Contracts	Executed amount	Kilometres	Average cost per km
1	Prishtina A	1,427,000	206	6,929
2	Prishtina B	1,039,000	151	6,881
3	Peja	1,055,000	295	3,575
4	Ferizaj	1,408,000	228	6,176
5	Prizren	982,000	266	3,691
6	Gjilan	1,536,000	235	6,536
7	Gjakova	505,000	221	2,284
8	Mitrovica A	1,515,000	191	7,932
9	Mitrovica B	768,000	126	6,098
	Total	10,235,000	1,919	5,334

Table 4. Costs per kilometre in the MI's contracts of 2014

	Contracts	Executed amount	Kilometres	Cost per km
1	Prishtina A	1,438,000	201	7,156
2	Prishtina B	810,000	159	5,093
3	Mitrovica A	829,000	150	5,529
4	Mitrovica B	606,000	117	5,183
5	Prizren 1	357,000	150	2,379
6	Prizren 2	598,000	102	5,862
7	Gjilan 1	895,000	124	7,215
8	Gjilan 2	645,000	112	5,759
9	Ferizaj 1	857,000	112	7,653
10	Ferizaj 2	595,000	89	6,685
11	Gjakova 1	85,000	128	662
12	Gjakova 2	534,000	84	6,360
13	Peja 1	733,000	113	6,487
14	Peja 2	380,000	156	2,439
	Total	9,362,000	1,795	5,216

Table 5. WM costs per kilometre in the MI's contracts of 2013

	Contracts	Executed amount	Kilometres	Cost per km
1	Prishtina A	189,000	206	919
2	Prishtina B	168,000	151	1,112
3	Peja	280,000	295	949
4	Ferizaj	137,000	228	602
5	Prizren	92,000	266	346
6	Gjilan	138,000	235	589
7	Gjakova	56,000	221	252
8	Mitrovica A	158,000	191	828
9	Mitrovica B	214,000	126	1,699
	Total	1,432,000	1,919	747

Table 6. WM costs per kilometre in the MI's contracts of 2014

	Contracts	Executed amount	Kilometres	Cost per km
1	Prishtina A	507,000	201	2,523
2	Prishtina B	326,000	159	2,047
3	Mitrovica A	167,000	150	1,116
4	Mitrovica B	230,000	117	1,968
5	Prizren 1	6,000	150	40
6	Prizren 2	169,000	102	1,657
7	Gjilan 1	248,000	124	1,999
8	Gjilan 2	176,000	112	1,574
9	Ferizaj 1	266,000	112	2,377
10	Ferizaj 2	190,000	89	2,131
11	Gjakova 1	85,000	128	662
12	Gjakova 2	157,000	84	1,869
13	Peja 1	182,000	113	1,607
14	Peja 2	150,000	156	964
	Total	2,859,000	1,795	1,593