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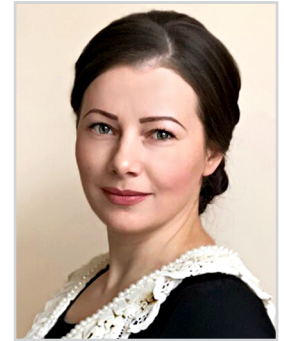
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Public procurement in Ukraine as a state governance instrument: evaluation, control, improvement

Abstract. The article examines public procurement in the state administration. Its decisive role in implementing the concept of sustainable development as an instrument of economic, social and environmental policy has been proved. Tactical and strategic goals of public procurement are detailed. Problematic aspects of public procurement (changing legislation, inconsistency of the concept apparatus and the lack of proper organization of supervisory bodies) are outlined. The authors of the article focus on the established components of public procurement in accordance with legal requirements, as well as the classification of procedures for their implementation. The peculiarities of implementation of procedures for different types of public procurement in terms of their value and the order of fulfillment are determined. The article deals with analytical evaluation of public procurement in Ukraine, including positive tendencies for the growth of quantitative and qualitative indicators. Examples of reasons for disqualifications and rejection of participants are given. Special attention is paid to the composition and subordination of the controlling bodies of public procurement. The present research deals with the main tendencies of the state financial control. The authors of the article study typical violations of control results. The necessity of reforming the control system in order to increase its effectiveness has been proved. Information on state control bodies and appeals in foreign countries is presented along with the need for elimination of duplication of functions and powers of the controlling bodies. The model of the organization of the state financial control through creation of a single controlling specialized body, the Public Procurement Inspectorate, which includes representatives of all state bodies and public organizations, is proposed to increase the efficiency and effectiveness of control.

Keywords: Public Procurement; Procurement; Open Bidding; Controlling Bodies; Tenders; Customers; Participants; Subject of Procurement

JEL Classification: H57; H76; L11

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Публічні закупівлі в Україні як інструмент державного управління: оцінка, контроль, удосконалення

Анотація. У статті досліджено місце публічних закупівель у державному управлінні. Доведено їх визначальну роль в реалізації концепції сталого розвитку як інструменту економічної, соціальної та екологічної політики. Деталізовано тактичні й стратегічні цілі публічних закупівель. Окреслено проблемні

аспекти в здійсненні публічних закупівель (мінливе законодавство, неузгодженість понятійного апарату, відсутність належної організації контролюючих органів). Установлено складові публічних закупівель у відповідності до законодавчих вимог, а також класифікацію процедур їх здійснення. Визначено особливості здійснення процедур для різних типів публічних закупівель у частині визначення їх вартості та порядку проведення. Дано аналітичну оцінку здійснення публічних закупівель в Україні та виявлено позитивні тенденції щодо зростання кількісних та якісних показників. Наведено приклади причин дискваліфікацій та відхилення учасників. Охарактеризовано предмети закупівлі, які користуються найбільшим попитом. Деталізовано склад і підпорядкованість контролюючих органів сфери публічних закупівель.

Здійснено оцінку стану й основних тенденцій проведення державного фінансового контролю. Розглянуто типові порушення за результатами контролю. Доведено необхідність реформування системи контролю з метою підвищення його результативності. Представлено інформацію щодо органів державного контролю та оскарження в зарубіжних країнах. Наголошено на необхідності усунення дублювання функцій і повноважень контролюючих органів. Запропоновано модель організації державного фінансового контролю через створення єдиного контролюючого спеціалізованого органу - Інспекції з публічних закупівель, кадровий склад якої буде забезпечуватися представниками всіх державних органів і громадських організацій, що сприятиме підвищенню ефективності та дієвості контролю.

Ключові слова: публічні закупівлі; державні закупівлі; відкриті торги; контролюючі органи; тендерні пропозиції; замовники; учасники; предмет закупівлі.

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Публичные закупки в Украине как инструмент государственного управления: оценка, контроль, совершенствование

Аннотация. В статье исследовано место публичных закупок в государственном управлении. Доказана их определяющая роль в реализации концепции устойчивого развития как инструмента экономической, социальной и экологической политики. Детализированы тактические и стратегические цели публичных закупок. Определены проблемные аспекты в осуществлении публичных закупок (изменчивое законодательство, несогласованность понятийного аппарата, отсутствие надлежащей организации контролирующих органов). Установлены составляющие публичных закупок в соответствии с законодательными требованиями, а также классификация процедур их осуществления. Определены особенности осуществления процедур для различных типов публичных закупок в части определения их стоимости и порядка проведения. Проведена аналитическая оценка осуществления публичных закупок в Украине и выявлены положительные тенденции роста количественных и качественных показателей. Приведены примеры причин дисквалификации и отклонения участников. Дана характеристика предметам закупки, которые пользуются наибольшим спросом. Детализированы состав и подчиненность контролирующих органов сферы публичных закупок.

Осуществлена оценка состояния и основных тенденций проведения государственного финансового контроля. Рассмотрены типичные нарушения по результатам контроля. Доказана необходимость реформирования системы контроля с целью повышения его результативности. Представлена информация об органах государственного контроля и обжалования в зарубежных странах. Отмечена необходимость устранения дублирования функций и полномочий контролирующих органов. Предложена модель организации государственного контроля путем создания единого контролирующего специализированного органа - Инспекции по публичным закупкам, в кадровый состав которой будут входить представители всех государственных органов и общественных организаций, что, в свою очередь, будет способствовать повышению эффективности и действенности контроля.

Ключевые слова: публичные закупки; государственные закупки; открытые торги; контролирующие органы; тендерные предложения; заказчики; участники; предмет закупки.

1. Introduction

The current crisis causes more and more government intervention to counteract and mitigate the negative effects. The history of the public procurement system establishment in Ukraine had begun before Ukraine gained its independence. The concept of «public procurement» is transformed from the concepts of «state plans», «state procurement» and «state contracts», and has become definitively in line with national and international principles for their implementation. Frequent changes in the law on public procurement, and sometimes their repeal, has not allowed lawmakers to respond quickly to comprehensively adjust related legal acts. Therefore, issues of public procurement and of legislative regulation of the activities of state control bodies in Ukraine are relevant and extremely important.

2. Brief Literature Review

Significant contribution to the development of the system of public procurement and its control and analytical support has been made by leading domestic scientists such as: L. Katrosha [1], G. I. Pinkas [2], V. Yu. Kwach [3], R. V. Afanasiev [3], A. V. Chernihivskaya [7], N. G. Zdyrko [14; 21], O. D. Shevchuk [14], J. V. Falko [15], and foreign experts: J. G. Murray (2009) [4], L. Sinteia (2016) [5], J. Jääskeläinen & J. Tukiainen (2019) [6], D. Coviello (2017) [17], S. Gagliarducci (2017) [17], J. Palguta (2017) [18], F. Pertold, (2017) [18], M. Mironov (2016) [19], E. Zhuravskaya (2016) [19], K. Gugler (2015) [19], M. Weichselbaumer (2015) [20] and C. Zulehner (2015) [20].

Despite the high level of scientific achievements in the field of research, a number of topical theoretical and applied issues remain unresolved. The main problematic aspects in the field of public procurement are the inconsistency and confusion of the conceptual and terminological apparatus in the legal acts, absence of rigid measures to establish responsibility for violation of public procurement rules, absence of a single central purchasing body in the organization of procurement activities (framework agreements). The issues of uncertainty over the functions and powers, as well as their duplication in the controlling bodies of the public procurement, are of particular importance and need to be addressed as soon as possible.

3. The purpose of the article is to determine the place and role of public procurement in the implementation of sustainable development concept, to carry out an analytical assessment of the current state of public procurement in Ukraine and the main tendencies of control over their implementation, to reveal the problematic aspects in the sphere of organization of activities of regulatory bodies, and to develop proposals for improving the efficiency and effectiveness of public financial control in public procurement.

4. Results

Public procurement is a totality of relations between participants and customers regarding the transparent purchase of the latest goods, works of services in accordance with annual plan, with respect to the principles of maximum economy and efficiency in the condition of equality and fair competition.

The evolution of approaches to the role and importance of the public procurement system has made it possible to consider it as a tool for the implementation of theories of public welfare and social goods [1, 99].

As it is correctly stated by G. I. Pinkas [2, 9], studies of the role of public procurement suggest that they have a significant impact both on the decision of basic social programs and on the development of the economy of the country as a whole.

According to V. Yu. Kwach and R. V. Afanasiev, the role of public procurement is to meet the needs of the state in the goods, works and services that will be used to fulfill its functions with the lowest budget expenditures and to obtain products of good quality [3, 886].

We believe that the role of public procurement cannot be limited to meeting public needs, since they must be viewed from the standpoint of tactical and strategic tasks.

As J. G. Murray suggests, «in any state, regardless of the level of development, public procurement must ensure the solution of tactical and strategic tasks» [4, 429].

A strategy in public procurement is understood as a general plan for a long term, and tactics is viewed as an instrument to achieve the goals, consistent with the overall strategy and its parts, i.e.:

- strategy - general, tactics - specific;
- strategy - macro level, tactics - micro level;
- strategy - preparation and planning, tactics - actions.

Strategy is the future, tactics is the present.

Taking into account the characteristics of strategy and tactics in terms of coverage, time and subordination, it is possible to define tactical and strategic tasks of public procurement. Tactical - is the proper quality of the object of purchase, the lowest price and fair competition.

According to Lucica Sinteia, the procurement process must support genuine competition that facilitates the selection of the most effective offers, namely the purchase of the best product, service or work at the best price [5, 48]. Usually, the participants in public procurement are different in size, which is likely to limit competition [6, 2].

Strategic objectives are considered to ensure the development of economic, social and environmental policies in Ukraine. Each of the components of the strategic objectives must be considered from the standpoint of the state and society. Thus, the economic component of achieving strategic

goals in public procurement is not only to meet the needs of state-owned enterprises, institutions and organizations with the necessary goods, works (services), and, as a result, to achieve budget savings, but also to obtain profits from the private and public sector (participants). The effectiveness of public procurement at the macro level affects the opportunity for economic growth of the country as a whole.

Social policy in public procurement not only provides the public with public goods, quality services and social guarantees, but also promotes the development of social infrastructure (construction of social facilities, repair of roads, transport, etc.). The support for employment through the creation of new jobs is equally important.

According to A. V. Chernykhivska (2014), the social aspect of public procurement is determined not only by direct channeling of funds for the development and needs of the social sphere, but also by the formation of solvent demand of the population, promoting the development of entrepreneurship, the formation of the middle class, etc. [7, 162].

We believe that in order to realize the concept of sustainable development, public procurement should also be accompanied by an increase in the environmental component. Sustainable development is a general concept regarding the need to strike a balance between meeting the modern needs of mankind and protecting the interests of future generations, including their need for a safe and healthy environment [8, 8].

The Sustainable Development Paradigm contains requirements for environmental protection and social justice, and is aimed at improving the standard of living of the population. That is why the environmental component of public procurement involves the use of innovative, environmental and energy-saving technologies to protect the environment, reduce waste and promote green procurement (Figure 1).

According to the legislation, public procurement in Ukraine is carried out in two forms:

- 1) pre-threshold procurement - procurement of up to UAH 200 thousand per year for goods and services and up to UAH 1.5 million for works. For customers operating in individual business

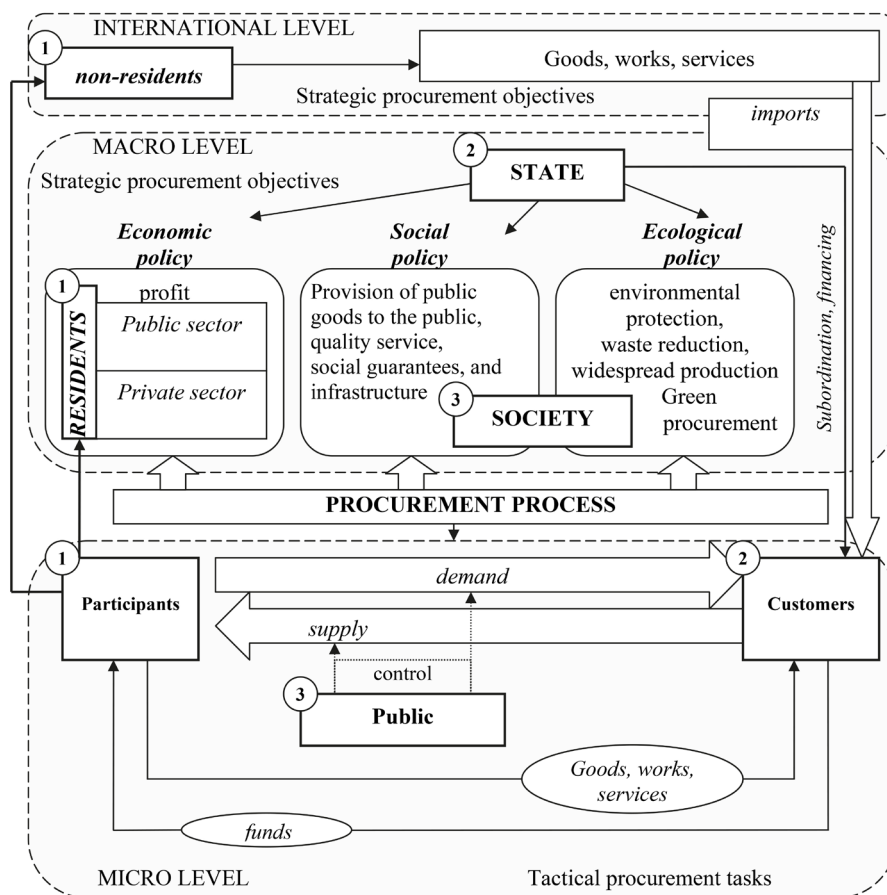


Figure 1:

The role and importance of public procurement in ensuring the tactical and strategic goals of the state

Source: Compiled by the authors

sectors, thresholds are UAH 1 million for goods and services and UAH 5 million for works. Ancillary purchases are governed by the procedure for performing ancillary purchases (Ministry of Economic Development and Trade of Ukraine, 2017)¹ [9].

- 2) over-threshold procurement - procurement of UAH 200 thousand per year for goods and services and UAH 1.5 million for works. For customers operating in individual business sectors, thresholds range from UAH 1 million for goods and services and from UAH 5 million for works. Threshold procurement is regulated by the Law of Ukraine «On Public Procurement» (2015) [10]. Over-threshold procurement is made using one of the following procedures: open bidding; competitive dialogue; negotiated procurement procedure.

The peculiarities of implementation of procedures for different types of public procurement are given in Table 1.

Table 1:
Features of procedures implementation for different types of public procurement

PRE-THRESHOLD PROCUREMENT		
ORDINARY CUSTOMERS	CUSTOMERS OF MONOPOLISTS	HOW TO PURCHASE
up to UAH 50 thousand		direct procurement or by ProZorro (from UAH 3 thousand)
from UAH 50 to 200 thousand for goods and UAH 1.5 million for works	from UAH 50 to 1 million for goods and UAH 5 million for works	procurement by ProZorro or report (no deadlines and documents required)
UKRAINIAN THRESHOLDS		
ORDINARY CUSTOMERS	CUSTOMERS OF MONOPOLISTS	HOW TO PURCHASE
from UAH 200 thousand up to EUR 133 thousand for goods	from UAH 1.5 million up to EUR 5.15 million for works from UAH 1 million up to EUR 133 thousand for goods	from UAH 5 million up to EUR 5.15 million for open bidding (15 days)
EUROPEAN THRESHOLDS		
ORDINARY CUSTOMERS	CUSTOMERS OF MONOPOLISTS	HOW TO PURCHASE
EUR 133 thousand for goods and EUR 5.15 million for works	from UAH 1 million up to EUR 133 thousand for goods	from UAH 5 million up to EUR 5.15 million for open bidding (30 days); competitive dialogue; negotiation procedure

Source: Compiled by the authors based on [11]

According to the electronic procurement system, 1.252 million public procurement announcements were announced in the 2018 reporting period, of which 230.6 thousand (18%) were advertisements for the over-threshold procurement, 237.5 thousand (19%) of pre-threshold procurement and 783.7 thousand (63%) published reports on contracts. As a result, the number of Bid Roads accounted for 82% of all procurement announced in the electronic procurement system in the reporting year. Overall, the number of procurement announcements has increased by 22% compared to 2017. However, the share of open bidding announcements has increased by 38%. The share of contract reports has increased by 36%, while the number of pre-procurement announcements has decreased by 14% (State Audit Service of Ukraine, 2019) [12].

The largest number of participants is concentrated in Kyiv region and Kyiv city - 27,200 active procurement participants in 2018, Dnipropetrovsk - 10,196 participants, Kharkiv - 9,219 participants, Lviv - 7,385 participants.

The electronic procurement system provides significant opportunities and advantages in marketing products and services of the companies which were the participants of public procurement to get a new market for the sale of their products under a simplified procedure, without spending money on the promotion of goods, advertising and search for partners or investors.

The percentage of rejected participants by the organizers in competitive procurement compared to 2018 has not changed and is 10% (State Audit Service of Ukraine, 2019) [12].

The highest percentage of disqualifications is observed in open bidding 13% and in negotiation (defense procedure) - 16%. Compared to the previous year, the percentage of disqualifications in the negotiation procedure (for defense purposes) increased from 12% to 16%, but decreased in open tenders with publication in English from 3% to 2% (Table 2).

The main reasons for the disqualifications indicated by the organizers were explained by the failure to fulfill the requirements of the tender documentation (51%). At the same time, 43% of all disqualifications did not state a reason contrary to the requirements of the Law. These include the purchase of office and computer equipment, equipment and supplies, except furniture and

¹ As of 2017, EUR 1 = UAH 29

Table 2:
Activities of participants and organizers in completed procurement in 2018

Procurement procedure	Number of tenders	Number of unique bidders	Number of bids	Number of disqualifications	% disqualifications	Average number of bids
Total	251,655	49,275	621,546	65,131	10%	2.28
Subscription purchase	167,174	30,816	351,639	31,559	9%	2.06
Open bidding	78,332	33,254	244,363	32,398	13%	2.66
Open bidding with publication in English	4,790	4,696	20,910	450	2%	2.82
Negotiation procedure (for defense purposes)	1,359	1,045	4,634	724	16%	2.48

Source: State Audit Service of Ukraine (2019) [12]

software packages, food, beverages, tobacco and related products, furniture (including including office furniture), furniture and furnishings, household appliances (except lighting equipment) and cleaning products. At the same time, with regard to 14% of all disqualifications, the organizers indicated that the participants did not meet the qualification criteria and in 11% of cases that the participants did not provide the necessary documents.

According to the data analysis of the electronic procurement system in 2018, 28 thousand organizers successfully completed 1.084 million purchases, in which there were 1.115 million lots with an expected value of UAH 657.710 billion [12]. Of all procurement, 88% was pre-threshold procurement, and 12% was over-threshold procurement. A total of 148 thousand participants took part in the procurement (Table 3).

In terms of subjects procurement, it is worth mentioning that most purchases were related to food, beverages, tobacco and related products, petroleum, fuel, electricity and other sources of energy, construction and structural materials of auxiliary construction products (except electrical equipment), office and computer of appliances, equipment and supplies, except furniture and software packages, medical equipment, pharmaceuticals and personal care products in Kyiv, Dnipropetrovsk, Donetsk, Kharkiv, Odesa regions and Kyiv capital city.

The use of budget funds implies the exercise of state financial control. The main task of the system of controlling bodies in the field of public procurement is to ensure strict observance of the legislation in the field of procurement by preventing violations, and in case of their detection there should be a guaranteed elimination. A well-functioning system of control bodies in the field of public procurement is in the interest of all interested groups - customers, participants, as well as the society as a whole.

In accordance with the Law «On Public Procurement» (2015) [10], state regulation and control in the field of public procurement is carried out by the authorized body, treasury service bodies and public financial control bodies (Figure 2).

Table 3:
Evaluation of completed procurement in 2018

Public procurement	Number of procurement	Quantity share (%)	Expected value of lots (UAH)	Expected Value Share (%)
Pre-thresholds	950,907	88%	188,643,294,150	29%
Over-thresholds	133,336	12%	469,067,411,872	71%
Total	1,084,243	100%	657,710,706,022	100%

Source: Compiled by the authors based on data by the State Audit Service of Ukraine (2019) [12]

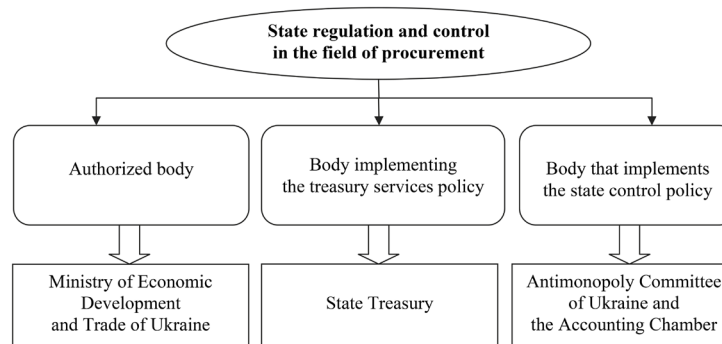


Figure 2:

System of state regulators and control bodies in the field of public procurement

Source: Compiled by the authors base on the Law of Ukraine «On Public Procurement» (2015)

The bodies implementing the policy in the field of state control are the Antimonopoly Committee of Ukraine and the Accounting Chamber. However, it is not stated anywhere that one of the controlling bodies is the State Audit Office. In support of this, it should be noted that the results of procurement controls are presented in the Public Report on the Activity of the State Audit Service of Ukraine (2019) [12]. In addition, it can be noted that the Regulations on the State Audit Service of Ukraine (2016) [13] still refer to audits by its public procurement representatives. Thus, Paragraph 4 of the Regulations stipulates that the State Audit Office, in accordance with its tasks, implements state financial control through the implementation of audit and procurement monitoring.

Thus, during 2018, the State Audit Office, its interregional territorial bodies, investigated procurement issues during 858 public financial control measures (revisions and audits) and established procedural irregularities in the procurement area totaling UAH 22 billion [12].

The main indicators of the control measures and means of the results of inspections are summarized in Table. 4.

As a result of such measures of the state financial control, 333 protocols under Article 164-14 of the Code of Ukraine on Administrative Offenses of for violation of the procurement legislation were drawn up and sent to court in 2018.

The State Audit Office, within its powers, fulfilled its procurement control tasks by analyzing the documents placed in the Prozorro information and telecommunication system, including the information provided by the customers at the request of the State Audit Office and its interregional territorial bodies.

The overall estimation of the established by the State Audit Office, as well as prevented violations in the field of public procurement in the period of 2016-2018, is shown in Figure 3.

Data from the State Audit Office reports show that the percentage of prevented violations increases from year to year, which is a positive trend and helps to save budget funds.

Table 4:
Indicators of control measures performed by the State Audit Service in the field of public procurement in 2016-2018

No.	Indicator	Years			Deviation
		2016	2017	2018	
1	Controls were conducted	778	863	858	80,0
2	Violations established, UAH billion	13.2	5.2	22.0	8.8
3	Reports of administrative violations have been drawn up	319	231	333	14
4	Purchase irregularities prevented, billion UAH, incl.	4.7	16.8	21.3	16.6
5	- procurement procedures have been canceled	3.8	15.5	20.1	16.3
6	- contracts were terminated	0.9	1.3	1.2	0.3

Source: Compiled by the authors based on data by the State Audit Service of Ukraine (2019) [12]

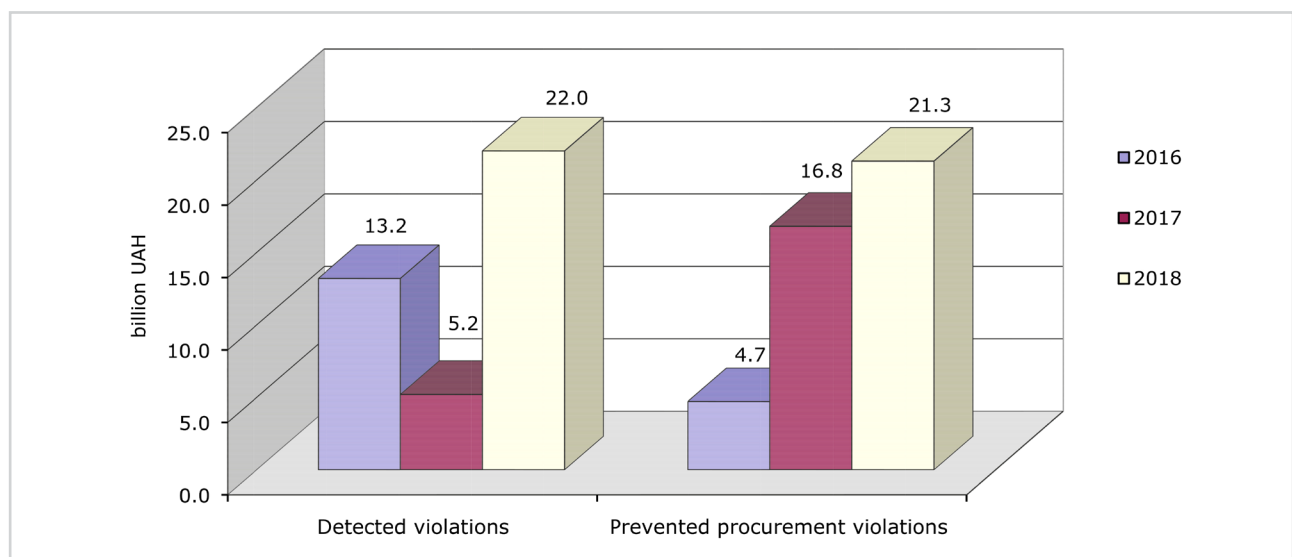


Figure 3:
Assessment of established and prevented violations in the field of public procurement in 2016-2018, UAH billion

Source: Compiled by the authors based on data by the State Audit Service of Ukraine (2019) [12]

According to the results of the corresponding analysis for 2018, more than 2.4 thousand procurement procedures prevented irregularities in procurement totaling UAH 21.3 billion, namely procurement procedures in the amount of UAH 20.1 billion were canceled and contracts with a total of UAH 1.2 billion were terminated.

In total, in 2018, the State Audit Office and its interregional territorial bodies completed 151 procurement monitoring procedures, covering more than UAH 6.6 billion. According to the results of 57 procurement monitoring procedures, violations amounting to UAH 452.7 million were detected.

In the general structure of violations, detected by the bodies of the State Audit Service, the largest share (38.7%) are violations concerning non-observance of the procedure for publication of procurement information.

The other types of violations can be singled out by the following features:

- rejection by the customer of the tender offer of the participant who did not meet the conditions of the tender documentation (11.3%);
- failure to comply with the procedure for determining the subject of procurement (11.3%);
- the customer's concluding the contract without using the procurement procedure (11.3%);
- non-imposition of electronic digital signature on forms of documents in the field of public procurement (9.7%);
- violation of the tender documentation (9.7%);
- negotiation procedure in the absence of specified grounds (4.8%);
- breach of contracting and execution (3.2%) (See Figure 4).

The main shortcomings in the development of public financial control in Ukraine (including the area of public procurement) correspond to:

- 1) insufficient number of control units in the State Audit Service, as well as a lack of organizational and/or functional independence of such units;
- 2) imperfection of internal and external methodological base on issues of state financial control;
- 3) shortcomings in terms of completeness of audit activities, quality of documentation of audits carried out and validity of conclusions based on their results;
- 4) lack of a proper regulatory framework regarding the implementation of public financial control [14, 16].

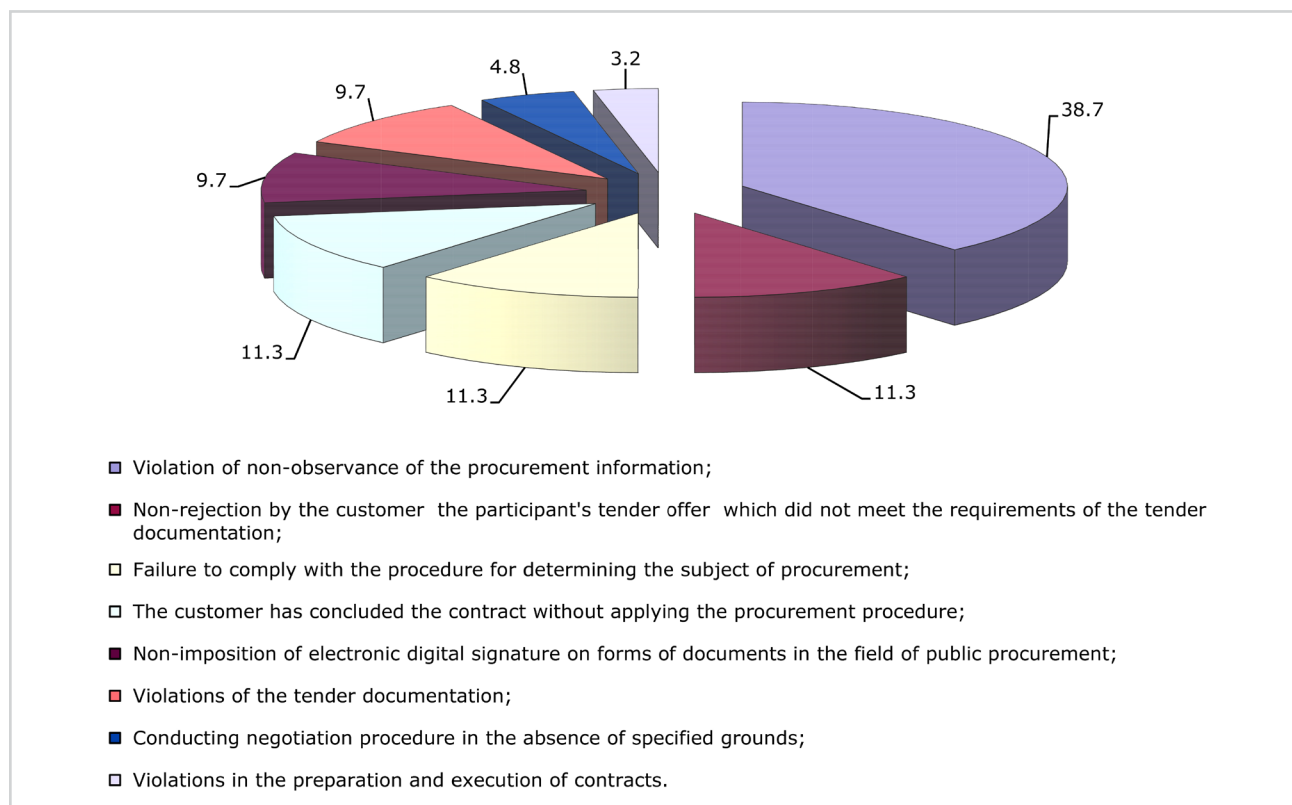


Figure 4:

Percentage of detected violations by the State Audit Office based on monitoring results in 2018, %

Source: Compiled by the authors based on data by the State Audit Service of Ukraine (2019) [12]

We agree with the opinion expressed by Y. V. Falko, who believes that most of the control measures in the field of public procurement today fall precisely on audits and audits conducted by the bodies of the State Audit Service, the Accounting Chamber of Ukraine and departmental auditors. At the same time, there is no single legislative act which would clearly state the tasks, functions, status and areas of competence of the above-mentioned bodies. The exercise of relevant powers is governed by a variety of regulatory documents, the provisions of which are often contradictory and do not provide for systematic state control of public procurement. This leads to unnecessary duplication of audits of the same entities on the same issues and does not facilitate the rapid elimination of deficiencies established by their results [15, 80].

In order to increase the efficiency of public procurement, it is important to adopt the best experience of foreign countries in organizing the work of supervisory authorities in the procurement process.

The control and appeal bodies in foreign countries include: the Complaints Commission in Denmark; the Public Procurement Arbitration Commission in Hungary; the Tender Authority, the Supreme Court in Cyprus; the Administrative Court in Austria and the National Control Commission in Slovenia [16].

As we can see, in Ukraine, unlike the experience of foreign countries, there is a diffuse concentration of control functions in the field of public procurement, which leads to their duplication by the controlling bodies. That is why we believe that in order to improve the efficiency of the control of procurement activities and the implementation of control functions a specialized control body - *the Public Procurement Inspectorate* - should be established. The independence of the Inspectorate must be executed through the independence of the body as an institute and the independence of its members.

Scientists D. Coviello and S. Gagliarducci (2017) studied the impact of political authority on public procurement outcomes using data from Italian municipal governments. Their estimates indicate that the possibility of being in a position gradually leads to collusion between government officials and local public procurement participants [17, 68].

In their research, J. Palguta and F. Pertold (2017) also presented evidence of how policy influences the creation of opportunities to avoid open competition in procurement and leads to manipulation of procurement principles. Manipulation is manifested in the procurement below the thresholds in construction works and services, and to a lesser extent in goods [18, 307].

Foreign scientists M. Mironov and E. Zhuravskaya (2016) also evaluated the effectiveness of procurement, investigated the causes of violations in public procurement and, in particular, proved the existence of corruption in the distribution of public procurement [19, 312].

A group of scientists studied the effects of the economic crisis on the behaviour of firms and their allowances in closed auctions under the influence of government regulatory instruments. They found that the margins on all submitted applications decreased by 1.5 percentage points, and the margins on winning offers decreased by 3.3 percentage points [20, 39].

For this reason, we believe that in terms of subordination, the proposed body (the Inspection) should be functionally independent of the government and independent of any parties to the procurement process (customers, participants). The Inspection should be managed through a collegiate body - the Council, which should be composed of representatives of various public organizations and state bodies: the Accounting Chamber, which reports to the Verkhovna Rada of Ukraine; the Antimonopoly Committee of Ukraine, which reports to the President of Ukraine; the State Audit Service of Ukraine, which reports to the Cabinet of Ministers of Ukraine and representatives of the judiciary (Figure 5).

The Public Procurement Inspectorate must have financial independence and its own budget. The best solution is to secure funding on a legislative basis. We believe that the representation of different state and public bodies will ensure the functioning of the Inspectorate with the utmost respect for the principles of independence, objectivity, diligence, efficiency and economy.

In order to ensure an adequate level of public financial control, its efficiency and effectiveness, it would be necessary to constantly increase the level of professional qualities of the state internal auditors in planning, conducting and documenting the results of audits; to increase the number of internal audit units and complete them. Functions and tasks of state auditors need to be avoided in order to avoid conflicts of interest in exercising clear distribution control [21, 89].

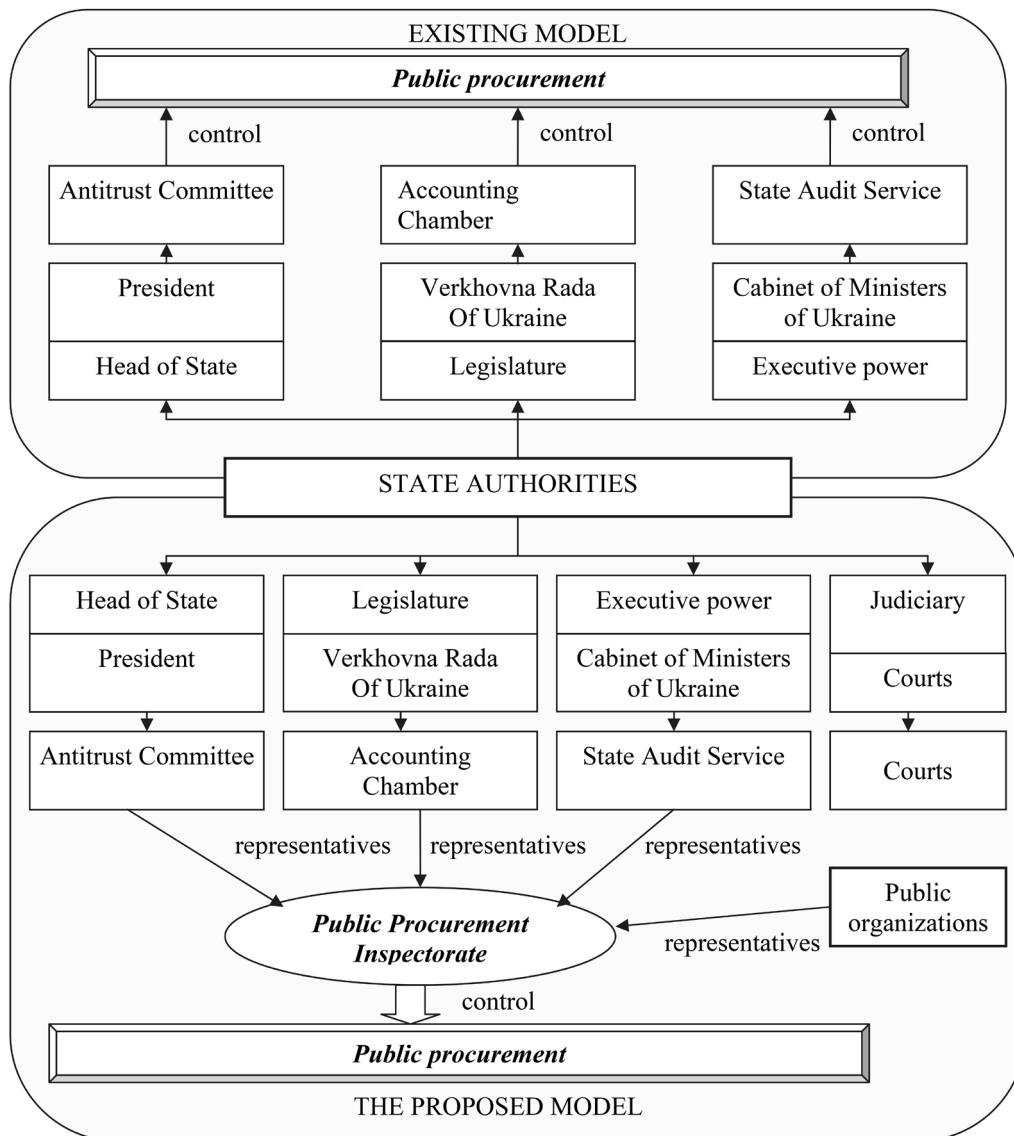


Figure 5:
The proposed model of state control in the field of public procurement
Source: Developed by the authors

5. Conclusions

Public procurement is one of the instruments of state regulation and realization of public welfare. The role of public procurement should be considered not only in terms of meeting public needs, but also the needs of society. Based on the implementation of public procurement tactical and strategic tasks and in order to implement the concept of sustainable development, we propose to determine the role of public procurement as part of the economic, social and environmental policies of the state. According to legal requirements, public procurement is classified as a threshold. Procedures for the implementation of sub-threshold procurement include open bidding, competitive dialogue and negotiated procurement procedure. It is worth noting that both the number of public procurement and their value increases every year, thus ensuring budget savings and meeting the needs of both customers and participants. Public procurement control tendencies indicate an increase in control results. However, typical violations and abuses also occur. A new model of public financial control organization in the field of public procurement has been proposed through the introduction of a specialized oversight body - the Public Procurement Inspectorate, which should include representatives of existing bodies of control, as well as delegates of public organizations and courts. The advantage of the functioning of the proposed body is that it will ensure independence, objectivity and efficiency of work to improve the efficiency and effectiveness of public financial control.

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