



Concluding management letter

on the audit of

Sustainability: social, environmental and
innovative aspects in procurement

addressed to the
Procurement Agency of the
Federal Ministry of the Interior, Building and Community

The present management letter comprises the concluding audit findings issued by the German SAI in accordance with Article 96 para. 4 sent. 1, Federal Budget Code. A decision on its disclosure is reserved to the German SAI.

Ref.: V 5 - 2017 - 0032

Bonn, 10 July 2018

0 Executive summary

We examined as to whether and how the Procurement Agency (Agency) of the Federal Ministry of the Interior, Building and Community (Ministry) adhered to the social, environmental, and innovative aspects laid down in Art. 97 paragraph 3 of the Act against Restraints of Competition in an efficient manner, taking regard to Germany's national sustainable development strategy.

In our management letter of 16 October 2017, we sent our preliminary findings and recommendations to the Agency. The Agency communicated its comments via e-mails of 16 January 2018 and 9 May 2018. Weighing these comments, we confirm the following audit findings as final:

0.1 So far, the Procurement Agency has not fully lived up to its mission to manage, provide advice, and promote sustainable procurement. The Agency's staff failed to comply with applicable rules requiring staff to take into account sustainability aspects; such rules were made compulsory by management instruction in early 2012. Sustainability aspects are even today not adequately taken into account. The revised 2016 instruction governing the implementation of procurement processes (again updated in November 2017) is a step in the right direction. However, default research requirements are still not in place. Training on "sustainable procurement" has only been offered in 2012 and 2015. This infringes the requirements set by the Federal Government's sustainability action programme. The Agency needs to train its staff at regular intervals.

The Agency declared that its organisational units had offered internal training sessions since the second half of 2017. The Agency pledged to examine ahead of the next instruction update to what extent the instruction may include binding rules governing the way to retrieve information in procurement research processes, paying heed to the versatile product catalogue.

The Agency concurs with our recommendations. We plan to perform follow-up audit work on the update to the instruction which is to include binding research rules. With this remark, we settle the matter which is part of the current audit process.

- 0.2 In public procurement, the Agency also needs to reasonably take into account sustainability aspects which do not have direct financial repercussions and weigh them against the price.

Given the eligibility of a product to be procured, the Agency pledged to implement processes as recommended.

For the purpose of the present audit, this matter is settled.

- 0.3 A capital expenditure appraisal is also to accommodate sustainability aspects. The bodies responsible for procurement are subject to the requirement of efficient and economical financial management – as are the consuming bodies. Where the consuming body declines to procure a sustainable product due to the higher price compared to the regular product, the body responsible for procurement may only procure the regular product once it is able to establish efficiency. Procurement efficiency may only be established by performing a capital expenditure appraisal. The body responsible for procurement needs to be convinced that the capital expenditure appraisal, which is to be performed by the consuming body, takes into account sustainability aspects. We urged the Agency to add an appropriate rule to its instruction.

The Agency pledged to weigh the options to implement our recommendations when updating the instruction.

We plan to perform follow-up audit work on the update to the instruction. With this remark, we settle the matter which is part of the current audit process.