

Abstract

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USE OF THE ORDER AUTHORIZATION TO CREATE RESEARCH AND PROCUREMENT PRECONDITIONS

The State Audit Office audited the use of the order authorization to create research and procurement preconditions from the viewpoint of compliance with the budget. The authorization was in use for the first time in 1997 and totals FIM 2.7 billion in 1997-2001.

According to the grounds in the budget, the authorization can be used to conclude contracts for (1) domestic industry's product development and the maintenance and diversification of production, (2) the development of the Defence Forces' research activities and (3) the creation of the preconditions for future procurement.

Compliance with the grounds in the budget was evaluated by studying army procurements in which funds under the authorization for 1999 and 2000 were used or their use was planned. The audit focused on procurements in which a contract was concluded with a foreign supplier.

In numerous cases the authorization was not used according to the grounds in the budget. In addition to materiel procurement the authorization was also used for other purposes which are not covered by the grounds.

Guidelines concerning the use of the authorization have not been prepared, making it more difficult to comply with the budget. The Defence Forces should prepare a memorandum explaining how the authorization is to be used and what type of procurement it covers. Different practices were also noted when changes were made in the financing of approved procurements. The Defence Forces should provide guidelines concerning who is entitled to make such changes.

The audit indicated that the defence administration has had difficulties finding procurements which comply with the stipulations in the authorization. The defence administration is still responsible for preparing order authorizations and for seeing that order authorization proposals which comply with the budget are supplied for budget handling. Planning in this case was inadequate. This is also indicated by the numerous changes made after the approval of procurements. The State Audit Office considers it good that the Defence Forces have started developing the planning of procurements covered by the authorization.

There are no guidelines concerning the specification of domestic content in projects and procurements at present. Consequently the Defence Forces cannot reliably produce information on domestic content for authorization plans or report on the domestic content in completed

procurements. The Defence Forces should take steps to clarify the specification of domestic content.