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**Public Procurement Audit Practical Guide** 

**Annexes** 

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# Annex 1. Main Types and Methods of Public Procurement

## is represented by Azerbaijan

Open tender, request for service proposals, two-stage tender, closed tender, tender with limited participation, request for proposals,

### is represented by Belarus

Practical types and methods of public procurement

Types: competitive and non-competitive

#### Kinds:

open tender; closed tender; electronic auction; procedure of requests for price proposals; procedure of procurement from one source; stock trading.

### is represented by Kyrgyzstan

Practical types and methods of public procurement

- one-stage method (principal method of public procurement)
- a two-step method bidding for procurement of technologically complex specialized works;
- simplified method bidding for the purchase of low-cost standardized products and services, typical works;
- on decrease in price the electronic auction for the purchase of goods and services with the established quality standards and specific description;
- method of direct contract awarding

# is represented by by China

Open tendering /Selective tendering /Prequalified tendering/Signal or restricted tendering

## is represented by Portugal

Types and methods of public procurement used in practice

In accordance with Portuguese legislation, aligned with the EU one, the choice of the pre-contracting applicable procedures is subject to the estimated value of the contracts which will be signed.

Hereafter the types of the applicable procedures, taking into consideration the price and type of contract, in fact establishing a more demanding regime than that resulting from European regulations:

(IN EURO)

TYPE OF CONTRACT	ESTIMATED VALUE OF CONTRACT	LEGALLY REQUIRED PROCEDURE
	≥ 5.186.000	Public tender or restricted tender with prior publication of a contract notice in the Official Journal of the European Union (OJEU).
Public works	< 5.186.000	Public tender or restricted tender with or without prior publication of a contract notice in the OJEU.
	< 150.000	Public tender, restricted tender or direct award procedure with or without prior publication of a contract notice in the OJEU.
Concessions of public	≥ 5.186.000	Public tender or restricted tender with prior publication of a contract notice in the OJEU.
works	< 5.186.000	Public tender or restricted tender with or without prior publication of a contract notice in the OJEU.
Concessions of public services and articles of association	Regardless of the value	Public tender, restricted tender, or negotiated procedure with or without prior publication of a contract notice in the OJEU. In exceptional cases, a direct award procedure may be used.

	≥ 134.000 (only central	
	State)	
	≥ a 207.000	Public tender or restricted tender with prior publication of a contract notice in the OJEU.
	$\geq$ 414.000 (contracts in the	
	water, energy, transport and	
	postal services sectors)	
Leasing, acquisition of	< 134.000 (only central	
goods and services	State)	Public tender or restricted tender with
		or without prior publication of a
	< 207.000	contract notice in the OJEU.
	< 75.000	Public tender, restricted tender or direct award procedure with or without prior publication of a contract notice in the OJEU.
	Regardless of the value	Public tender or restricted tender with or without prior publication of a contract notice in the OJEU.
Other contracts	< 100.000	Public tender, restricted tender or direct award procedure with or without prior publication of a contract notice in the OJEU.

# is represented by Zambia

Types and methods of public procurement used in practice:

# METHODS OF PROCUREMENT

# **Open Bidding**

The objective of open bidding shall be to obtain value Open bidding for money and promote private sector participation through the maximum possible

#### competition

#### **Open selection**

The objective of open selection is to promote private sector participation to obtain the best possible shortlist in order to obtain value for money.

#### **Limited Bidding**

The objective of limited bidding is to obtain competition Limited and value for money to the extent possible where the circumstances bidding do not justify or permit the use of open bidding.

Limited bidding may be used where—

- (a) the goods, works or services are only available from a limited number of suppliers;
- or (b) there is an urgent need for the consulting services and engaging in open bidding would therefore be impractical

#### **Limited Selection**

The objective of limited selection is to obtain competition Limited and value for money to the extent possible where the circumstances selection do not justify or permit the use of open selection.

- (2) Limited selection may be used where—
- (a) the consulting services are only available from a limited number of suppliers;
- or (b) there is an urgent need for the consulting services and engaging in open selection would therefore be impractical.

## **Simplified Bidding**

The objective of simplified bidding is to obtain competition Simplified and value for money to the extent possible, while maintaining bidding economy and efficiency, where the circumstances do not justify the use of open bidding.

Simplified bidding may be used where the estimated value of the goods, works or consulting or non-consulting services does not exceed the prescribed threshold.

# **Direct Bidding**

The objective of direct bidding is to achieve Direct bidding timely and efficient procurement, where the circumstances or value do not justify or permit the use of competition.

Direct bidding may be used where—

(a) the goods, works or consulting or non-consulting services are only available from a single source and no reasonable alternative or substitute exists;

- (b) due to an emergency, there is urgent need for the goods, works or services making it impractical to use other methods of procurement because of the time involved in using those methods;
- (c) additional goods, works or services must be procured from the same source because of the need for compatibility, standardisation or continuity;
- (d) an existing contract could be extended for additional goods. works or services of a similar nature and no advantage could be obtained by further competition;
- or (e) the estimated value of the goods, works or services does not exceed the prescribed threshold.

# Annex 2. Examples of Issues to Be Addressed in the Frame of Public Procurement Audit

# Practical issues aimed at the testing of the Public Procurement system at the audited entity

From Practice Guide for Audit of Procurement by SAI of India<sup>1</sup>

Sr. No.	Audit Objectives	Issues
1	Policy guidelines and documentation by the Organisation for Procurement  Whether the organization has uniform and well documented policy guidelines so that procurement is done of specified quality, at most competitive rates, in a fair and just manner, ensuring efficiency, economy and accountability?	<ol> <li>Whether there exists a well documented purchase manual containing detailed purchase procedures, guidelines, and proper delegation of powers?</li> <li>Has the procurement manual been regularly updated?</li> <li>Whether the codified purchase manual assures systematic and uniform approach in decision making process for procurement?</li> <li>Whether accountability centres have been properly identified and demarcated?</li> <li>Have appropriate time frames for each stage of procurement been prescribed by the Departments, to reduce delays in meeting the operational, production and maintenance requirements and make concerned purchase officials more alert?</li> <li>Whether delegation to lower functionaries, with approval of competent authority, has been done for speedy decision making and placement of contract?</li> </ol>
2	Record management and documentation of purchase / procurement  —Whether adequacy of the documentation and filing system of decisions and deliberations of individuals /Tender Committee has beenassessed so as to	7. Whether detailed recording/documentation procedures of all procurement exist?  8. Have decisions/deliberations of individuals / Tender Committee been properly documented so that accountability can be fixed if serious lapses are established?  9. Were part files which are opened as and when new action is initiated, merged with the main file so as to ensure continuity and prevent arbitrariness in decision making?  10. Were files properly paginated?

<sup>&</sup>lt;sup>1</sup> http://sps.iitd.ac.in/PDF/AGP.pdf

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Sr. No.	Audit Objectives	Issues
	prevent dilution of accountability and arbitrariness in decision making.?	
3	Requirement/ Provisioning  —Whether quantities purchased were not in excess of requirement and of standard quality so as to avoid wasteful expenditure and avoidable inventory carrying cost?	1. Were excessive, fraudulent or infructuous purchases avoided by taking into consideration important aspects e.g. consumption during last 3-5 years, during current year, average rate of consumption, available stocks, outstanding dues/supplies, past consumption pattern, average life of equipments/items etc?  2. In making forecasts, did the indenting agency only consider "True issues" i.e. actual consumption excluding inter-depot adjustments, non-recurring issues etc?  3. Was inventory carrying cost assessed especially in respect of material lying unutilized for years?  4. Were there cases of purchases less than the actual requirement that might have adversely affected the progress of works and resulted in subsequent procurement at additional and may be higher costs?  5. Were demands for stores received from different wings/units clubbed together so as to reap the benefits of bulk buying?  6. Were requirements intentionally bifurcated/split so as to avoid approval from higher authorities?  7. Was obsolescence factor taken into account by ensuring that the equipment to be purchased conformed to the latest specifications and technology available in the market?  8. Were the specifications drawn up with emphasis on factors like efficiency, optimum fuel/power consumption, use of environmental friendly materials, reduced noise and emission levels, low maintenance cost etc?  9 Did the specifications take care of the country's mandatory and statutory regulations, if any, applicable for the goods to be purchased?  10. Where Indian Standards exist for the required goods, whether the same was adopted?

Sr. No.	Audit Objectives	Issues
		11. Was preference accorded to procure goods which carried the Bureau of Indian Standards (BIS) mark?  12. Where Indian standards do not exist or, alternatively, decision was taken to try the foreign market also, were International Standards (e.g. ISO etc) adopted?  13. Was cost benefit analysis done to establish justification for procurement?  14. Were requirements prioritized so as to ensure optimum utilization of scarce resources?  15. Was there rush of expenditure on procurement at the close of the financial year or fictitious booking merely with the view to utilizing budget grants?
4	Rate analysis/Estimated Rates  —Whether estimated rates were worked out realistically so as to establish the reasonableness of prices?	16. Whether the rates were estimated in a professional manner and not simply by extrapolating prices of low capacity equipment or by applying uniform yearly compounded escalation over prices of similar equipment purchased earlier?  17. Was Rate analysis done in a realistic and objective manner on the basis of prevailing market rate, last purchase prices, economic indices for raw material/labour and other input costs etc.?  18. Whether comparison of rates vis a vis other departments/zones procuring similar commodities was done through exchange of information?  19. Was last purchase price (LPP) of past successfully executed orders of similar magnitude and scope of supply, used as an input for assessing rates?
5	Inviting Tenders  —Whether the procedure ensured wide publicity, generated competition and obviated favouritism?	1. Whether in respect of standard type, commonuser items, needed on a recurring basis for which DGS&D has concluded rate contracts, the Department has operated such rate contracts, in order to save time, effort and other related costs in repetitive tendering and reduce lead time in procurement?  2. Whether prices paid by a Department, which directly procured DGS&D's rate contracted goods from the suppliers, were not more than those stipulated in the rate contract?  3. Were other salient terms and conditions of the

Sr. No.	Audit Objectives	Issues
	Audit Objectives	purchase in line with those specified in the rate contract?  4. Whether the tender enquiry was the most preferred and transparent mode of Tendering viz Global Tender Enquiry/Advertised Tender Enquiry?  5. Was the estimated value of procurement proposed for Limited Tender Enquiry within the financial limit prescribed under extant rules?  6. Was the number of supplier firms in Limited Tender Enquiry, at least three?  7. In cases where Limited Tender Enquiry was adopted even where estimated value was more than permissible limit, was there a certification by the competent authority that the demand was urgent, the nature of the urgency, the reasons why the procurement could not be anticipated and that the additional expenditure involved in not procuring through advertised tender was justified in view of urgency?  8. Was there confirmation by the procuring agency that the sources of supply were definitely known and possibility of fresh sources beyond those being tapped was remote in cases of Limited Tendering?  9. Whether the credentials of the firms and criteria adopted for selection of limited number of vendors were recorded?  10. Whether detailed justification was given/recorded for propriety purchases and selecting a single vendor?  11. Was there a certification by the user department that only a particular firm was the manufacturer of the required goods?  12. Was there recorded advice of a competent technical expert, duly approved by the competent authority, that for standardization of machinery or compatibility of spare parts to the existing set of equipment, the required items was to be purchased only from a selected firm?  13. Was a list of firms of known reliability, periodically examined and revised, maintained for the purpose of "limited" and "single" tender procedures?  14. Were firms registered as approved suppliers,
		done carefully, after assessing the capacity

Sr.	Audit Objectives	Issues
No.	Tiuni Objectives	cum capability and financial standing,
		credentials, manufacturing capability, quality
		control systems, past performance, after sales
		service, financial background etc. of the firm,
		using the services, if required, of DGS&D or
		Research Design and Standards Organisation,
		Lucknow as in the case of Railways?
		15. Whether the performance and conduct of a
		supplier was regularly monitored/watched by
		the concerned organization through a vendor
		development cell?
		16. Whether addition/deletion of suppliers from the
		approved list was effected every year in
		consideration of their performance and
		conduct?
		17. Was sufficient/wide publicity given so as to
		generate competition and avoid favouritism to
		select vendors?
		18. Were tender notices put on the web-site of the
		organization?
		19. Whether the advertisement was issued in National News Papers and in Indian Trade
		Journal (Govt. Publication)?
		20. Were tender notices sent by post to past
		successful suppliers and likely suppliers
		registered with the department?
		21. In case of imported stores, were copies of
		tender notices forwarded to Indian Missions/
		Embassies?
		22. Whether adequate time was given in order to
		receive sufficient responses from the
		competent suppliers?
		23. In cases where tenders were opened within
		very short periods, was the urgency/
		emergency recorded and established?
		24. Whether in respect of such short-term tenders
		based on urgency of requirement, the
		processing was also quick and fast?  25. Were sale of tenders kept open for adequate
		period or were they closed much in advance
		of tender opening thereby defeating the
		purpose of generating competition?
		26. Whether detailed instructions in respect of 2-
		bid system been indicated in the document
		inviting tender as to the requirements of
		submitting technical bid and financial bid
		separately?
		27. Whether Government's instructions on

Sr. No.	Audit Objectives	Issues
6	Tender Document  —Whether the bid documents have been comprehensively prepared, have adequately addressed the interest of the Govt. and ensured evaluation of bids on equitable and fair basis and in a transparent manner?	reservation of items and price preference to SSI units were incorporated in the bid documents?  28. Whether purchase preference policy (PPP) applicable to Public Sector Enterprises as per the latest guidelines of July 2005, circulated by Department of Public Enterprises been incorporated in the bid document?  29. Was PPP support extended as per DPE guidelines, only to the contracts of the value of Rs. 5 crore and above but not exceeding Rs.100 crore?  30. Was PPP applied only to Central Public Sector Enterprises (CPSE) and their subsidiaries and not also to joint ventures owned by a PSE and a private sector partner?  31. Whether the PSE which had the benefit of PPP, on failing to perform, was also subjected to payment of liquidated damages or any other penalty included in the contract?  1. Were the terms and conditions in the bid documents, sketchy and insufficient, conflicting and vague, resulting in wrong interpretation, disputes, time and cost over runs?  2. Was the tender document complete in all respects and included instructions to tenderers, date, time and place of opening the bid, general and special conditions of contract, specifications, schedule giving particulars of stores to be supplied, price schedule to be utilized by the bidders for quoting their prices, agreement form to be signed by tenderer, statement of deviations from specifications, statement of deviations from conditions of contract?  3. Whether the important clauses relating to Earnest Money, Delivery Schedule, Payment terms, Performance Warranty, Bank Guarantee, Pre-despatch inspection, Arbitration, LD/penalty for the delayed supplies, Risk purchases, settlement of disputes etc. been incorporated in the bid documents?  4. Whether the earnest money was reasonable and justifiable to establish the earnestness of the bidder and eliminate frivolous/speculative bidding?

Sr.	Audit Objectives	Issues
No.	Audit Objectives	5 Was the EMD/bid amount an absolute amount and not a percentage of the quoted value of goods to be purchased? 6. Was the bid security in the form of Account Payee Demand Draft, Fixed Deposit Receipt, Banker's Cheque or Bank Guarantee from any commercial bank in an acceptable form, duly safeguarding the purchaser's interest in all respects? 7. Were suitable clauses incorporated to check technical and financial capability of suppliers, past experience and performance, manufacturing facilities etc? 8. Were evaluation/loading criteria with respect to important items like payment terms, delivery period etc. specified in unambiguous terms in the bid document, so that evaluation of bids after tender opening could be made without any subjectivity? 9. Were payment terms clearly stipulated to prevent bidders from quoting prices based on varying advance payments and thereby also enabling evaluation on an equitable basis? 10 Whether detailed technical specifications including performance parameters and technical evaluation criteria, if required, were specified in the bid document in unequivocal terms so as to ensure evaluation of offers on an equitable basis, avoid subjectivity in decision making and prevent leverage to bidders? 11 Were training, technical support, after sales service and annual maintenance contract requirements, if any, recorded suitably? 12. Have specific delivery periods as per terms of delivery such as FOR station of dispatch/destination been incorporated? 13. Have specific dates been stipulated not just for supply of equipment but also for installation and commissioning, where this is to be carried out by supplier? 14. Have specific pre dispatch inspection dates, been indicated especially where terms of delivery are on CIF/FOR destination basis? 15. Whether a detailed warranty clause was incorporated and whether it was reckoned from the date of installation/commissioning so as to ensure that warranty did not expire before

Sr. No.	Audit Objectives	Issues
		installation?, 16. In case of "by back", when existing items are being replaced with a new one, whether a suitable clause was incorporated in the bidding document so that prospective and interested bidders could formulate their bids accordingly?
7	Postponement and Correction/Changes to Tender notice  —Whether equal opportunity has been given to all bidders?	<ol> <li>Whether corrections/changes in the Notice Inviting Tender have taken place?</li> <li>Whether any correction/changes made in the bid document have been notified to all the bidders sufficiently in time?</li> <li>Was the tender opening date extended in view of corrections/amendments in order to give prospective bidders adequate and reasonable time?</li> <li>Has the notice of extension been published in newspapers?</li> </ol>
8	Receipt of Tenders  — Whether the system is temper proof?	<ol> <li>Whether a proper arrangement for receipt of tenders at scheduled date and time through tender box been devised?</li> <li>In cases where tenders are too bulky to be put in the tender box, whether officers were designated for receiving the same and did the latter issue receipts bearing date and time to the bearer of the tender, record the bids received, in a register and store them in safe custody?</li> <li>Whether the procedure for receipt of tenders ensures that tempering is over ruled?</li> </ol>
9	Opening of Tenders  — Whether the system ensures complete transparency?	1. Was total value of tender the criteria for deciding the 'competent authority' for acceptance of the tender?  2. Was the Tender Committee properly constituted comprising of representatives from Accounts, Indenting Departments, Inspecting Agency etc?  3. Whether the tenders have been opened in public i.e.in presence of the trade representative thereby preserving the sanctity of tendering system and ensuring total transparency?  4. Were bids not accompanied with earnest money deposits along with tenders, ignored/rejected?  5. Whether at the time of opening, tender

Sr.	Audit Objectives	Issues
No.		documents have been numbered serially,
		initiated and dated at the first page?
		6. Whether the pages of the tender documents
		were numbered and particularly important
		items like prices, important terms and
		conditions etc. been encircled and initiated?
		7. Whether technical bid and financial bids were
		duly superscribed and sealed separately in
		cases of 2-bid system?
		8. Whether technical bids were evaluated by the
		competent authority at the first stage?
		9. Whether financial bids were considered only
		after a technical bid was found acceptable?
		10. Whether at the second stage only those financial bidders were considered that were
		technically acceptable and ranked before
		awarding a contract?
		11. Was the EMD in case of a two bid system
		incorporated at a fixed amount on the basis of
		estimated value of the purchase, instead of
		as a stated % of tender value so as to obviate
		the possibility of giving the bidders an
		indication of prices quoted by competitors and
		using this information to the disadvantage of
		his competitor if prices are subsequently
		modified?
		12. Were overwritings attested by the tender
		opening officer/committee to make it clear that such alterations were present on the tenders
		at the time of opening?
		13. Were bidders permitted to alter or modify their
		bids after expiry of the deadline for receipt of
		bids?
		14. Were 'late bids' i.e those received after the
		specified date and time for receipt of bids, also
		considered?
		15. Whether 'On the Spot Statement' was
		recorded by the tender opening officer/
		Committee giving details of the quotations
		received and other particulars like the prices,
		taxes duties and EMD etc, as read out in the
		opening of tender been recorded?  16. Was the tender finalized within the initial
		validity of offer?
		17. Whether additional features which were never
		a part of the original conditions or specifications,
		also considered when evaluating the bid?
		18. Whether contract was awarded to the lowest

Sr. No.	Audit Objectives	Issues
		bidder whose offer conform to the technical specification and other conditions given in the tender document, without recourse to extrinsic evidence?
10	Post tender Negotiation Whether post tender negotiation was on lines permissible by extant guidelines/orders and one major source of corruption was plugged?	<ol> <li>Whether during any post tender negotiation CVC guidelines were followed? Was negotiation done with other than L-I?</li> <li>Whether in case the quantity to be ordered was much more than what L-I alone could supply, the quantity order was distributed in a fair, transparent and equitable manner?</li> </ol>
11	Advance payment Whether advance payment was unavoidable and if resorted to, was done with suitable safeguards to fully protect Govt. interest?	<ol> <li>Whether current policy of Govt.of no advance was adhered to?</li> <li>If unavoidable, was payment of advance agreed to only in exceptional cases of contract for manufacturing of equipment system or for a project with long execution time?</li> <li>Whether advance payment was made to successful bidder/supplier only against appropriate Bank Guaranty?</li> <li>Whether mobilization advance if paid,was interest- free, in contravention of CVC guidelines?</li> </ol>
12	Performance Bank Guarantee(PBG) Whether adequate measures were taken to avoid loss to Govt. in the event of non performance of the contract?	<ol> <li>Was PBG too low in comparison to contract value?</li> <li>Was the guidelines of the BG checked from the issuing Bank?</li> <li>Was the validity of the BG monitored, and in case of extensions in delivery period, whether the BG was appropriately extended?</li> <li>Whether Bank Guaranty accepted was conditional and thereby against the financial interest of the organization?</li> <li>Whether timely action for encashment of the Bank Guaranty was taken so as to protect Govt. interests in case of non- supply?</li> </ol>
13	Contract Management Whether the contract terms and conditions were comprehensively drawn up, and whether they are	

Sr. No.	Audit Objectives	Issues
	unambiguous, free from uncertainities, indefinite liability and misinterpretation and serve to protect Govt. interests?	
	(a) Completeness of the contract	1. Whether documents forming integral part of a contract were together viz., (i) tender comprising instructions to Tenderers, conditions of contract, standard of special specifications, schedule of items, quantities and rates Agreement form and Tender form (ii) Formal Acceptance of tender?  2. Did the contract place beyond all reasonable doubt all the matters upon which parties intended to agree viz.,  (i) What the contractor is to do, when, where and to whose satisfaction it is to be done;  (ii) What Govt. is to do; and on what terms  (iii) What payment is to be made; what is to cover, to whom it is to be made and the method and basis of making it.  (iv) The responsibility of the contractor in respect of adequate supervision, care of Government property.  (v) The terms on which variations and modifications, if any are to be permitted the authority; competent to order and to assess them, and the occasion and basis of such assessment.  (vi) The measures to be adopted in the event of a breach of a contract by either party thereto, and the method of and grounds for the determination thereof.  (vii) The method of settling disputes.  3. Whether legal advice was sought for, before drafting and entering into a contract agreement?
	(b) General Conditions	<ol> <li>Whether the terms of contract were precise and definite and free from ambiguity or was there misconstruction thereon?</li> <li>Whether the contract was placed only after tenders have been invited and cases where the lowest tender was not accepted reason there for recorded?</li> <li>Whether a standard form of contract was</li> </ol>

Sr. No.	Audit Objectives	Issues
		used and terms thereof scrutinized beforehand?  4. Whether the terms of contract including scope and specifications were materially varied after entering into, without consultation of the competent financial authority?  5. Where material variation in any of the terms or conditions in a contract were unavoidable, whether such changes in the form of an amendment to the contract duly signed by all parties to the contract?  6. Whether there were any uncertain or indefinite liabilities or any condition or an unusual character having no consent of the competent financial authority?  7. Whether at least a written agreement has been made for placing an order where a formal
	(c) Price Variation	1. Whether a price variation clause has been provided even in short terms contracts not exceeding 18 months?  2. Where a price variation clause is provided, whether the price agreed upon has specified the base level viz. the month and year to which the price is linked, to enable variations being calculated with reference to the price levels prevailing in that month and year?  3. Whether a formula for calculation of the price variation has been incorporated in the contract document, in case of long term contract by using indices published by the Government of Chambers of Commerce periodically?  4. Whether the Price Variation Clause incorporated in a contract specified a cut off date for material and labour before the scheduled delivery date, as the inputs taper off well before scheduled delivery date?  5. Whether the Price Variation Clause provided a ceiling on price variation, in terms of percentage or an overall ceiling or both?  6. Whether there is a clause stipulating a minimum percentage of variation of the contract price above which price variations will be admissible e.g. where resultant increase is lower than two percent, no price adjustment will be made in favour of the supplier?

Sr. No.	Audit Objectives	Issues
		price variation was made in the Price Variation Clause on such portions of the price after the date of such payment, where advance or stage payments were involved? 8. Whether a stipulation has been incorporated in the conditions of contract that no price variation would be admissible beyond the original scheduled delivery date for defaults on the part of the supplier? 9. Whether a clause has been included in the contract for price variation beyond the original scheduled delivery date by specific alteration of that date through an amendment to the contract in cases of Force Majeure or defaults by Government?
	(d) Delivery	1. As time is the essence of any contract,has the period for delivery of the ordered goods, and completion of allied services e.g. installation, commissioning, operators training etc., been properly specified with definite dates?  2. Have vague terms such as 'immediate', 'as early as possible' etc been used to immediate delivery period?  3. As terms of delivery, date of delivery and quoted prices are closely linked, have terms of delivery been clearly specified viz exworks, (date the supplier delivers the goods to purchaser at its (supplier's) factory premises); FOR, Station of Despatch, (date on which goods are placed by supplier on rail with clear RR); FOR Destination (date on which the ordered goods reach the destination railway station specified in the contract); CIP, Destination (date on which delivery is effected at destination mentioned in contract); FAS, port of shipment, (date on which supplier delivers the goods alongside vessel at specified port of shipment); CIF, port of destination (date on which goods arrived at the destination port)?
	(e) Taxes and Duties	Does the contract include a provision for payment of all applicable taxes by the contractor to the supplier?      Where contracts are for supply of imported equipment, goods etc (subject to customs duty)

Sr. No.	Audit Objectives	Issues
		and foreign exchange fluctuations) and/or are locally manufactured (subject to excise duty and other duties and taxes) have the % and element of duties and taxes been specifically stated and selling rate of foreign exchange element taken into account in calculation of price of the imported items?  3. Have the mode of calculation of variations in duties and taxes and foreign exchange rates and documents to be produced in support of claims for such variations also been stipulated in the contract?
	(f) Warranty Clause	1. Has a warranty clause been incorporated in the contract requiring the supplier to, without exchange, repair or rectify defective goods or to replace such goods with similar goods free from defect?  2. Was there stipulation that goods required or replaced by the supplier shall be delivered at the buyer's premises without costs to buyer?
	(g) Remedies for delay —Liquidated Damages etc.	<ol> <li>Whether provision has been made to give purchaser options/remedies for delays in supply/non-supply for which supplier is responsible?</li> <li>Whether clause for Liquidated Damages, forfeiture of performance security, cancellation, imposition of other sanctions/ penalties been incorporated in the contract condition?</li> <li>Whether a condition has been incorporated in the contract for levy of Liquidated Damage on the price for delivery beyond the scheduled date, as varied by the operation of the Price Variation Clause?</li> <li>Whether provision exists to cancel the contract for failure to deliver within the time period or non performance of any other obligation at any time after the expiry of notice period when entering into a long term contract?</li> <li>Whether provision exists to terminate the contract, by written notice, without compensation, if the supplier becomes bankrupt or insolvent?</li> </ol>
	(h)Dispute reconciliation	1. Has legal advice been sought wherever

Sr.	Audit Objectives	Issues
No.		disputes arrive before initiating action for referring to conciliation or arbitration or to file a suit?  2. Whether draft of the plaint has been vetted by obtaining legal advice?  3. Have documents to be filed in the matter of resolution of dispute, if any, been carefully scrutinized before filing, to safeguard Govt. interest?
14	Post Contract Management Whether priority was accorded to post contract follow up including disciplining of suppliers so as to avoid time and cost over runs, loss to Govt. and/ or undue benefit to suppliers?	
	(a) Monitoring of contract	1. Has implementation of the contract been strictly monitored and notices issued promptly wherever a breach of provisions occur?  2. Have requisite databases/registers in prescribed format been maintained by designated officials e.g. rejection registers showing names of firms found to be unreliable in view of rejected supplies; register of purchase orders which contains important information relating to delays in supplies; register of defaulting firms containing details of firm's failure to supply in terms of contract; funds register which enables watching the incurrence of liabilities against the budget grant; history cum rate card which is an index card usually kept by the purchase section in Railways dealing with the item that gives a complete history of the past procurement and also the position of current duties including branches still to be supplied by the firms?  3. Whether procedure for same custody and monitoring of Bank Guarantees or other instruments has been laid down and is being followed?  4. Is the review of the progress of supply being

Sr. No.	Audit Objectives	Issues
		monitored?  5. Whether extensions of Bank Guarantee or other instruments, where warranted, have been sought immediately?  6. Have extensions of the scheduled delivery or completion dates been granted as provided for in the contract and followed by formal amendments duly signed by the parties?  7. Have such extensions without imposing penalty on the supplier been accorded only in cases of delay where contractor was not responsible e.g. delay in approving sample though submitted by the supplier in time?
	(b) Inspection	1. Whether as soon as the contract was awarded for articles which required inspection and/or testing during manufacture or before dispatch/shipment, a complete copy of the contract with specifications, drawings, conditions of contract and other relevant documents were sent to the nominated inspecting agency?  2. Did the nominated inspecting agency comprise of technically qualified and competent personnel?  3. Whether the contractor was informed of the agency, nominated to carry out the inspection and with whom they should further coordinate?  4. Were all articles subjected to inspection before acceptance and did they conform to specifications and/or satisfied the prescribed tests?
	(c) Rejected Stores	1. Were rejected stores removed to a place set apart for the purpose to avoid possibility of their getting mixed up with other stores?  2. Was the supplier informed that such stores would lie at his own risk and that he should arrange for their removal within specified days from the date of issue of rejection memo?  3. In case the stores have not been removed within the specified period, whether the Department has exercised its rights to dispose of such stores at the contractor's risk and recover ground rent and demurrage charges?

Sr. No.	Audit Objectives	Issues
	(d) Risk purchase	1. In case of defaulting firms did the contracting agency purchased the material elsewhere, at the risk and cost of defaulting firm?
	(e) User readiness	<ol> <li>Did the user keep site and/or space in readiness for installation and/or storage of equipment and materials?</li> <li>Were adequately trained personnel/manpower in position for operationalisation of machinery and equipment especially in cases of procurement of new technologies?</li> <li>Was training to be provided by the suppliers and if so, was the same done before expiry of contract?</li> <li>Did the material or equipment lie unutilized or get damaged due to lack of trained manpower?</li> <li>Were there changes in site location from that envisaged at the time of contracting thereby giving the suppliers ample excuse/opportunity to justify delays on their part?</li> </ol>
	(f) Modifications of contract terms	1. Were specifications diluted by authorizing alternatives makes/models of lower price, thereby giving undue benefit to the supplier?  2. Were payment terms amended in favour of the supplier e.g. advance payments being authorized even when there was no provision in the contract for making advance payments or higher advance payments being made than that stipulated in the contract?  3. Whether pre dispatch inspection though incorporated in the contracts was waived without any reasons, thereby jeopardizing the quality aspects?  4. Was submission of Performance Bank Guarantee waived?  5. Whether despite contracts being placed on FOR destination, the locations of the consignees were changed nearer to the supplier's premises, without considering the benefit of freight charges accruing to the supplier?  6. Have maintenance contracts (paid maintenance) been entered into even for the period of warranty which required free maintenance by supplier, in maintenance of contractual provisions?

Sr. No.	Audit Objectives	Issues
		7. Whether in cases even after expiry of delivery schedule stipulated in the contract and without extension of time granted by the purchaser, the consignees kept the contract alive by exchanging correspondence with the suppliers thereby creating possibility of legal complications especially if it is intended to cancel the contract?
	(g) Repeat Orders	<ol> <li>Was there adequate justification that additional quantities required during the contract period were not sufficiently large to justify invitation to fresh tenders or would not have resulted in more favourable terms?</li> <li>Was there sufficient evidence to indicate that it was not placed to split requirement to avoid sanction of the next CFA?</li> <li>Whether it had been ascertained that there was no downward trend in prices as determined through market intelligence?</li> </ol>
	(h)Dispute reconciliation	<ol> <li>Has legal advice been sought wherever disputes arise before initiating action for referring to conciliation or arbitration or to file a suit?</li> <li>Whether draft of the plaint has been vetted by obtaining legal advice?</li> <li>Have documents to be filed in the matter of resolution of dispute, if any, been carefully scrutinized before filing, to safeguard govt. interest?</li> </ol>
	(i) Post-procurement actions	<ol> <li>Does a system for obtaining feedback from users exist and how effective is it?</li> <li>How many/often have suggestions and/ or recommendations of users been implemented and to what effect?</li> <li>Has the organization deployed information technology to enhance the efficiency and effectiveness of its functioning?</li> </ol>

The following table provides guidance on analyzing risks' level and possible consequences:

		Extreme risk	Detailed action/plan required			
Risk Level		High risk	Needs senior management attention			
RISK Level		Moderate risk	Specify management responsibility			
		Low risk	Managed by routine procedures			
	5	Severe	Would stop achievement of functional goals / objectives			
Canacanana	4	Major	Would threaten or functional goals / objectives			
Consequence	3	Moderate	Necessitating significant adjustment to overall function			
	2	Minor	Would threaten an element of the function			

# List of Issues Addressed during Public Procurement Audit

# From Public Procurement Audit Manual Ethiopia

	Question / Issue	Response	Reference Guidance	Audit Carried Out to Verify Response	Recommendation	Systematic Risk	Fraud Risk
Section 2	2.1. AUDIT PREPARATION		Proclamation Art 15.9				
	TRODUCTION WITH THE PUBLIC BODY						
2.1.1.1.1	(The following illustrative list of documents can	the impact of public pr	rocurement process the nature of process to th	h the review of the background eedings on these activities. Thi ublic body, the auditor would b	is plays important role even	in making a	criticality
(a)	Regulation on the Public Body's establishment	Yes: □ No: □ N/a:					
(b)	Objectives, functions, and powers of the Public Body	Yes: □ No: □ N/a:					
(c)	Organizational chart of the Public Body with details of reporting responsibilities	Yes: □ No: □ N/a:					
(d)	Human resources policies and practices	Yes: □ No: □ N/a:					
(e)	Other regulations and laws that affect operations of the Public Body	Yes: □ No: □ N/a:					
(f)	Organizational structure of the Procurement Unit, number of personnel with job descriptions	Yes: □ No: □ N/a:					
(g)	Procurement Unit's responsibilities	Yes: □ No: □ N/a:					
(h)	Procurement execution reports	Yes: No: N/a:					
(i)	Documentation Flow Diagrams and lines of reporting	Yes: □ No: □ N/a:					
(j)	User manuals and Operations manuals concerning public procurement proceedings	Yes: □ No: □ N/a:					
(k)	Annual Public Procurement Plan	Yes: □ No: □ N/a:					

	Question / Issue	Response	Reference Guidance	Audit Carried Out to Verify Response	Recommendation	Systematic Risk	Fraud Risk
2.1.2. AUI	DIT PLANNING						
2.1.2.1.1.	Review public body's correspondence file and work papers (previous audit reports and management responses, internal audit reports, audit correspondence that documents the audit conclusions reached, etc.) of previous audit.	Yes: □ No: □ N/a:				6	
2.1.2.1.2.	Review is there any special concerns with the public body's document processing practices.	Yes: □ No: □ N/a:				2	
2.1.2.1.3.	Prepare an Audit Plan approximately two weeks prior to the beginning of Audit Fieldwork.	Yes: □ No: □ N/a:				3	
2.1.2.1.4.	Identify the audit scope	Yes: □ No: □ N/a:				3	
(a)	Summarize special concerns identified during audit planning and in the work papers of the previous audit. Identify the impact of those concerns on the scope of audit fieldwork.	Yes: □ No: □ N/a:					
(b)	Identify the amount of time allocated to perform audit fieldwork. Determine which audit procedures should be prioritized if enough time has not been allocated to perform all audit steps included in the audit fieldwork sections of the Audit Checklist.	Yes: □ No: □ N/a:					
(c)	Forward the Audit Plan to the Head Audit Directorate for review and approval.	Yes: □ No: □ N/a:					
(d)	File audit-planning work papers in audit work paper file.	Yes: □ No: □ N/a:					

	Question / Issue	Response	Reference / Guidance	Audit Carried Out to Verify Response	Recommendation	Systematic Risk	Fraud Risk
2.1.3. AUI	OIT NOTIFICATION						
2.1.3.1.1.	Contact the head of public body approximately one month in advance of the audit fieldwork date to confirm that the public body has no serious conflicts with the scheduled audit fieldwork date.	Yes: □ No: □ N/a:				2	
2.1.3.1.2.	Prepare an audit notification letter approximately three weeks in advance of audit fieldwork.	Yes: □ No: □ N/a:				2	
(a)	Inform the public body that the auditor will contact the public body to schedule an opening conference.	Yes: □ No: □ N/a:					
(b)	Request that public body management designate a staff member(s) to serve as the public body's primary contact for responding to audit findings.	Yes: □ No: □ N/a:	Directive, Art 5.19.c				
(c)	Note that a closing conference will be scheduled at the end of audit fieldwork to discuss audit findings with public body management and staff.	Yes: □ No: □ N/a:					
(d)	Request that appropriate information and supporting documentation be available upon the auditor's arrival at the public body.	Yes: □ No: □ N/a:	Directive, Art 5.19.a				
(e)	Attach lists of contracts that will be reviewed.	Yes: □ No: □ N/a:					
2.1.3.1.3.	Send audit notification letter to the public body approximately two weeks in advance of audit fieldwork.	Yes: □ No: □ N/a:				2	
2.1.3.1.4.	File audit notification letter in audit work papers.	Yes: □ No: □ N/a:				2	

	Question / Issue	Response	Reference / Guidance	Audit Carried Out to Verify Response	Recommendation	Systematic Risk	Fraud Risk
2.1.3.1.5.	Contact public body's head of the procurement unit one to two weeks in advance of audit fieldwork, to schedule an opening conference. Confirm the meeting time and location and verify that appropriate public body staff will be available to attend.	Yes: □ No: □ N/a:				2	
(a)	Manager(s) responsible for function(s) being audited.	Yes: □ No: □ N/a:					
(b)	Manager responsible for the public body's internal audit function (if any).	Yes: □ No: □ N/a:					
(c)	The public body's designated primary contact(s) for responding to audit findings.	Yes: □ No: □ N/a:					
(d)	Any other appropriate public body staff.	Yes: □ No: □ N/a:					
2.1.4. ORG	ANIZATION OF AUDIT WORK PAPERS						
2.1.4.1.1.	Include the following documents in a separate 'General' Section of the work papers:	Yes: □ No: □ N/a:				2	
(a)	Audit Planning Checklist	Yes: □ No: □ N/a:					
(b)	Prior letter of audit findings,	Yes: No: N/a:					
(c)	Audit notification letter,	Yes: No: N/a:					
(d)	Audit Plan	Yes: No: N/a:					
(e)	Notes from prior audit work papers	Yes: No: N/a:					
(f)	Opening and Closing Conference Memos, and	Yes: □ No: □ N/a:					
(g)	Any other information related to the audit.	Yes: □ No: □ N/a:					

	Question / Issue	Response	Reference / Guidance	Audit Carried Out to Verify Response	Recommendation	Systematic Risk	Fraud Risk
2.1.4.1.2.	Attach completed work papers, including Audit Findings Worksheets, for a specific topic (contracts, properties, etc.) to the associated audit checklist for that section.	Yes: □ No: □ N/a:				2	
2.14.1.3.	Fill sections of the audit work papers in the following order.	Yes: □ No: □ N/a:				2	
(a)	Letter of Audit findings (Cross-reference the letter of audit findings to individual Audit Findings Worksheets).	Yes: □ No: □ N/a:					
(b)	Controls questionnaires, flowcharts, checklists, and narratives.	Yes: □ No: □ N/a:					
(c)	Notes and minutes resulting from interviews.	Yes: □ No: □ N/a:					
(d)	Organizational data, such as charts and job descriptions of staff involved in procurement proceedings being audited.	Yes: □ No: □ N/a:					
(e)	Copies of important documents.	Yes: □ No: □ N/a:					
(f)	Information about operating and procurement policies.	Yes: □ No: □ N/a:					
(g)	Analysis and test of transactions and processes.	Yes: □ No: □ N/a:					
(h)	Results of analytical review procedures.	Yes: □ No: □ N/a:					
(i)	Audit correspondence that documents the audit conclusions reached.	Yes: □ No: □ N/a:					
(j)	Other (as necessary)	Yes: □ No: □ N/a:					

	Question / Issue	Response	Reference Guidance	Audit Carried Out to Verify Response	Recommendation	Systematic Risk	Fraud Risk
2.1.5. OPE	CNING AUDIT CONFERENCE						
2.1.5.1.1.	Discuss the purpose/objectives of the review.	Yes: □ No: □ N/a:				2	
2.1.5.1.2.	Identify contracts, properties, etc. that you will be reviewing.	Yes: □ No: □ N/a:				2	
2.1.5.1.3.	Discuss procedures for documenting audit findings (Audit Findings Worksheet).	Yes: □ No: □ N/a:				2	
2.1.5.1.4.	Request that Audit Findings Worksheets be returned to you prior to the closing conference, if at all possible.	Yes: □ No: □ N/a:				2	
2.1.5.1.5.	Request public body management to identify the public body's primary contact responsible for responding to audit findings. This person will coordinate the public body's processing of Audit Findings Worksheets during audit fieldwork.	Yes: □ No: □ N/a:				2	
2.1.5.1.6.	Confirm that other appropriate individuals be available for consultation during audit fieldwork.	Yes: □ No: □ N/a:				2	
2.1.5.1.7.	Schedule time and date for closing conference.	Yes: □ No: □ N/a:				2	
2.1.5.1.8.	Document individuals who attended the opening conference.	Yes: □ No: □ N/a:				2	
2.1.5.1.9.	Write notes from the opening conference.	Yes: □ No: □ N/a:				2	
2.1.5.1.10.	File opening conference notes in audit work paper files.	Yes: □ No: □ N/a:				2	

	Question / Issue	Response	Reference /	Audit Carried Out to Verify Response	Recommendation	Systematic Risk	Fraud Risk
	2.2. PUBLIC PROCUREMENT AUD UDITING THE MANAGEMENT OF		EMENT FU	NCTION			
2.2.1.1.	Are procurement processes well organized and documented?	efficient functioning of The public body must progress, to review it w	that process.  document all methoden necessary as	responsibilities within the pro- easures and decisions taken in nd to support management deci- neasures also form the basis for	procurement process, in orc	ler to be able	e to follow
2.2.1.1.1.	Are the functions and responsibilities of those involved in the procurement function clearly established and documented?	Yes: □ No: □ N/a:	Proclamation Art 8, Directive Art 5			4	!
2.2.1.1.2.	Have guidelines incorporating the principles and objectives of procurement practice been established?	Yes: □ No: □ N/a:	Proclamation Art 15.4			4	!
2.2.1.1.3.	Are procurement processes organized and documented and include: needs to be addressed; contract performance description, documentation, notifications, award procedure and decision, concluded contract, physical execution and payments made?	Yes: □ No: □ N/a:	Proclamation Art 9.c, 23, Directive Art 32			4	!
2.2.1.1.4.	Are conducted procurement procedures sufficiently recorded and documented, making the audit trail easy to follow?	Yes: □ No: □ N/a:	Proclamation Art 9.c, 23, Directive Art 32			4	
2.2.1.1.5.	Does staff involved in the various stages of the process have the appropriate knowledge and training to perform their duties effectively?	Yes: □ No: □ N/a:	Proclamation Art 8.c			4	•

	Question / Issue	Response	Reference / Guidance	Audit Carried Out to Verify Response	Recommendation	Systematic Risk	Fraud Risk
2.2.1.1.6.	Are procurement proposals initiated, processed and approved by authorized officers, with no cases of overstepping?	Yes: □ No: □ N/a:	Proclamation Art 8, Directive Art 5			4	!
2.2.1.1.7.	Are there no cases of documents missing, altered, back-dated or modified?	Yes: □ No: □ N/a:	Proclamation Art 9.c, 23,			4	•
2.2.1.2. Are	proper budgetary arrangements taken?	examining procuremen	t during the aud	ets is particular to the budget lit process, auditors should ex slation, financial rules and auth	amine the financing arrange	-	-
2.2.1.2.1.	Has the procurement under review and the related funding been approved at the appropriate level (e.g. government, ministry, board, and head of the public body)?	Yes: □ No: □ N/a:	Proclamation Art 8, Directive Art 5			4	!
2.2.1.2.2.	Is this funding in compliance with relevant national laws or procedures governing the financing of this type of contract?	Yes: □ No: □ N/a:	Proclamation Art 8, Directive Art 5			4	
2.2.1.2.3.	Have the funding arrangements been agreed where payments take place over several fiscal years periods?	Yes: □ No: □ N/a:				4	
2.2.1.2.4.	Does the approved budget correspond to the value of the contract calculated for the purpose of the procurement process?	Yes: □ No: □ N/a:				4	•
2.2.1.2.5.	Is funding made available for payments under the contract at the appropriate time and in accordance with the relevant national public financial procedures?	Yes: □ No: □ N/a:				3	
2.2.1.2.6.	Where funding is being arranged by grants or borrowings do these have the necessary approval and legal authority?					3	

	Question / Issue	Response	Reference / Guidance	Audit Carried Out to Verify Response	Recommendation	Systematic Risk	Fraud Risk
2.2.1.3. Is F	Procurement Plan prepared and approved?						
2.2.1.3.1.	Did Procurement Unit prepare the procurement plan of the Public Body in accordance with article 8/1 of the Directive?	Yes: □ No: □ N/a:	Directive Art. 6.1			4	
2.2.1.3.2.	Did Procurement Endorsing Committee review and endorse the Procurement Plan?	Yes: □ No: □ N/a:	Directive Art.			4	
	Did the Head of Public Body examine and		Directive Art.			4	
2.2.1.3.3.	approve the procurement plan?	Yes: □ No: □ N/a:	5.11				
2.2.1.4. Are	e internal control systems in place?		revent fraud or f	ract with the other financial inancial error. It is advisable to	•		
2.2.1.4.1.	Is there a system in place which controls requisitions, records contract performance and payments made and which sets out:	Yes: □ No: □ N/a:				4	•
2.2.1.4.2.	Those responsible for the various procedures including assessment of needs and authorization levels;	Yes: □ No: □ N/a:					
2.2.1.4.3.	Data to be recorded;	Yes: □ No: □ N/a:					
2.2.1.4.4.	Specific procedures to be adopted in ordering goods and services under agreed contract(s);	Yes: □ No: □ N/a:					
2.2.1.4.5.	Procedures for verifying that goods/services have been properly delivered / performed and are in accordance with the contract terms;	Yes: □ No: □ N/a:					
2.2.1.4.6.	Procedures for approving payments, including reconciling claims made under the contract to delivery/performance records and checking the arithmetical accuracy of the payment requests	Yes: □ No: □ N/a:					

	Question / Issue	Response	Reference / Guidance	Audit Carried Out to Verify Response	Recommendation	Systematic Risk	Fraud Risk
2.2.1.4.7.	Management monitoring of transactions and balances?	Yes: □ No: □ N/a:					
2.2.1.4.8.	Enforcement of compliance in case contractors fail to meet contract terms	Yes: □ No: □ N/a:					
2.2.1.4.9.	Regular accounting reconciliations of contract payments, transactions and inventory?	Yes: □ No: □ N/a:					
2.2.1.4.10.	Is there appropriate segregation of duties between those procuring gods / services, requisitioning goods/services, verifying the performance of the contract and approving payments?	Yes: □ No: □ N/a:				3	•
	Have mechanisms to avoid conflicts of interests in the procurement processes been established?	Yes: □ No: □ N/a:	Proclamation Art. 32. Directive, Art 34.			<b>3</b>	!
2.2.1.4.12.	Are there no indications or evidences of conflicts of interest by officers authorizing transactions or by members of committees involved in the procurement processes?	Yes: □ No: □ N/a:	Proclamation Art. 32. Directive, Art 34.			3	•
2.2.1.4.13.	Are there no indications or evidences of repeated, unusual or unnecessary contacts by officers authorizing transactions or by members of committees involved in the procurement processes with contractors?	Yes: □ No: □ N/a:	Proclamation Art. 32. Directive, Art 34.			3	!
2.2.1.4.14.	Does an appropriate official review the procurement process on an ongoing basis to ensure that it is in compliance with applicable rules?	Yes: □ No: □ N/a:	Proclamation Art. 8.e, 9.b, 10.a			3	!

	Question / Issue	Response	Reference /	Audit Carried Out to Verify Response	Recommendation	Systematic Risk	Fraud Risk
2.2.1.4.15.	Are there no materials provided to contractors who, according to the contracts, are supposed to provide them (such as office space, furniture, IT equipment) and no cases of employees from the public body performing parts of contracted work?	Yes: □ No: □ N/a:				3	!
2.2.1.4.16.	Are cases of double payment duly prevented and corrected?	Yes: □ No: □ N/a:				4	•
	rocurement execution duly monitored and documented?	procurement controls, o	contract perform ces. It involves	urement process allows mana ance and compliance with final assessing procurement execution	ncial and other legal authorit	ies, reducing	scope for
2.2.1.5.1.	Are the responsibilities for monitoring the execution and performance of contracts clearly assigned?	Yes: □ No: □ N/a:	Proclamation Art. 8.c,			4	•
2.2.1.5.2.	Are those responsibilities discharged by persons:	Yes: □ No: □ N/a:				4	•
2.2.1.5.3.	With the appropriate authority to take actions in the event of non-compliance?	Yes: □ No: □ N/a:					
2.2.1.5.4.	With the appropriate skills, technical knowledge and/or ability to effectively ensure the proper execution and performance of the contract?	Yes: □ No: □ N/a:					
2.2.1.5.5.	Are reports based on sound data available to those responsible for monitoring the performance of contracts?	Yes: □ No: □ N/a:				3	•
2.2.1.5.6.	Are order quantities, deliveries and payment levels under the contract monitored by an appropriate official?	Yes: □ No: □ N/a:				3	•
2.2.1.5.7.	Does an appropriately qualified official check the quality of performance against the contract terms?	Yes: □ No: □ N/a:				4	•

	Question / Issue	Response	Reference /	Audit Carried Out to Verify Response	Recommendation	Systematic Risk	Fraud Risk
2.2.1.5.8.	Are there systems for recording and managing stocks (where part of contract)?	Yes: □ No: □ N/a:				4	•
2.2.1.5.9.	Are there established procedures for dealing with and documenting non-performance and return of goods?	Yes: □ No: □ N/a:				4	•
2.2.1.5.10.	Is there an adequate and appropriate record for monitoring performance and any resulting or follow up actions?	Yes: □ No: □ N/a:				4	•
2.2.2. AUD	ITING THE PREPARATION OF THE PROCURE	EMENT					
	the public body calculate the contract value accurately?	ract in order to ren	nain below thresho	roclamation and Directive. In the olds in order to avoid the scope ditional supplies or services) as	of the is context the calcu		nes shall
2.2.2.1.1.	Did the public body identify the full contract value and include options and provisions for renewals?	Yes: □ No: □ N/a:				3	
2.2.2.1.2.	Was the estimation of contract value in accordance with the criteria fixed in the Public Procurement Directive?	Yes: □ No: □ N/a:	Directive, Art 6/5, 17.2, 23.3,24			3	
2.2.2.1.3.	Is there no evidence that the works or supply required was subdivided in order to remain below levels of authorization or procedure?	Yes: □ No: □ N/a:	Directive, Art. 13.4, 24.12			4	•
2.2.2.1.4.	Was the estimated contract value based on realistic and updated prices?	Yes: □ No: □ N/a:				4	!
2.2.2.1.5.	Was the estimated contract value in line with the final cost of the contract awarded?	Yes: □ No: □ N/a:				4	•

	Question / Issue	Response	Reference / Guidance	Audit Carried Out to Verify Response	Recommendation	Systematic Risk	Fraud Risk
2.2.2.2. We	re the schedule of requirements adequate to needs and legal requirements?	needs and the require unnecessary goods or Performance should understanding of wha and in order to avoid In particular, the perf may not discriminate specified products ur particularly sensitive	ements the bids services.  be described at is required, so that suppliers descripe in favor of any aless justified by the because, by the services are the because, by the services are the bids.	eart of the procurement proced must meet. Unjustified or ina unambiguously and compre- as to ensure that the detail in eliver less than expected. otion must comply with the pri- product or service. This mean ty the subject matter of the cor- means of unjustified technica- may take place within an appare	hensively, so that all bid the bidding documents recent nciples of equal treatment and that the public body is no thract. The issue of schedulal requirements, obstacles	nay lead to purchase dived are consumed transpare to entitled to to e of requires	a clear apparable ency and o require ments is
2.2.2.1.	Was there reasonable justification for the need of the purchase, namely when made towards the end of the fiscal year?		Directive Art 9			4	•
2.2.2.2.	Was the public body specific about the nature and scope of the performance before launching the procurement process?	Yes: □ No: □ N/a:				3	
2.2.2.2.3.	Did the public body consider and evaluate alternatives, like collaborating with other public bodies or grouping supplies in separate lots with different characteristics?	Yes: □ No: □ N/a:				3	
2.2.2.2.4.	Were the schedule of requirements described clearly, unambiguously and comprehensively, giving precise definition of the characteristics of what was to be supplied, so that all concerned had an equal understanding of requirements and that clarification or amendments are not necessary?	Yes: □ No: □ N/a:	Proclamation Art 29, Directive Art 9, 16.5			6	:

	Question / Issue	Response	Reference / Guidance	Audit Carried Out to Verify Response	Recommendation	Systematic Risk	Fraud Risk
2.2.2.2.5.	Could the bidders assess the economic risks the successful bidder would be responsible for, thus limiting the inclusion of extra charges for risk?	Yes: □ No: □ N/a:				2	
2.2.2.2.6.	Were technical requirements set strict enough to guarantee the desired performance without being unnecessarily tight to exclude favorable bids that don't comply with all requirements?	Yes: □ No: □ N/a:	Proclamation Art 29.3, Directive Art 16.5			4	!
2.2.2.2.7.	Did the schedule of requirements remain unchanged once the notifications had been published?	Yes: □ No: □ N/a:				4	•
2.2.2.2.8.	If the public body has changed the performance description unilaterally:	Yes: □ No: □ N/a:				4	•
2.2.2.2.9.	Was the scope of change relevant and admissible?	Yes: □ No: □ N/a:				2	
2.2.2.10.	Have the bidders been informed in an equal manner?	Yes: □ No: □ N/a:				3	
2.2.2.2.11.	Was it conceivable that, under the assumption that the amended schedule of requirements had been the basis for the original competition, more bidders might have submitted a bid?	Yes: □ No: □ N/a:				3	•
2.2.2.12.	Did schedule of requirements (required characteristics of a material, product, supply or service) afford equal access for bidders, containing no feature that directly or indirectly discriminate in favor, or against, any bidder, product, process or source?	Yes: □ No: □ N/a:	Proclamation Art 29.4 Directive Art 16.5.e			4	:

	Question / Issue	Response	Reference /	Audit Carried Out to Verify Response	Recommendation	Systematic Risk	Fraud Risk
2.2.2.13.	Were schedule of requirements formulated by reference to performance or functional requirements?	Yes: □ No: □ N/a:	Proclamation Art 29.3.a Directive Art 16.5.b			4	•
2.2.2.14.	Did schedule of requirements exclude any reference to a specific make or source, to a particular process, to trade marks, patents, types or to a specific origin or production, thus preventing favoring or eliminating certain undertakings or products?	Yes: □ No: □ N/a:	Proclamation Art 29.4 Directive Art 16.5.e			4	•
2.2.2.2.15.	When such reference was made, was a precise description of the performance not otherwise possible and was this reference accompanied by the words "or similar"?	Yes: □ No: □ N/a:	Directive Art 16.5.e			4	•
2.2.2.2.16.	If negotiations have taken place, were negotiations in accordance with the type of procedure used and were there no substantial changes to the schedule of requirements described in bidding documents?	Yes: □ No: □ N/a:	Directive Art 25.10			4	•
	re the bidding documents comprehensive, transparent and non- discriminating?	They inform the bidd professional and finance public body has some of subject matter of the con- Furthermore, the public scope for value for mon- Most notably the bidd	ers about contection qualification discretion concernment. It body should hey. It became the documents of their weighting	on the bidding documents provent and form of the document and ability and all the necessaring the requirements and vertice aware that unnecessary striction of the award criteria and corrupt decisions.	ats they have to submit in ary declarations that the pub- ification it seeks, provided that act requirements limit compo- d the sub-criteria for the e	order to volic body request are justification and an avaluation of	erify their uires. The fied by the reduce the
2.2.2.3.1.	Did public body use the standard bidding document prepared by the Agency?	Yes:   No:   N/a:	Directive Art.16.3	a corrupt decisions.		3	•

	Question / Issue	Response	Reference Guidance	Audit Carried Out to Verify Response	Recommendation	Systematic Risk	Fraud Risk
2.2.2.3.2.	Was standard bidding document approved by the Procurement Endorsing Committee?	Yes: □ No: □ N/a:	Directive Art.7.2			4	•
2.2.2.3.3.	Were the bidders informed clearly which documents and declarations had to be presented with the bid?	Yes: □ No: □ N/a:				4	•
2.2.2.3.4.	Could bidders learn all relevant information straight from the bidding documents?	Yes: □ No: □ N/a:				4	•
2.2.2.3.5.	Did the public body make sources of information beyond the bidding documents equally available for all the bidders?	Yes: □ No: □ N/a:				4	•
2.2.2.3.6.	Did bidding documents clearly set the requirements for the qualification of candidates?	Yes: □ No: □ N/a:	Proclamation Art 37			3	•
2.2.2.3.7.	Were standards, certifications and evidence required admissible under the Proclamation and Directive?					3	•
2.2.2.3.8.	Were the extent of information, the levels of ability and the standards required related and proportionate to the subject matter of the contract, avoiding unnecessary restrictions and verifications?	Yes: □ No: □ N/a:				3	!
2.2.2.3.9.	Where the public body weighted evaluation criteria, did it publish the weightings in bidding documents?	Yes: □ No: □ N/a:	Proclamation Art 37.i			3	•
2.2.2.3.10.	Has the public body defined clearly the evaluation criteria?	Yes: □ No: □ N/a:				3	•
2.2.2.3.11.	Where the evaluation criteria were the most economically advantageous bid, were:		Directive Art. 16.8			3	•
(a)	Criteria clearly indicated?	Yes: □ No: □ N/a:					
(b)	Relative weighting of each criterion or a range with an appropriate maximum spread specified?	Yes: □ No: □ N/a:			-		

	Question / Issue	Response	Reference / Guidance	Audit Carried Out to Verify Response	Recommendation	Systematic Risk	Fraud Risk	
(c)	Are those criteria linked to the subject matter of the contract, reflecting the main focus and the importance of the elements of the performance?	Yes: □ No: □ N/a:				4	•	
(d)	Is the weighting set coherent, convincing and leaving little scope for arbitrary and random evaluation and ranking?	Yes: □ No: □ N/a:				4	•	
(e)	Are criteria set suitable to identify the bid that offers better economic advantage?	Yes: □ No: □ N/a:				3		
(f)	Has price been given a reasonable weighting?	Yes: □ No: □ N/a:				4	•	
2.2.2.3.12.	When the public body set social or environmental conditions for the performance of the contract, were these compatible with national laws and was adequate information given to the candidates?	Yes: □ No: □ N/a:				6		
2.2.2.3.13.	Were there no inconsistencies within the bidding documents?	Yes: □ No: □ N/a:				3	•	
	the submission of alternative bids accepted and duly ruled?	submission of alternative detailed solution for the from the performance of	Iic body may al lic body may al without om the performance description (schedule of requireme excluded only for this reason. However, alternative only epublic body may evaluate any submitted cases where certain requirements are met.					
	Did the public body permit candidates to submit alternative bids, thus offering space for creative solutions and added value?	Yes: □ No: □ N/a:				3		
77747	In that case, was the award criteria that of the most economically advantageous bid?	Yes: □ No: □ N/a:				3		
2.2.2.4.3.	Was the admissibility of alternatives displayed in the contract notice?	Yes: □ No: □ N/a:				3		

	Question / Issue	Response	Reference Guidance	Audit Carried Out to Verify Response	Recommendation	Systematic Risk	Fraud Risk		
2.2.2.4.4.	bidding documents?	Yes: □ No: □ N/a:				3			
2.2.2.4.5.	Did the public body also specify the requirements for the presentation of variant bids?	Yes: □ No: □ N/a:				8			
		schedule of requirer requirements of the F	ments and/or bio Proclamation or I	wledge or expertise is required dding documents. Experts may Directive.	also need to be employe	d to meet pa	articular		
	nere applicable, did the public body adequately manage experts employed to assist in the procurement process?	requirements are defined and incorporated into contract performance.  Care must also be exercised to ensure that the schedule of requirements defined do not give any advantage vendors who are in a position to influence the expert. Furthermore, it must be ensured that all the key documentation is given to the public body, so that it effectively owns the process and is able to treat all candidates in like mann including the distribution of all requested information.							
		The involvement of experts in competitions introduces the danger of violating the basic principles of equ treatment/non-discrimination and transparency. Experts may be given the opportunity to design requirements their own favor or, at least, may have access to privileged knowledge or other advantages capable of distorting the normal conditions of competition.							
		Risks of corruption a submitting a bid in a		d. It is advisable to exclude ex	perts employed on any part	of the proce	ess from		
2.2.2.5.1.	Was the schedule of requirements of the contract determined free from influence of particular interests of consultants, experts or other vendors?	Yes: □ No: □ N/a:				3	•		
2.2.2.5.2.	Has the public body examined in detail the definition of performance?	Yes: □ No: □ N/a:				3	•		
2.2.2.5.3.	Is there no evidence that the expert has influenced the decisions taken by the public body in his/her interest or in the interest of a specific contractor?	Yes: □ No: □ N/a:				3	•		

	Question / Issue	Response	Reference / Guidance	Audit Carried Out to Verify Response	Recommendation	Systematic Risk	Fraud Risk
2.2.2.5.4.	Was all the key documentation given to the public body?	Yes: □ No: □ N/a:				3	•
2.2.2.5.5.	Was the expert likely to gain privileged knowledge from his activity which could be advantageous for him in a subsequent competition? If so, was his participation in the contract specifically excluded?	Yes: □ No: □ N/a:				3	•
2.2.2.5.6.	If the expert was allowed to submit a bid, was all the relevant information the expert had gained from his earlier involvement made available to the other bidders?	Yes: □ No: □ N/a:				3	•
2.2.2.5.7.	Is there no evidence that the consultants participating in the project design released information to bidders competing for the prime contract?	Yes: □ No: □ N/a:				3	•
	I the public body select an appropriate and admissible procurement method?	Public bodies have the preferred procedu Unfortunately, in pra are restricted compet	ne option to foll are of procurement actice discussion ition and negotia	thod has consequences for the sow six different methods of prent.  and negotiation with bidders ations about performance and pual treatment and transparency	are frequently used, the conrices which make it more di	isequences o	f which
2.2.2.6.1.	Has the public body taken a well-grounded decision about the procurement method selected and has it documented the process?	Yes: □ No: □ N/a:	Proclamation Art. 33, Directive Art 10, 15			3	
2.2.2.6.2.	Is it clear which procurement method the public body has opted for? Where Directive is not applicable, are there regulations or policies stating the procedures to be adopted for the procurement and were they complied with?	Yes: □ No: □ N/a:				3	

	Question / Issue	Response	Reference /	Audit Carried Out to Verify Response	Recommendation	Systematic Risk	Fraud Risk
2.2.2.6.3.	Did the public body opt for the method that offers fair and open competition under the given circumstances?	Yes: □ No: □ N/a:				3	•
2.2.2.6.4.	If method other than open bidding was used, did the public body give sufficient and reasonable reasons for its option, providing a detailed explanation as to why an open bidding method was not possible?	Yes: □ No: □ N/a:	Proclamation Art. 33.3, Directive Art. 15.4			3	••
2.2.2.6.5.	Was the selected method the most efficient and effective for the performance of the contract?	Yes: □ No: □ N/a:				3	•
2.2.3. AUDI	TING THE PROCUREMENT METHOD SELEC	TED TO PROCURE				I	
2.2.	3.1. Did the selected method ensure competition and transparency?	respected. In an open necessarily the case	en bidding, all i with other met	principles of fair competition, nterested candidates are given hods. According to the metho apply must not be separately	the opportunity to submit ods selected, certain minimum	a bid, whic ums have y	h is not et to be
	When a restricted bidding method was used:						
2.2.3.1.1.	Did the public body publish Invitation to open bid at least twice prior to carrying out procurement by means of restricted bidding?	Yes: □ No: □ N/a:	Directive Art. 23.4.a			3	•
2.2.3.1.2.	Did the Public Body carry out procurement by means of restricted bidding in compliance with the Article 23 of the Directive?	Yes: □ No: □ N/a:				3	•
2.2.3.1.3.	Was the required object of procurement available only with limited suppliers?	Yes: □ No: □ N/a:					
2.2.3.1.4.	When the public body decided to limit the number of candidates to invite to bid, did the invitation to bid indicate:	Yes: □ No: □ N/a:					

	Question / Issue	Response	Reference / Guidance	Audit Carried Out to Verify Response	Recommendation	Systematic Risk	Fraud Risk
(a)	The minimum and maximum number of candidates it intends to invite?	Yes: □ No: □ N/a:				3	
(b)	The objective and non-discriminatory selection criteria to be used to choose that number of candidates?	Yes: □ No: □ N/a:				<u>(1)</u>	
2.2.3.1.5.	Did the number of candidates invited respect the minimum set (not less than 5), ensuring a genuine competition?	Yes: □ No: □ N/a:	Directive Art. 23.2.1.b			3	•
2.2.3.1.6.	Is it certain that the public body did not permit the inclusion of candidates who had not previously applied to participate?	Yes: □ No: □ N/a:				3	•
2.2.3.1.7.	Did total contract value of a procurement made by restricted bidding exceed the thresholds established in Article 23.3 of the Directive?	Yes: □ No: □ N/a:				3	•
	When a request for proposal was used:						
2.2.3.1.8.	Was invitation for expression of interest issued in accordance with article 22 of the Directive?	Yes: □ No: □ N/a:	Directive Art.			4	!
2.2.3.1.9.	Was reasonable methods used to make a shortlist of consultants?	Yes: □ No: □ N/a:					
2.2.3.1.10.	Was the number of consultants invited to submit proposal not less than three and not more than seven?	Yes: □ No: □ N/a:	Directive Art. 21.3			3	
2.2.3.1.11.	Did the Public Body send simultaneously to the addresses of the selected consultants, a Letter of Notification to submit their proposal?	Yes: □ No: □ N/a:	Directive Art. 21.4			<u> </u>	
2.2.3.1.12.	Did the Public Body apply the competitive bidding procedure laid down in article 16 of the Directive to the procurement of consultancy service?	Yes: □ No: □ N/a:	Directive Art. 21.8		_	3	!

	Question / Issue	Response	Reference Guidance	Audit Carried Out to Verify Response	Recommendation	Systematic Risk	Fraud Risk
	When a request for quotation was used:						1
2.2.3.1.13.	Were conditions for use request for quotation stipulated in Article 55 of the Proclamation satisfied?	Yes: □ No: □ N/a:	Proclamation Art. 55			4	•
2.2.3.1.14.	Did the value of procurement by means of request for quotation fall within the thresholds set forth in Article 24.2 of the Directive?	Yes: □ No: □ N/a:	Proclamation Art. 55			3	•
2.2.3.1.15.	Did head of the Public Body or his representative authorize procurement by means of request for quotation?	Yes: □ No: □ N/a:				3	!
2.2.3.1.16.	Did public body select not less than three candidates from the suppliers' list taking into account rule stipulated in Article 24.3 of the Directive?	Yes: □ No: □ N/a:	Directive Art. 24.3			3	
2.2.3.1.17.	Did public body split procurements merely to take advantage of provision governing procurements by request for quotation?	Yes: □ No: □ N/a:	Directive Art. 24.12			4	•
	When a two-stage bidding was used:						1
2.2.3.1.18.	Were conditions for use of two stage bidding	Yes: □ No: □ N/a:	Directive Art.			4	•
2.2.3.1.19.	Did the Public Body apply the competitive bidding procedure laid down in article 16 or 17 of the Directive to the two stage bidding?	Yes: □ No: □ N/a:				3	•
2.2.3.1.20.	Did the invitation to bid state that the procurement shall be carried out by means of two stage bidding?	Yes: □ No: □ N/a:				3	•

	When a framework agreement was used:						
2.2.3.1.21.	Has the framework agreement been awarded in compliance with the Proclamation No. 649/2009?	Yes: □ No: □ N/a:	Proclamation Art. 61			4	!
2.2.3.1.22.	Have the requirements pursuant to Article 61 of the Proclamation No. 649/2009 been met?	Yes: □ No: □ N/a:	Proclamation Art. 61			3	
2.2.3.1.23.	Is the duration of the agreement less than the maximum term stipulated in Articles 27.5 and 27.14 (b) of the Directive?	Yes: □ No: □ N/a:	Proclamation Art. 61. 4			3	
2.2.3.1.24.	When awarding a single call-off contract, were the public body and the supplier the parties to the framework agreement? When not, was the new procurement process undertaken?	Yes: □ No: □ N/a:				3	!
2.2.3.1.25.	Was price adjustment allowed in respect of framework agreement?	Yes: □ No: □ N/a:	Directive Article 16.14				
2.2.3.1.26.	Were terms for price adjustment set in accordance with Article 16.14 of the Directive?	Yes: □ No: □ N/a:	Directive Article 16.14				
2.2.4. AUI	DITING THE PUBLICITY AND INVITAT	ION TO BID USE	D				
	d the public body advertise bids in compliance with the Proclamation?	and open competition and I the procedure. The	on. Directive comprise ese rules are gene s, equal treatment	publishing the rules that gover a series of rules which cover erally binding and ensure con and transparency. Their violure.	the form of Invitation to bid ditions for fair competition,	and time fr	rame for
2.2.4.1.1.	Was the Invitation to bid for contracts or framework agreements advertised in a news paper that has wide circulation?	Yes: □ No: □ N/a:	Proclamation Art. 35			4	!
2.2.4.1.2.	Was the Invitation to bid for procurements the value of which corresponds to or is greater than that specified in article 6.5 of Directive posted on the Agency's website?	Yes: □ No: □ N/a:	Directive, Art. 6.5			3	•

2.2.4.1.3.	Did Invitation to bid follow the necessary form, including disclosure of all the required information?	Yes: □ No: □ N/a:	Proclamation Art. 36			3	
2.2.4.1.4.	Were the means and content of advertising adequate having regard to the relevance of the contract?					3	!
2.2.4.1.5.	Did time limits set to receive bids comply with the minimum requirements established for the identified type, complexity and mode of procurement?	Yes: □ No: □ N/a:	Directive. Annex 3			3	•
2.2.4.1.6.	Was the time limit set for submission of bids sufficient to the potential bidders to prepare and submit their bids?	Yes: □ No: □ N/a:	Directive, Art 16.9			3	!
2.2.4.1.7.	Were results of the award procedures published in accordance with Directive?	Yes: □ No: □ N/a:	Directive, Art 6.6			3	
	as timely and equal access to bidding and information provided to all candidates?	transparency and for re The use of informatio	ducing the scope n and communi	of favoritism being given to	ght wider possibilities of acc	•	
	Were bidding documents and additional information made available on a timely basis and issued in hard copy to candidates?		Proclamation Art. 38			4	!
2.2.4.2.2.	Were bidding documents accessible to all bidders in the same way or were specific documents easier to obtain for domestic bidders?	Yes: □ No: □ N/a:				4	•
2.2.4.2.3.	Was additional significant information supplied to all interested candidates	Yes: □ No: □ N/a:				3	!
2.2.4.2.4.	Did the public body offer unrestricted and full electronic access to the bidding documents and any supplementary documents (specifying the internet address in the Invitation to bid)?	Yes: □ No: □ N/a:				3	

2.2.4.3. W	as confidentiality ensured when necessary?	Confidentiality in cri	itical moments is	essential to ensure that the p	any advantage to bidders when public interest is protected and nerstone to deter corrupt oppor	l to preserv	
	Did public body and bidders / suppliers						•
2.2.4.3.1.	communicated in written form?	Yes: □ No: □ N/a:				3	, ,
2.2.4.3.2.	Did communication, exchange and storage of information ensure confidentiality of bids?	Yes: □ No: □ N/a:				4	•
2.2.4.3.3.	Was the content of bids and only known after expiration of the time limit set for submitting them?	Yes: □ No: □ N/a:	Directive, Art. 16.17			4	•
2.2.4.3.4.	Was information relating to examination, clarification, and evaluation of bids and recommendations for award confidential until the award of the contract was announced?	Yes: □ No: □ N/a:	Proclamation Art 44.			4	•
2.2.5. AUI	DITING THE AWARD PROCEDURES						
	as a formal bid opening procedure undertaken?	Before the examination specified in Standard			body should open all bids rece	ived before	the time
2.2.5.1.1.	Is there a record maintained of the procedures followed in the opening of bids?	Yes: □ No: □ N/a:				3	
2.2.5.1.2.	Were at least three procurement staffs appointed as members of the Bid Opening Team?	Yes: □ No: □ N/a:				3	•
2.2.5.I.3.	Were no bids presented after the time limit stipulated in the bidding document?	Yes: □ No: □ N/a:				3	•
2.2.5.1.4.	Did public body utilize the standard Bid Opening Checklist?					<u>3</u>	
2.2.5.1.5.	Did public body utilize the standard template for minutes from bid opening session?	Yes: □ No: □ N/a:				3	

2.2.5.2. W	as the qualification of candidates accurately assessed?	regarded as responsive When assessing the control of the control o	ve  ualification of bid	•	tion criteria set in the bidding do treatment and transparency mus lification of candidates.		
2.2.5.2.1.	Was the preliminary examination of bids undertaken to confirm that all documentary evidence establishing the Bidder's qualification requested in Bidding Document have been provided	Yes: □ No: □ N/a:	Directive Art. 16.19.1			4	•
2.2.5.2.2.	Did the public body assess qualification of bidders exclusively on the basis of the requirements previously requested in Bidding Document and in a nondiscriminatory manner?	Yes: □ No: □ N/a:				4	•
2.2.5.2.3.	Did bidders give documentary evidence establishing their Legal, Professional, Technical, and Financial qualifications and ability in accordance with the references specified in Bidding Document?	Yes: □ No: □ N/a:				4	•
2.2.5.2.4.	Where the bidder intends to rely on the capacities of other subcontractors, did it prove their qualification and ability?	Yes: □ No: □ N/a:				4	
2.2.5.2.5.	Did the public body verify evidence that bidders:	Yes: □ No: □ N/a:	Proclamation Art. 28			4	•
(a)	Possess the necessary professional, technical, and financial qualifications and competence to perform the contract?	Yes: □ No: □ N/a:					
(b)	Have legal capacity to enter into contract?	Yes: □ No: □ N/a:					
(c)	Were not insolvent, bankrupt or in an analogous situation?	Yes: □ No: □ N/a:					
(d)	Are not subject for any of the foregoing?	Yes: □ No: □ N/a:					
(e)	Are not suspended from participating in public procurement?	Yes: □ No: □ N/a:					
(f)	Have fulfilled their obligations related to the payment of taxes?	Yes: □ No: □ N/a:					

(g)	Have bank account?	Yes: □ No: □ N/a:					
2.2.5.2.6.	Were bidders registered in the Public Procurement Agency's suppliers list?	Yes: □ No: □ N/a:					
2.2.5.2.7.	Is there no evidence of false certifications?	Yes: □ No: □ N/a:				4	•
2.2.5.3. W	ere bids properly evaluated?	based solely on the cri pursuant to the indicat same way as the other	iteria specified in ted weighting. Ad bids.	the bidding document. The	nust be demonstrably object e public body has to conside hich meet the requirements bids.	er all the stipulate	d criteria
	Is the evaluation process documented in a		Proclamation			4	•
2.2.5.3.1. 2.2.5.3.2.	transparent and convincing manner?  Did the public body evaluate only those bids that met stipulated qualification criteria?	Yes: □ No: □ N/a: Yes: □ No: □ N/a:	Art 43.9 Proclamation Art 43.6			4	!
2.2.5.3.3.	When discussion with bidders did take place, was this permitted within the procedure stipulated in the bidding document?	Yes: □ No: □ N/a:	Directive Art.			4	•
2.2.5.3.4.	In this case, was equality of treatment and distribution of information provided to all bidders during the discussion?					4	!
2.2.5.3.5.	Did the public body evaluate and rank bids against all and only those criteria or relative weighting factors, which it had published in the bidding documents?	Yes: □ No: □ N/a:				4	•
2.2.5.3.6.	When awarding contracts under a framework agreement, did the public body comply with the terms laid down in that agreement?	Yes: □ No: □ N/a:				4	•
2.2.5.3.7.	Was there a sound basis for the weighting and scorings applied to the criteria and was the scoring well balanced?	Yes: □ No: □ N/a:				4	•
2.2.5.3.8.	Were calculations used in evaluation adequate and correct?	Yes: □ No: □ N/a:				3	•
2.2.5.3.9.	Is there no evidence of collusion between bidders?	Yes: □ No: □ N/a:				4	•

2.2.5.3.10.	Is there no evidence of unauthorized release of information or seemingly unnecessary contacts with bidders' personnel during the evaluation processes?	Yes: □ No: □ N/a:			3	•
2.2.5.3.11.	Is there no evidence of favoritism towards a particular bidder during the evaluation processes?	Yes: □ No: □ N/a:			4	!
2.2.5.3.12.	Is there no evidence of any individual on the evaluation committee being biased?	Yes: □ No: □ N/a:			4	•
2.2.5.3.13.		Yes: □ No: □ N/a:			4	!
2.2.5.3.14.	Did the public body draw up a comprehensive evaluation report in writing of the outcome of the evaluation by using standard bid evaluation template?	Yes: □ No: □ N/a:			3	
2.2.5.3.15.	Did Procurement Endorsing Committee or other authorized body approve bid evaluation results, within the bid validity period offered by the bidders?	Yes: □ No: □ N/a:	Proclamation Art. 10.b		3	
	as the outcome of the evaluation process properly reached and communicated?					
2.2.5.4.1.	Was the award decision based on the result of the	Yes: □ No: □ N/a:			6	!
2.2.5.4.2.	Has the award included no items different from those contained in bid terms of schedule of requirements?	Yes: □ No: □ N/a:			4	•
2.2.5.4.3.		Yes: □ No: □ N/a:			4	•
2.2.5.4.4.	Were unsuccessful bidders notified in writing on the results of the technical evaluation and reason(s) for not being chosen as the successful bidder at the same time?	Yes: □ No: □ N/a:			3	!
2.2.5.4.5.	In case of decisions not to award a contract, were bidders informed in writing and on a timely basis of those decisions and their grounds?	Yes: □ No: □ N/a:			3	

2.2.5.4.6.	If information was withheld, was there reasonable justification for this decision?	Yes: □ No: □ N/a:	3	
2.2.5.4.7.	Was interval between dates of notification and signing a contract in accordance with Directive to allow unsuccessful bidders to seek a review of award decision?	Vest d Not d N/at	3	
2.2.5.4.8.	Did the conditions of contract comply with the detail provided in the bidding documents and with the outcome of the procurement procedure followed?	Yes: □ No: □ N/a:	5	•
2.2.5.4.9.	Did the conditions included in the contract protect the risk of non-performance by the contractor and were there no conflicting provisions?	Yes: □ No: □ N/a:	4	•
2.2.5.4.10.	Were there no material changes in the contract shortly after award?	Yes: □ No: □ N/a:	4	•
candidates	against any act or omission by the public rly resolved?			
2.2.5.5.1.	to and lodged with the public body?	Yes: □ No: □ N/a:		
2.2.5.5.2.	Did public body issue a confirmation of receipt of a complaint?	Yes: □ No: □ N/a:	3	
2.2.5.5.3.	Did public body suspend a bid proceeding after presentation of complaint to the head of public body?		4	•
2.2.5.5.4.	Did public body resolve the dispute amicably by mutual agreement?	Yes: □ No: □ N/a:		
2.2.5.5.5.	Did public body issue a written decision on the complaint within 10 working days from the date of submission of the complaint?		6	
2.2.5.5.6.	Did public body present and prove all facts and circumstances on the basis of which it based its decision on complaint?	Yes: □ No: □ N/a:	6	

2.2.5.5.7.	Did public body send to complainant a copy of the decision within 5 working days from the date in which the decision was made?	Yes: □ No: □ N/a:				3	
2.2.5.5.8.	Did public body submit to the Secretariat of the Board a written Statement of Response and the documents in connection with the complaint within five (5) working days of the receipt of the notification?	Yes: □ No: □ N/a:				3	
2.2.5.5.9.	Did public body act in accordance with Board's decision concerning complaint?	Yes: □ No: □ N/a:				4	•
	DITING DIRECT PROCUREMENT CON		ONAL WORK	S OR DELIVERIES			
2.2.6.1. V	Vere any additional works or deliveries admissible without the need for a new procurement procedure?	without a new procure These changes in the c  • Unexpected technic  • Suggestions for rep  • Changed ideas abou  • Adding needs to the tendered for. Flexibility to change p necessary to fulfill nee favoring or rewarding	ement procedure. content of the awa cal reasons, as nevel accement of techn at the defined nee e ones described, performance without a supplier, avoid	ent the works or deliveries produced performance may result for least le	From several circumstances: ; ; planned or buying more compang through a new procuremen ght also be a means of disresp	uters than th t procedure pecting the 1	ne quantity might be
2.2.6.1.1.	Were conditions for use direct procurement stipulated in Article 51 and 52 of the Proclamation satisfied?	Yes: □ No: □ N/a:				4	•
2.2.6.1.2.	Did the additional requirements introduce minor or non-substantial changes to performance, as described in the contract documents?	Yes: □ No: □ N/a:	Directive Art 25.2			4	•
2.2.6.1.3.	Were additional requirements brought about by a cause which had not previously existed?	Yes: □ No: □ N/a:	Proclamation Art 51 (d) and (e)			4	•

2.2.6.1.4.	Were additional requirements strictly necessary for the completion of performance under the contract?	Yes: □ No: □ N/a:			4	!
2.2.6.1.5.	Is it that additional requirements could not be technically or economically separated from the original contract without major inconvenience?	Yes: □ No: □ N/a:			4	•
2.2.6.1.6.	Was there adequate justification that additional quantities required during the contract period were not sufficiently large to justify new invitations to bid or would not have resulted in more favorable terms?	Yes: □ No: □ N/a:			4	•
2.2.6.1.7.	determined through market research?	Yes: □ No: □ N/a:			4	!
2.2.6.1.8.	Did the volume of the additional requirements of goods, works or consultancy assignment exceed 25% of the volume of such goods, works or consultancy assignment under the initial contract?	Yes: □ No: □ N/a:	Directive Art. 25.2 (a)		4	
2.2.6.1.9.	Did the value of the additional work exceed 30% of the total value of the initial contract in case of entering into a new contract or varying the initial contract?	Yes: □ No: □ N/a:	Directive Art. 25.3 (b)		4	
	Were additional works charged at the unit prices agreed in the initial contract?	Yes: □ No: □ N/a:			4	
2.2.6.1.11.	Were additional deliveries a partial replacement for normal supplies or installations or an extension of existing supplies or installations?	Yes: □ No: □ N/a:			4	!
2.2.6.1.12.	Would a change of supplier oblige the public body to acquire material having different technical characteristics resulting in incompatibility or disproportionate technical difficulties in operation and maintenance?	Yes: □ No: □ N/a:			4	•

	Was use of procurement by collection from open market authorized by Head of the Public Body?	Yes: □ No: □ N/a:	Directive Art. 25.6 (a)		3	!
	Did the value of procurement carried out directly from supplier exceed threshold stipulated in Article 25.7(a) of the Directive?	Yes: □ No: □ N/a:	Directive Art. 25.7 (a)		3	!
2.2.7. AUD	OITING MANAGEMENT OF CONTRACT					
1	hether the contract terms and conditions were comprehensively drawn up, and whether they are unambiguous, free from uncertainties and misinterpretation and serve to protect the Government interests?					
2.2.7.1.1.	Whether documents forming integral part of a contract were together?	Yes: □ No: □ N/a:			4	
2.2.7.1.2.	Whether legal advice was sought for, before drafting and entering into a contract agreement?	Yes: □ No: □ N/a:				
2.2.7.1.3.	Whether the terms of contract were precise and definite and free from ambiguity or was there misconstruction thereon?	Yes: □ No: □ N/a:			4	
	Whether the Agency's standard form of contract was used and terms thereof scrutinized beforehand?	Yes: □ No: □ N/a:			4	
	Whether the terms of contract including scope and schedule of requirements were materially varied after entering into, without consultation of the competent authority?	Yes: □ No: □ N/a:			4	!
	Where material variation in any of the terms or conditions in a contract were unavoidable, whether such changes in the form of an amendment to the contract duly signed by all parties to the contract?	Yes: □ No: □ N/a:			4	!

2.2.7.1.7.	Whether a price adjustment clause has been provided?	Yes: □ No: □ N/a:	4	
2.2.7.1.8.	Whether a formula for calculation of the price	Yes: □ No: □ N/a:	4	
2.2.7.1.9.	Whether there is a clause stipulating a minimum percentage of variation of the contract price above which price adjustment will be admissible?	Yes: □ No: □ N/a:	4	!
2.2.7.1.10.	As time is the essence of any contract, has the period for delivery of the ordered goods, and completion of services, been properly specified with definite dates?	Yes: □ No: □ N/a:	4	
2.2.7.1.11.	Have vague terms such as 'immediate', 'as early as possible' etc been used to immediate delivery period?	Yes: □ No: □ N/a:	4	•
2.2.7.1.12.	Has a warranty clause been incorporated in the contract requiring the supplier to, without exchange, repair or rectify defective goods or to replace such goods with similar goods free from defect?	Yes: □ No: □ N/a:	4	•
2.2.7.1.13.	Was there stipulation that goods required or replaced by the supplier shall be delivered at the public body's premises without costs to the public body?	Yes: □ No: □ N/a:	4	•
2.2.7.1.14.	Whether provision has been made to give public body options/remedies for delays in supply/non-supply for which supplier is responsible?	Yes: □ No: □ N/a:	4	•
2.2.7.1.15.	Whether clause for Liquidated Damages, forfeiture of performance security, cancellation, imposition of other sanctions/ penalties been incorporated in the contract condition?	Yes: □ No: □ N/a:	4	•

2.2.7.1.16.	Whether provision exists to cancel the contract for failure to deliver within the time period or non performance of any other obligation at any time after the expiry of notice period?	'es: □ No: □ N/a:	4	!
2.2.7.1.17.	Whether provision exists to terminate the contract, by written notice, without compensation, if the supplier becomes bankrupt or insolvent?	es: □ No: □ N/a:	4	!
2.2.7.1.18.	Has legal advice been sought wherever disputes arrive before initiating action for referring to conciliation or arbitration or to file a suit?	es: □ No: □ N/a:	€	
2.2.7.1.19.	Have documents to be filed in the matter of resolution of dispute, if any, been carefully scrutinized before filing, to safeguard the Government interest?	es: □ No: □ N/a:	63	!
3	hether priority was accorded to post contract follow up including disciplining of suppliers so as to avoid time and cost over runs, loss to the Government and/ or undue benefit to suppliers?			
2.2.7.2.1.	Has implementation of the contract been strictly monitored and notices issued promptly wherever a breach of provisions occur?	Tes: □ No: □ N/a:	4	••
2.2.7.2.2.	Have requisite databases/registers in prescribed format been maintained by designated officials e.g. register of purchase orders which contains important information relating to delays in supplies; register of defaulting firms containing details of firm's failure to supply in terms of contract?	es: □ No: □ N/a:	4	!

2.2.7.2.3.	Whether procedure for same custody and monitoring of Bank Guarantees or other instruments has been laid down and is being followed?	/es: □ No: □ N/a:	4	!
2.2.7.2.4.	Is the review of the progress of contract execution being monitored?	Yes: □ No: □ N/a:	4	
2.2.7.2.5.	Whether extensions of Bank Guarantee or other instruments, where warranted, have been sought immediately?	/es: □ No: □ N/a:	4	•
2.2.7.2.6.	Have extensions of the scheduled delivery or completion dates been granted as provided for in the contract and followed by formal amendments duly signed by the parties?	Yes: □ No: □ N/a:	4	!
2.2.7.2.7.	Were all articles, which required inspection and/or testing during manufacture or before dispatch / shipment, subjected to inspection before acceptance and did they conform to schedule of requirements and/or satisfied the prescribed tests?	/es: □ No: □ N/a:	4	!
2.2.7.2.8.	Were rejected goods removed to a place set apart for the purpose to avoid possibility of their getting mixed up with other goods?	Yes: □ No: □ N/a:	3	
2.2.7.2.9.	Was the supplier informed that such goods would lie at his own risk and that he should arrange for their removal within specified days from the date of issue of rejection memo?	/es: □ No: □ N/a:	3	
2.2.7.2.10.	In case the goods have not been removed within the specified period, whether the responsible department has exercised its rights to dispose of such goods at the supplier's risk and recover ground rent and demurrage charges?	/es: □ No: □ N/a:	4	!
2.2.7.2.11.	Did the user keep site and/or space in readiness for installation and/or storage of equipment and materials?	Yes: □ No: □ N/a:	3	

		ı			
2.2.7.2.12.	Was adequately trained personnel/manpower in position for operationalization of machinery and equipment especially in cases of procurement of new technologies?  Was training to be provided by the suppliers and if so, was the same done before expiry of	Yes: □ No: □ N/a: Yes: □ No: □ N/a:		4	
2.2.7.2.13.	contract?	res. 🗆 ivo. 🗀 iv/a.			
2.2.7.2.14.	Did the material or equipment lie unutilized or get damaged due to lack of trained manpower?	Yes: □ No: □ N/a:		4	
2.2.7.3. Wa	as there any modification of contract terms?				
2.2.7.3.1.	Were schedule of requirements diluted by authorizing alternatives makes/models of lower price, thereby giving undue benefit to the supplier?	Yes: □ No: □ N/a:		4	•
2.2.7.3.2.	Were payment terms amended in favor of the supplier e.g. advance payments being authorized even when there was no provision in the contract for making advance payments or higher advance payments being made than that stipulated in the contract?	Yes: □ No: □ N/a:		4	•
2.2.7.3.3.	Whether pre dispatch inspection though incorporated in the contracts was waived without any reasons, thereby jeopardizing the quality aspects?	Yes: □ No: □ N/a:		4	•
2.2.7.3.4.	Was submission of Performance Bank Guarantee waived?	Yes: □ No: □ N/a:		4	•
2.2.7.3.5.	Have maintenance contracts (paid maintenance) been entered into even for the period of warranty which required free maintenance by supplier, in maintenance of contractual provisions?	Yes: □ No: □ N/a:		4	•

2.2.7.4. Is there established any post-procurement actions by public bodies?					
2.2.7.4.1.	Does a system for obtaining feedback from users exist and how effective is it?	Yes: □ No: □ N/a:		3	
2.2.7.4.2.	How many/often have suggestions and/ or recommendations of users been implemented and to what effect?	Yes: □ No: □ N/a:		3	
2.2.7.4.3.	Has the public body deployed information technology to enhance the efficiency and effectiveness of its functioning?	Yes: □ No: □ N/a:		3	

# Annex 3. Analysis of Principal Violations Faced in the Practice of Public Procurement Audit

Risk-oriented approach to Public Procurement Audit implies that auditors are aware of existing risks and able to adequately evaluate their consequences. It is important to find out how the issue of identification and prevention of violation in the area of public procurement is addressed in the frame of the audit.

General conceptual approach involves the accomplishment of the following main tasks: identification of possible violations in the area of public procurement; minimization and elimination of the damage; improvement of the internal control system; prevention of violations in the future.

Accordingly, each of the stages of the procurement cycle should be analyzed and tested in order to detect violations. The audit team members should pay attention to internal processes and main risk factors increasing the system vulnerability and the inherited risk of the audit:

- 1. The volume of operations in the area of procurement the higher it is, the higher the risk and vulnerability are;
- 2. The volume of contracts awarded through closed or restricted procurement technologies;
- 3. Relative complexity of the procurement system and the scale of the internal control system activities: excessive complexity or non-conformity of the internal control system and the scale of purchases made give rise to high risk;
- 4. The system sensitivity if complex and multi-component procurements are carried out or a large amount of heterogeneous and inexpensive nomenclature is purchased, etc.

During the audit, the audit team members should make sure that necessary internal control is exercised in respect of a procurement cycle and the main risks of possible violations are evaluated properly. The correct understanding of what

particular violations are there and which stages of the overall public procurement cycle they relate to is of key importance in this case.

Violations in the area of public procurement are different, but yet, many of them may be reduced to the following situations:

- the possibility for the orders to be placed by other organizations than those that are actual consumers;
- there may be a conflict of interests between the organization that places the
   order and the one on behalf of which it was placed;
  - overpricing;
  - collusion;
  - substitution of the subject of the contract;
  - personnel deficiency.

Below is a list of typical violations that occur in the international public procurement practice. The list of violations has been made on the basis of the data provided by the member-countries of the Task Force.

# Azerbaijan

- information on a procurement contract awarded as a result of a tender is not published within 5 banking days in the gazette where the announcement of this tender was published, and is not placed on the official website either.
- the receipt of information on criteria of specialization of suppliers of goods (contractors) participating in procurement procedures is not ensured, including the information on professionalism, experience in the relevant industry, technical and financial capacity, workforce, management skills, etc.
- there is no substantiation of specificity, plans, drawings, sketches, requirements or description, objective technical and quality indicators of goods (works and services).
- when a procurement procedure is applied through the quotation method, the procurement is divided into separate contracts (goods, works and services are subdivided into parts/volumes).
- when procurement is carried out from a single source, the Law on Public Procurement is not complied with. This method should be used if the goods to be purchased can only be provided by a particular supplier (contractor), or if this contractor has exclusive

rights and there is no alternative for the goods.

- the membership of the tender commission is formed incorrectly: a representative of the relevant executive body is not included therein. If it is necessary to consider, assess and compare bids, no expert is involved.
- the name, quantity (volume), place of delivery, special features and place of work, description of services provided, required time of shipment of goods and provision of services, as well as the schedule of services are not specified in the announcement about the tender.
- an organization carrying out the procurement does not determine the probable (expected) value of goods (works, services) on the basis of average market value and does not invite professional appraisers prior to the beginning of the tender.
- when goods (works, services) are procured from a single source, the probable value is not determined.
- no statements from the bank on the financial condition of the supplier of goods (contractor) for the last one year are submitted.
- no guarantees required to the procurement contract performance are submitted.
- the volume of awarded procurement contracts was increased by more than 15 per cent without the consent of the appropriate executive authority, with the unchanged price and criteria of one unit of goods (works and services). Thus, the requirements of Article 40.6 of the Law on Public Procurement are not complied with.
- standard form of the Contract for Procurement of Goods (Works, Services) is not complied with, the origin of purchased goods and services is not specified, certificates of compliance are not provided, terms of sub-contracts are not complied with, penalties are not provided for in the contracts.
- Bank guarantee of advance payment is not submitted.

# Slovenia

- the contracting authority concludes with selected contractors works contracts which do not include the subcontractors, although they are listed by the contractor in its tender;
- contrary to the contractual provisions or to the tender documentation the contracting authority usually failed to require from the contractors to submit guarantees for proper performance of contractual obligations and for the elimination of mistakes within the prescribed guarantee period or obtained guarantees in the amounts too low or with the term of validity too short;
- contracting authority concludes with the supplier a contract,

	although this supplier was not selected as the successful tenderer.
South Africa	<ul> <li>Conflict of interests – contracts awarded to persons in service of the state, and their close family members;</li> <li>Deviations from official procurement processes;</li> <li>Payments to fictitious suppliers;</li> <li>Collusive tendering (bid rigging);</li> <li>Cover quoting (quotations received from fictitious suppliers)</li> <li>Poor contract management – including unjustifiable and costly extensions of contracts.</li> </ul>
Kyrgyzstan	<ul> <li>procurement departments draw up tender documentation without regard to requirements of standard tender documentation;</li> <li>bidders submit their bids not in the approved form set forth in standard tender documentation;</li> <li>preparation of technical specifications for products, technical specifications for performance of work and calculation of the amount of the budget on them are made not at the proper level of competence;</li> <li>the tender commission and procurement department award contracts to bidders that do not meet established qualification requirements;</li> <li>executed contracts lack requirement of bank guarantee for the advance payment covering the amount of the advance payment;</li> <li>drawing up of contracts in an arbitrary form without taking into account the provisions of the general and special conditions of the contract laid down in the tender documents at the announcement of the tender;</li> <li>during the tender, the tender commission often pays attention to the price, relegating to the background the participants' qualification and requirement for specifications;</li> <li>implementation of payment for the delivered goods and performed services as well as acceptance of goods at an uncontrolled manner, without clearance from the supplier of the relevant act of acceptance of goods and services description of their list, quantity, technical specifications, accompanied by a certificate of quality and warranty certificate, if required, in</li> </ul>
Belarus	<ul> <li>accordance with the conditions tender documents;</li> <li>carrying out procurement without including them into the annual plan of procurement, which restricts the admission of suppliers to participation in the procurement;</li> <li>insufficiency of market research, which results in the purchase of more expensive goods;</li> <li>application of a non-competitive procurement procedure while</li> </ul>

the competitive procedure is mandatory;

- violation of timing or failure to place the information on public procurement (the minutes of the commission meetings on the opening of bids and the information about the contract are not placed on the official site in violation of regulations; information on the results of price quotation request procedures and on summing up the results of public tenders are placed behind the time limit).

Typical violations that occur in the practice of Public Procurement Auditing in Portugal may be summarized as follows.

Main observations resulting from a priori, concomitant and a posteriori audits, in the area of public procurement, during the period 2011-2015

### MANAGEMENT OF THE PROCUREMENT FUNCTION

- Outsourcing and public private partnerships adopted without prior and grounded studies about alternatives (namely in-house providing)
- ➤ Insufficient justification for investments and procurements, either for their need or for the concrete solution adopted
- ➤ Inappropriate division of risks in public private partnerships
- ➤ Inappropriate organisation and management or inappropriate controls in the procurement function
- Lack of project managers in big investment projects
- ➤ Procurements that sometimes don't comply with the applicable legislation
- Lack of capability of the government officials to cope with the negotiation skills of private contractors, resulting in non-advantageous contracts for the public part
- > Side contracts that change the balance of duties and obligations and financial equations of public contracts
- ➤ Insufficient control over performance and payments due

- Contracts that are not executed according to their terms, including concrete works to be performed or quality of materials to be employed
- New contracts for services or works already included in other contracts
- > Executed contracts not paid in due time due to insufficient funding or funding that was not made available
- Payments made with no clear correspondence with executed services or works
- Executed contracts and payments made without compliance with needed authorisations, procurement procedures or seal approvals
- > Splitting of needs and contracts to avoid procurement procedures or high level authorisations

# PREPARATION OF THE PROCUREMENT

- > Commitment to financial expenses without a planned or authorised budgetary allocation
- ➤ Lack of evidence that the European Union funding envisaged for the investment was secured
- Acquisition of services which, due to the absence of the necessary prior authorisation, led to the violation of the rules regarding budget allocation and coverage of expenditure, registry of commitments and control of available funds
- > Inadequacy between the budget allocations and the programmed payment of the works
- ➤ Lack of authorisation for the assumption of financial expenditure in more than one financial year or in a future year
- Authorisation of expenditures by the inadequate authority
- Lack of the needed authorisations and justifications for the procurement
- Lack of the needed environmental studies
- Lack or insufficiency of implementation works' projects

- ➤ In centralised purchasing, the authorisation for the framework of the procedure by the competent authority was not based on the estimate of the respective global value of the contracts
- In centralised purchasing, the central purchasing bodies responsible for the reopening of competition under a framework agreement did not ensure that the entities targeted by the goods or services to be acquired fulfilled their legal obligations
- ➤ In centralised purchasing, the framework agreements were not timely renegotiated, resulting in outdated market conditions

## PROCEDURE CHOSEN TO PROCURE

- Award of contracts by direct awarding procedures, or based on the "excluded contracts" regime without complying with the applicable legal requirements
- Award of contracts by direct award procedure or direct invitations violating the principles of equality and competition stressed in the European Treaties and the Portuguese Law and Constitution
- > "Direct purchase" not complying with specific rules of any procurement procedure typified in the public procurement regime such as the direct award procedure
- Purchases conducted outside framework agreements that are mandatory for the public contracting entity
- Program-contracts concluded between municipalities and their local companies, without a previous tender procedure, violating the requirements set in the public procurement regime for 'excluded contracts', given the participation of private partners in the creation of the companies
- ➤ Leasing contracts concluded with financing bodies chosen without following the required selection procedure
- ➤ Use of an urgent type public tender procedure for public works contracts where the alleged urgency was not grounded and/or where the very short deadline scheduled for submission of proposals was inadequate

- Non substantiated or irregular decisions to launch institutional public-private partnerships or to acquire shares in societies due to the lack of prior cost-benefit analysis, to the use of illegal procedures or to inadmissible side contracts
- ➤ Changing the object and other key points of the contract, namely those related to the area of the concession of public services, the renewal period of the contract, the investment's plan and the sharing of risks and revenues, representing the conclusion of a new contract, without being submitted to competition.

#### TENDER DOCUMENTS

- Insufficient definition of award criteria, where essential elements regarding its implementation were not included:
  - Absence of a formula for the evaluation of one of the factors of the award criteria
  - Absence of a scoring system for the evaluation of factors and sub-factors of the award criteria
  - Inappropriate evaluation model
  - Lack of explanation on elements of the evaluation model
  - Use of binary classification scales based only on the tenders' compliance with
    the specifications or on its structure as a document, which are incompatible with
    a correct evaluation of bids, namely the need for prioritisation and definition of
    degrees of appropriateness of the proposed solutions.
- Definition of award criteria and evaluation models that:
  - •Refer to qualities of competitors and not only to the attributes of the proposals
  - •Include aspects of contracts not subject to competition
  - Are based on formal circumstances, such as the "proposal submitted earlier"
  - •Define inadmissible minimum limits of price
  - Hinder effective competition
  - Violate the principles of equality and competition

- Definition of evaluation models disregarding the different prices of bids and favouring higher prices, both discouraging competition in delivering better prices
- Tendering documents providing that the abnormally low price threshold is also a criteria for exclusion of proposals, thus violating the abnormally low price regime set out in the public procurement legal framework
- ➤ Tendering documents providing the joint awarding of several lots to a same bidder, hindering the correct application of the award criteria
- Absence in the tendering notices and in the tendering documents of essential aspects of the contract, preventing a fair, transparent and competitive procurement
- Demanding excessive technical authorisations, licenses, certifications or proofs of financial capabilities to bidders and contractors
- Discriminatory specifications in the projects

### **AWARD PROCEDURES**

- Acceptance of tenders submitted after the established deadline.
- ➤ Illegal exclusion of bidders during the analysis of their tenders, reducing the universe of possible awardees
- Failure to submit the required qualification documents
- Evidence of collusive practices by the intervention of the same person in several bids to the same procurement procedure
- ➤ Evidence of tenders submitted by those who are in conflict of interest arising from the conduct of procurement procedures, in violation of the principles of fairness and competition
- Amendment of bids before the award, following negotiations that were inadmissible either by law or the settled rules of procedure
- > Evaluation of tenders using other than the exact evaluation criteria and model publicised

- Ungrounded award decisions once based in tender evaluation reports that were not sufficiently substantiated
- Award to bids that should have been excluded from the procurement because of incompliance to tender requirements, either because failure to comply with requirements about tenderers or because the bids did not respect established requisites, such as maximum unit prices or risk matrixes in institutional public-private partnerships
- Award to more than one bidder against the rules of procedure
- ➤ Non submission of appropriate or enough financial guarantees to cover the risk of nonperformance
- > Failure by the successful bidder to prove the necessary technical skills needed for the implementation of the works
- Disregard of the rules preventing contracts with entities that do not fulfill their taxes obligations
- > Non notification to all bidders of the submission of qualification documents by the successful one

#### CONTRACTS

- ➤ Contracts with effects fixed from a date prior to the award, violating the legal regime applicable to public expenditure as well as fair competition in respect to contract preparation
- ➤ Contracts that do not include legally mandatory clauses
- ➤ Renewable contracts with no indication of denouncing deadlines
- ➤ Contractual clauses which, if accepted, would allow the *ad aeternum* renewal of contracts
- ➤ Contractual clauses allowing the renewal of contracts beyond 3 years (typical maximum duration, according to law) without the demonstration of the need of such a duration

#### CHANGES IN CONTRACTS, WORKS OR DELIVERIES

- > Substantial changes introduced during the performance of contracts
- Financial rebalance of contracts without complying with the legal requirements for that
- ➤ Additional works or services executed without any prior authorisation or decision and that later are asked to be paid
- Additional works introduced although causes already existed before the contracts
- > Payments to contractors in situations where they are responsible for project errors or project execution and should bear the respective risks
- Acceptance of additional works proposed without a proper control of their need
- Additional works exceeding quantitative limits established by law

Below is the list of violations that occur in the practice of Public Procurement Auditing the Russian Federation and the review of their impacts.

No.	Violations	Impacts
1	Fuzziness, vagueness, confusion, incompleteness of information and (or) contradictory nature of the subject, the object of the procurement, the main terms of the contract set out in the Procurement Notice; deliberate distortion or substitution of the subject of the contract, the object of the procurement, the use of transaction terms tailored for the sole contractor	Limitation and reduction of competition, administrative and court appeals, administrative and criminal liability, purchase of unnecessary products, purchase of low-quality products, financial losses in the amount of the contract and transaction costs, the effects of a sham transaction, violation of the timing of the contract performance, an increase in corruption and loss of confidence in government
2		Limitation and reduction of competition, administrative and court appeals, administrative and criminal liability, purchase of unnecessary products, purchase of substandard products, financial losses in the amount of the contract and transaction costs, the effects of a sham transaction, the effects of the nullity of a transaction, violation of the timing of the need satisfaction, an increase in

		corruption and loss of confidence in government
3	The Notice was amended in violation of the legislation on placing an order	Limitation and reduction of competition, administrative and court appeals, administrative and criminal liability, purchase of unnecessary products, purchase of substandard products, financial losses in the amount of the contract and transaction costs, the effects of a sham transaction, the effects of the nullity of a transaction, violation of the timing of the need satisfaction, an increase in corruption and loss of confidence in government
4	± *	Court appeals, invalidity (nullity) of a transaction, effects of an invalid transaction; administrative and criminal liability, purchase of unnecessary products, purchase of low-quality products, financial losses, violation of the timing of the contract performance, an increase in corruption and loss of confidence in government
5	Disregard of the information on the supplier's products and on the possibility to perform the contract, which was in the bid and was received from other sources	Awarding a contract to a legally incompetent supplier or a supplier who is unable to perform the contract; failure to deliver or delivery of substandard products, failure to perform the contract on time, financial costs of recontracting, court appeals, corruption costs of the government

Detection of violations implies that during the audit the working group members have the opportunity to correctly identify and adequately assess the control points of the entire cycle of public procurement, i.e. the process, procedures or particular operations that play a crucial role, i.e. produce a significant impact on the overall risk level of the procurement system.

Control points should be considered as the zones to attract attention, since these are the zones where principal violations and malfunction of the procurement process take place. Distinguishing of control points allows identifying priority areas for control by defining the schedule, frequency and timing of subsequent audit procedures.

## Annex 4. Identification of the Facts of Fraud, Abuse and Corruption in Public Procurement Audit

The Annex was developed with the use of materials of the Guidelines on Combating Corruption in the Area of Public Procurement (Kenya)

Corruption and corruption risks can manifest themselves in different forms in each phase of the procurement process. It is vital that corruption prevention measures be instituted to guard against these risks.

#### 4.0 Identification of requirements

The beginning of the procurement process is need realization and identification of the requirements. This is informed by the inventory status, project plans, production schedules, work plans, capital or operational requirements budgets and the procurement plan. After establishing the requirements, it is crucial to conduct a market survey to ascertain aspects such as prices, new products or alternative or substitute products, new sources of supply, nature of competition and environmental aspects that may affect the supply market

#### Manifestations of corruption in identification of requirements stage;

- Over estimation of required quantities of goods, services or works
- Economically unjustified or environmentally damaging procurement.
- Proposal to install new capacity while modification or repair of existing facility is sufficient.
- Failure to accurately assess needs resulting into emergency purchases.
- Identified similar goods are not packaged but split at user level.
- Conflict of interest is left unmanaged and decision makers fail to declare their interest.

- Establish a stock control section and database of institution's requirements to determine timeliness and quantities
- Computerize stores functions
- Review purchases annually to ascertain indications of order splitting
- Prepare a justification report for installation of new capacity and adhered to it
- Ensure value for money and compliance to the procurement regulations on procurement of emergency requirements by seeking prior tender or procurement committees' approvals.

- Ensure that the responsibility for key functions namely demand assessment, preparation, selection, supervision and procurement control are assigned to separate persons.
- Apply standard office safeguards, such as the use of committees at decisionmaking points.
- Require staff and decision makers to declare interest.

#### 4.1 Procurement planning

Procurement planning is the process by which the efforts of users or personnel responsible for various aspects and actions of a purchase or a project are coordinated and integrated in a comprehensive manner through an annual plan. The PPDA and Regulations make it mandatory for procuring entities to prepare procurement plans and have them approved by the accounting officer and where applicable the board of directors, or a similar body before engaging in procurement. A procurement plan identifies each requirement, the user, budget, procurement method and schedule of various activities in the procurement process and the timelines. The plan must be integrated in the procuring entity's budget.

## Manifestations of corruption in procurement planning

- Lack of a procurement plan
- Unexplained delay in preparing a plan
- Failure to carry out market surveys
- Procurement plans are devoid of all stakeholders and users input leading to urgent purchases.
- Procurement initiated to favour particular suppliers/ contractors
- Resorting to unjustified direct procurement.
- Indiscipline in managing budgets.
- Exaggerated price projections.
- Splitting of contracts for similar goods, works or services in order to circumvent procurement threshold limits instead of consolidating
- Failure to implement the plan as prepared.

- Compliance with the PPDA Section 26 and Regulations 20 and 21.
- Involvement of all users and stakeholders in preparation of procurement plans.
- Integrating the process of preparing and approval of procurement plans with the preparation of budgets.
- Conducting periodic market surveys and making reference to PPOA Average Price Lists as appropriate.

- Consolidating contracts for similar goods, services and works.
- Strict adherence to budgets and plans.

#### 4.2 Definition of requirements

This is the phase where the specifications for various requirements, terms of reference, bills of quantities and bid documentation is done.

## Manifestations of corruption in preparation of specification;

- Specifications or terms of reference (TORS) are designed to favor a particular provider (lock-out specifications).
  - Specifications for goods, works or services is not performance based but brand based
  - Non comprehensive and vague specification/ TORS such that contract changes and/or post contract negotiations are inevitable
  - Advance release of bid documentation or relevant information to particular supplier(s).
  - Giving different information and specifications to different suppliers
  - Failure to disclose evaluation criteria or vague criteria which is not objective or quantifiable.
  - Vague or unclear pre-qualification requirements.

## **Corruption prevention strategies**

- Adopt a team based approach in preparation of comprehensive specifications, bills of quantities and conditions of contract.
- Draw standard specifications for works, goods and services from national or ratified international standards such as Kenya Bureau of Standards and ISO, and avoid using brand names.
- Adherence strictly to the code of conduct and ethics for procurement staff.
- Disclose an objective and quantifiable evaluation criteria in the bid documents
- Use clear and objective pre-qualification requirements.
- · Adhere to PPDA, Regulations and acceptable procurement procedures.
- Specify duties and responsibilities of managers in the procurement manuals.
- Managers leading by showing good example on matters of integrity.

#### 4.3 Determination of source

This is the phase where the procedure for soliciting of the bids and, the choice of the procurement method is determined. Preparation of specifications, bill of quantities and conditions of contract are also addressed.

## Manifestations of corruption in sourcing;

- Choice of direct procurement method not justifiable.
- Failure to get prior approvals on use of alternative procurement methods ( when applying restricted and direct procurement methods) from the tender/ procurement committees
- Giving different information and specification and bid deadlines to different suppliers
- Restricted advertising or insufficient notice thereby restricting competition.
- Use of non standard tender documents to procure.
- Failure to respond to requests from suppliers/ contractors for clarifications in time. Or where clarification is sought it is not given to all bidders
- Failure to keep accurate minutes of pre-bid meetings, including questions and answers.
- Different location for receiving and opening of bids.
- Accepting bids submitted after the submission deadline.
- Opening bids before submission deadline.
- Not opening bids in public.
- Failure to record bid documents at the time of opening.
- Failure to write minutes of bids opening, where written some vital information is missing.
- Failure to provide secure storage of, and restricted access to bids received.

- Seeking prior approval from the tender/ procurement committees use of alternative procurement (restricted and direct procurement) methods.
- Safe custody of bid documents before technical and financial evaluation begins.
- Use of standard tender documents to procure as provided by Public Procurement Oversight Authority.
- Providing or using conspicuous and accessible location for receiving and opening of bids.
- Rejecting bids submitted after deadline
- Opening tenders in public and involving bidders or representatives during such functions.
- Opening bids as stipulated in the tender notice

#### 4.4 Evaluation and selection of vendor

Evaluation of bids and eventual choice of a vendor is executed at this stage.

#### Manifestations of corruption in evaluation and selection of vendor;

- Constitution of the evaluation committee after the opening of bids.
- Evaluation committee members appointed to favour certain interests
- Bid evaluation committee members do not have the "technical expertise necessary" to properly evaluate bids.
- Failure to constitute evaluation committees in accordance with the PPDA and regulations.
- Failure to document the evaluation process
- Signing the evaluation report at different dates
- Introduction of additional or deletion of criteria during the evaluation process
- Inviting specialists late to the meetings after evaluation has started
- Unreasonable delays in evaluating bids beyond the duration provided in the regulations.
- Failure to get approval on use of direct or restricted procurement
- Skewed evaluation process to give predetermined results
- Unfair disqualification of potential suppliers/ contractors
- Interference from politicians, management, staff, vendor intermediaries and other unauthorized persons during the evaluation process
- Deliberate errors corrected as amendments
- Recommendation to award tenders to companies set up by staff or relatives.
- Unjustifiably high number of contracts awarded to a particular supplier.
- Suppliers and contractors colluding to fix prices
- Suppliers making deliberate errors which are corrected after submitting bids.
- Quotation of successful vendor uncannily close to the budget and estimates when others are way off.
- Lowest quote is very high and the rest of the quotes are ridiculously higher compared to prevailing market rates.
- Breach of confidentiality
- Lack of declaration of conflict of interest

- Adherence to PPDA and Regulations on evaluations.
- Constitution of evaluation committee before opening of bids
- Use evaluation criteria as outlined in the bid document

- Having technically competent evaluation committees in their membership
- Rejection of unsolicited communications for attempts to influence evaluation through provision of counter offers such as discounts, longer warranty periods or more superior brands.
- Use market survey price indices as baseline data for price comparison
- Conduct due diligence on firms bidding for the contract.
- Declaration of interest
- Involvement of experts and observers in the evaluation process.

#### 4.5 Contract award

This is the phase where an award is made to a contractor or a supplier and eventual signing of a contract or issuance of purchase or service order.

#### Manifestations of corruption in contract award;

- Tender committee/ procurement committee rejecting the evaluation committee recommendation without giving valid reasons.
- Tender/ procurement committees doing actual evaluation of bids after rejecting the evaluation committee recommendations without giving reasons.
- Hurried signing of contracts before the expiry of the window period for suppliers/ contractors who may wish to contest award.
- Failure to notify simultaneously all bidders of the bid out come
- Placing orders for same goods to different suppliers (order splitting).
- Placing orders above tendered prices and quantities.
- Placing orders for completely different goods from the same supplier.
- Award of tenders to same suppliers/ contractors frequently.
- Award of tenders to suppliers/ contractors with pending jobs and poor performance.
- Poor records management, incomplete records and missing significant number of documents.
- Instructions are not given in writing to suppliers/ contractors
- Accepting suppliers / contractors terms of the contract
- Contractual terms conditions tilted to favour supplier/ contractor.
- Failure to maintain proper minutes of the tender/ procurement committees proceedings

## **Corruption prevention strategies**

• Periodic review of orders to check against award of many contracts to same suppliers/ contractors with many pending orders.

- Frequent examination of awards by auditors
- Give written instructions to suppliers/ contractors.
- Stating in the bid documents that tenders will be appraised on the basis of previous performance based on concrete written evidence.
- Proper records management
- Match award, purchase order, receipt and invoice details before payment.
- Segregation of duties.

## 4.6 Contract implementation/ delivery

This is the final phase in the procurement cycle where actual performance of works and or delivery of goods and services take place.

## Manifestations of corruption in contract implementation/ delivery;

- Accept/receive less quantity or quality or type other than what was ordered and claim to be paid for full delivery.
- Falsification of quality standards, documentation and certificates of performance
- Failure to adequately certify quality of goods.
- Paying for goods not received.
- Receipt of goods not done by an Inspection and Acceptance committee
- Failure of Inspection and Acceptance committee to prepare reports.
- Goods delivered at close of day to compromise verification and certification of quality and quantity.
- Inducement of Stores staff by competing suppliers to reject goods from their business rivals
- Delay in acceptance of goods thereby inconveniencing suppliers.
- Goods or services not being used, or being used for purposes inconsistent with intended purposes.
- Diversion of goods for personal use or resale.
- Suppliers and contractors including deliberate errors on bidding documents which are corrected after contract placement.
- Unjustified variations.
- No signed contract document.
- Variations not approved by the tender/procurement committee
- Approved variations over the maximum limits allowed by the PPDA and Regulations
- Evaluation/appraisal of suppliers and contractors performance not recorded.

#### **Corruption prevention strategies**

- Variation is subjected to TC/PC committee approved.
- Adherence to PPDA and regulations maximum limits on variation
- Clear delivery instructions, receipt and issuance procedures that is known to suppliers/ contractors and staff.
- Ensuring that contracts are properly drafted
- Enforcement of contractual conditions.
- Involvement of independent experts for receipt of complex equipment e.g. Kenya Bureau of Standards.
- Involvement of independent monitors.
- Frequent verification and audit of stores.

#### 4.7 Payments

This is the stage at which the suppliers are paid for goods, services or works contracted to be delivered.

## Manifestations of corruption in this phase include

- Unsecured advance payments before delivery.
- Payment before delivery
- Payment for goods, services or works not received.
- Selective payment of suppliers.
- Full payment for partial delivery.
- Delayed payment.
- Deliberate loss of payment records and documents resulting to double payments.
- Payment of false or non-existent claims.
- Excessive number of signatures required to approve progress payments
- Evaluation of suppliers'/contractors' performance not recorded.
- Failure to withhold VAT where the procuring entity is a registered VAT agent.

- Formulate a creditors' payment policy.
- Maintain a register of claims or invoices.
- Establish clear payment procedures.
- Automate management of inventory.
- Adherence to procurement regulations

- Train staff and suppliers on ethics.
- Reconcile budget versus stock/work/service stages.

#### 4.8 Stores management

An effective stores and disposal management system is essential to deter corrupt malpractices.

#### Manifestations of corruption in stores management

- Stocking over and above the safety margins
- Under stocking to justify emergency purchases.
- Lack of proper stores accountable documents.
- Lack of stock control units.
- Poor filing systems of stores documents/records
- Pilferage of stores by staff.
- Failure to update stores records
- Falsification of stock records.
- Falsification of stock verification reports.
- Manipulation of stocktaking reports.
- Failure to secure insurance cover for stores
- Inadequate security for stores.

- Have a stock control policy that specifies items classification, desirable stock levels, safety levels, re-order levels, maximum and minimum levels.
- Frequent verification and audit of stores
- Adherence to PPDA and regulations.
- Promptly recording of stores transaction in store records.
- Computerize stores systems and have standard access control for data input and amendment as well as audit trail functions.
- Generate authentic performance reports for goods, services and works from users.
- Staff rotation.
- Constant review of physical security of the store to prevent unauthorized access.

#### 4.9 Disposal of stores

The process of periodic verification and annual stock taking exercises exposes stores items which have become damaged unserviceable, obsolete and surplus which needs to be disposed.

The following methods of disposal are available to a procurement entity:

- Transfer to another procurement entity with or without any financial adjustment.
- Sale by public tender; public auction; destruction, dumping, burying or burning; trade- in; recycling or conversion to another condition and disposal to employees.

## Manifestations of corruption in disposal

- Disposal done without involvement of disposal committee
- Unauthorized disposal.
- Disposal before useful life of an asset.
- Disposal at below market prices or valuation.
- Fraudulent cannibalization of items before disposal.
- Writing off items before disposal.
- Delays in disposal such that items deteriorate in value and become an eyesore.
- Disposal to employees contrary to the provisions of the PPDA and Regulations.
- Disposal to employees not reported to PPOA as per the PPDA and Regulations
- Conflict of interest in the disposal process.

- Compliance with the PPDA and Regulations
- Constitution of a disposal committee whose duties is to identify items for disposal.
- Employing experts in valuation of items.
- Writing off items after disposal certificate has been issued.
- Timely disposal of items as they become due.
- Routine verification of stores.
- Safe and secure custody of disposal items.
- Declaration of personal interest.

## **Annex 5. Pilot Projects and Practical Examples**

## 1. Slovenia

Examples of plans and programs of Public Procurement Audit and an audit report

## Examples of plans and programs of Public Procurement Audit

1.3	Investments in a pre-school institution	
	Obtaining necessary documentation in respect of awarding each particular public contract (construction permit, decision on the beginning of the public contract award procedure, notice of the contract, tender documentation, tenders, protocols of bids opening, final report on the public contract awarding, decision of the National Control Commission, etc.)	
	Taking into account the value of the public contract, the municipality should carry out one of the procedures below in the frame of awarding the contract.	
	It is necessary to study whether:	
	• the contracting authority observed the required procedure of the contract awarding based on the value of the contract;	
	the contract for the delivery of goods, performance of works or provision of services at the expense of budget appropriations was awarded in accordance with applicable rules governing public procurement (Article 53 o the Law on Public Finance).	
1.3.1	The award of a public contract is applied to all procedures of public contract award, except for the process of bidding and awarding low-cost contracts	
	When awarding public contracts, the municipality is obliged to observe essential provisions set forth in the Law on Public Procurement (ZJN-2) in respect of the publication of the award notice, the criteria, the conditions of the tender and evaluation of tenders. Besides, the public contract award procedure should be carried out without significant deviations (in the plan of the process, quality and time of implementation) from the chosen tender process that takes place during the implementation of the public contract award procedure.	
	It is necessary to study whether:	
	the contract awarded corresponds to the bid of the selected tenderer;	
	the contracting authority received necessary financial guarantees in accordance with the terms of the contract and the Rules of types of financial provision used by natural persons as a guarantee of the performance of their obligations in the frame of the public contract award procedure;	
	the payment (taking into account its cost, amount, content and time limits) actually refers to this public contract.	

# Matrix of the main audit question and sub-questions associated with the investments in the buildings of the pre-school institution

1.3.3. Did the design documentation provide for construction without suspension of the work and the need to introduce amendments?	The municipality several times amended the design documentation in the process of construction.	analysis of documentation, interview with responsible representatives of the audited entity, data analysis
1.3.4. Were all stakeholders involved in the procedure of the design documentation preparation by means of exchange of ideas and opinions (i.e. the municipality, teacher/educators and service users,) in order to succeed in creation of functional (adequate) premises?	The design was developed by a design organization without involving other stakeholders.	analysis of documentation, interview with responsible representatives of the audited entity, data analysis
1.3.5. Is the realization value of investments consistent with their planned value set forth in the design; and does it comply with the investment program, which was the basis for taking the decision on the beginning of the work?	The realization value of investments exceeded the planned value, i.e. it increased by more than 10 per cent during the project implementation, which was supported by the investment program of the municipality.	analysis of documentation, interview with responsible representatives of the audited entity, data analysis
1.3.6. Did the municipality exercise adequate control over the contractor?	The municipality did not control the contractor. The work was performed by subcontractors not approved by the municipality. The municipality received the information on changes and additional works after they were completed.	analysis of documentation, interview with responsible representatives of the audited entity, data analysis
1.3.7. Did the municipality provide for construction of a fully functioning building for education of and care for young children, which was completed within the scheduled period?	After the construction had been completed, reconstruction was required. The municipality submitted a bank guarantee for the reconstruction. The operating permit was not received within the	analysis of documentation, interview with responsible representatives of the audited entity, data analysis

	scheduled time.	
1.3.8. Can the cost of construction of the pre-school institution be compared with the price provided by the municipality in the investment documentation? Can the cost of one square meter of the construction and the cost per one child be compared with construction price of other nursery schools? Can the nursery school operation costs (costs of heating, maintenance) per one child be compared with the costs of other nursery schools?	The cost of construction exceeds the costs provided for in the investment documentation. The cost of construction only exceeds the planned costs in respect of some particular types of work. The cost of one square meter of construction and the costs per one child are higher than in other comparable pre-school institutions. The nursery school operation costs (costs of heating, maintenance) per one child cannot be compared with the costs of other nursery schools.	analysis of documentation, interview with responsible representatives of the audited entity, data analysis

## Example of an audit report

#### Slovenia

Direct award of the carriage of primary school pupils service.

The municipality and the Primary School dr. Ivan Prijatelj Sodražica concluded a Contract on school transport in the year 2012/2013 providing carriage of school pupils due to danger caused by large carnivores and providing other transportations for the needs of the school. The Contract stipulated that the municipality covers the costs of the driver of the school bus and all other costs related to the registration and insurance of the vehicle, the yearly technical inspection of the vehicle and maintenance, fuel (costs are kept separately for providing carriage of school pupils service and for providing other transportations for the needs of the school) and in case of breakdown of the vehicle also the costs of the replacement of the vehicle. The owner of the school bus is the municipality, the vehicle was assigned to be used by the school by the Contract on the use and maintenance of the school bus. The

municipality received a Cost Accounting for October 2012 in the amount of EUR 1.840,74 that included the costs of the driver, fuel as well as the costs of the rent for the use of the garage for the school bus. The rent included payment for the use of the garage for the year 2012 in the amount of EUR 1.143,53.

Ошибка! Источник ссылки не найден. On the basis of the Contract on school transport in the year 2012/2013 the municipality transferred funds to school for the rent for the use of the garage for the school bus in the amount of EUR 1.143,53, even though those costs were not agreed within the contract. Considering the above the municipality transferred funds for purposes not planned, which means that the municipality violated the paragraph 2 of Article 54 of Public Procurement Act, for it should before the payment was made review and confirm in writing the legal basis and the amount for the service arising from the authentic bookkeeping records.

#### Remedial measures

The municipality must provide in its Response report the remedial measures, namely:

• costs for the rent for the use of the garage for the school bus must be defined in a contract outlining use and maintenance of the school bus.- Ошибка! Источник ссылки не найден..

## 2. Portugal – pilot project

## Portuguese Court of Auditors Public contracts' modifications audit results

*Note: This document refers to several audits and studies.* 

Some were conducted over specific contracts from a chosen body (referred as selective audits) while others were focused on studying information gathered for the total of contracts verified in public sector during a certain period of time (referred as horizontal audits)

#### 1) CONDITIONS OF AUDITS:

#### • Name and time frame of the audits:

- ✓ Analysis of modifications to the key terms of public contracts during their implementation
- ✓ Development of additional works under the contracts
- ✓ Time frame: 2008-2010, 2011-2013 and 2014-2016

## • <u>Period of time</u> <u>selected to evaluate the activities of the audited entities</u>: The audits we are considering covered several periods from 03.09.2006 to 31.12.2015

#### • Timeline to implement control, expert and analytical measures :

- ✓ **Planning**: selective audits 30 days; horizontal audits about 3 months;
- ✓ **Fieldwork**: selective audits 45 days; horizontal audits about two years;
- ✓ **Preparation of the report**: selective audits 30 days; horizontal audits-about 3 months;
- ✓ Contradictory analysis and draft report 45 days.

#### • Composition of the audit teams:

- ✓ 2 or 3 auditors in each team, comprising lawyers and engineers
- ✓ Coordination: audit manager

- ✓ Supervision: audit director
- <u>Substantiation of the audit and authority of its participants</u>: The audits to be performed are determined by a college of 3 or 4 judges. They are conducted by a team of auditors, under the supervision of a director reporting to a judge, who decides on key steps of the audit. The final report is then approved by the college of judges.

#### 2) THE AUDIT ENTITIES AND DOMAINS:

#### • Audited entities:

- ✓ Selective audits Several municipalities, public health care services, universities, and a foundation created to promote leisure activities
- ✓ Horizontal audits services and bodies of State/central administration, local authorities and public enterprises owned either by State or by local authorities
- <u>Domains (scope) of the audit and the authority of those participating in</u> the measure to check them

#### Selective audits:

- ✓ Assess whether the process of estimating the amount/value of the contract works was accurate and in line with the market conditions;
- ✓ Check whether the works performed and the materials applied complied with the requirements set forth in the specifications of the contract
- ✓ Verify whether the additional works authorized and conducted complied with the applicable legal provisions, namely:
- If they were strictly necessary for the conclusion of the contracted work
- If they resulted from an acceptable error or from unforeseeable circumstances
- If they respect mandatory quantitative limits
- ✓ Check whether the execution of additional works to the initial contract, conducted by the original contractor, resulted in circumventing a new and due competitive awarding procedure

- ✓ Verify if public financial regulations regarding expenditure were complied with
- ✓ Assess if modifications to the original contract were authorised by the staff member with the necessary authority
- ✓ Find cases where the cost of additional works becomes excessive when compared with similar works and circumstances occurred in other construction projects
- ✓ Confirm that companies who act as site inspectors dully exercise their duties and contractual responsibilities as to ensure that construction works are executed according to the plans and specifications set by the public owner
- ✓ Highlight situations where the execution of additional works revealed disproportionate and overpriced technical and construction solutions in view of the scope of the project
- ✓ When justified, assess whether responsibilities were asked from those responsible for projects` errors and deficiencies originating additional works
- ✓ Identify infringements of legal financial regulations and, in those cases, submit all the necessary information to the jurisdictional chamber for judgement
- ✓ Issue recommendations where applicable

#### Horizontal studies:

- ✓ Typify the acts/additional contracts communicated to the SAI: compare the number and type of modified contracts with those fully executed, identify types of contracts that needed additional works, their distribution among the sectors (central administration, local authorities, public enterprises) and the global increases or decreases in expenditure
- ✓ Identify the situations of deviation between the contracted works and their actual implementation, particularly in terms of financial execution and contractual content
- ✓ Identify the most common causes for the additional works and the associated risks
- ✓ Compare the situations of the additional works found during the execution of public works under different applicable legal frameworks(during the period

there was a change in the legal provisions for additional works and the Court aimed at assessing if this change had any relevant impact)

- ✓ Identify best and prejudicial practices
  - ✓ Follow-up on previous recommendations
  - ✓ Issue recommendations

#### 3) DATA USED IN THE AUDIT:

## • Information used to carry out the audit:

- ✓ Applicable national and European legislation, according to cases
- ✓ Audit reports of the internal audit or other public and private audit entities, when available²
- $\checkmark$  Any relevant information on the media regarding the entity or project<sup>3</sup>
- ✓ The procurement process file, mainly the program and specification of works and the implementation project<sup>4</sup>
- ✓ Lists of errors and omissions identified by the competitors during the awarding procedure<sup>5</sup>
- ✓ The contractor's bid and the enclosed documents<sup>6</sup>
- ✓ Contract and documents of the work assignment
- ✓ Work plan and financial schedule and any respective changes<sup>7</sup>
- ✓ The work books(according to legislation all the relevant events during the works have to be recorded in these books), including the site diary, construction progress meetings minutes or other written reports<sup>8</sup>
- ✓ Information and any technical consultancy produced during the course of the works<sup>9</sup>

4 Idem

<sup>&</sup>lt;sup>2</sup> Mainly for specific audits

<sup>&</sup>lt;sup>3</sup> Idem

<sup>5</sup> Idem

<sup>&</sup>lt;sup>6</sup> Idem

<sup>&</sup>lt;sup>7</sup> Idem

<sup>&</sup>lt;sup>8</sup> Idem

- ✓ Any notices of suspension and resumption of works as well as requests and authorisations of time extensions for the completion of works 10
- ✓ Proposals and claims submitted by the contractor<sup>11</sup>
- ✓ Documents recording the measurement of works, invoices, orders, payment authorisations and receipts checking/current account of the contractor¹²
- ✓ Any other relevant document

#### • Information sources:

- ✓ Legislation
- ✓ Contracts and other documents supplied by the audited entity to the SAI
- ✓ Information submitted by the entity (documentation and/or clarifications) in response to requests for clarification made by the SAI
- ✓ Portuguese Court of Auditors' database
- ✓ Verifications, documents and information collected by the audit team in the audited entity facilities
- ✓ Questionnaires and surveys

#### 4) METHODOLOGY USED:

- <u>Types and forms of audit used</u>: compliance audits, with some aspects of performance concerning the term and prices and the horizontal analysis
- International and national standards and guidelines used:
  - ✓ Organisation and Procedural Law for the Portuguese Court of Auditors
  - ✓ Resolutions and other acts of the Court
  - ✓ Audit Manual and other Court's established procedures
  - ✓ Auditing Standards of INTOSAI

<sup>&</sup>lt;sup>9</sup> Idem

<sup>10</sup> Idem

<sup>&</sup>lt;sup>11</sup> Idem

<sup>12</sup> Idem

✓ In particular, regarding criteria for additional works, European directives, guidelines and jurisprudence

## • Methodological techniques developed for the particular audits:

- ✓ Methods and audit techniques used:
- Selective audits: verification and analysis of the works and their implementation
- Horizontal audits: analysis of the information collected for a previously defined period of time. Statistical, legal and financial analysis of the results in order to draw conclusions and issue recommendations both to the audited entities and the legislative bodies.
- ✓ Methodological techniques developed especially for the audit:
- Remarks
- Surveys
- Document analysis
- o Arithmetic (cumulative figures, percentages)
- Interviews with the contractor, the inspection body, other entities and staff with relevant participation in the implementation of works and in the final amount of the contract
- o In site inspection of works performed and materials applied
- Satisfaction inquiries with the stakeholders released by the public owner (example: perception of teachers and students towards a recently renovated school within a program of schools modernisation developed by a public enterprise)
- External confirmation procedures (arbitration and administrative courts, contractors, banks)
- Price benchmarking

#### 5) THE TOOLS USED TO MAKE MEASUREMENTS AND EVALUATIONS:

• The scales and criteria selected for making measurements and evaluations: The audits involved mainly an assessment of compliance of the

factual works with legal and technical provisions. For this purpose, situations were compared to applicable legal and technical standards, as included in European and national law, in technical guidelines and in the contract documents. Prices were compared with common market and recommended ones.

- <u>Data processing methods used</u>: when deemed necessary, statistical or mathematical methods were used, which entailed identifying the respective criteria (higher value, higher percentage, higher number ....).
- <u>Information technologies used to handle/treat</u> the information (data): mainly Excel and Word.

#### **6) AUDIT RESULTS:**

- Activity of the audited entities:
- ✓ Specific audits:
- Local public administration (primary schools, sanitary infrastructure, elderly care)
- o Hospitals
- Universities and other higher education bodies
- Recreational activities for both active and former/retired employees, through social tourism, cultural and sport activities, as well as, inclusion and social solidarity programs
- ✓ Horizontal audits:
- Central and local public administration (all types of activities)
- Public companies, regardless of their object, but with a particular emphasis on the modernisation and rehabilitation of schools or road infrastructure (construction and maintenance)
- Results of data processing and evaluations for each type and form of the audit conducted and the audit domain
- ✓ The number and amount of additional works shows a decreasing trend;
- ✓ Half of the public contracts are still subject to modifications during their execution:

- ✓ Local authorities account for both the majority of contracts and its modifications
- ✓ Expenditure related to modified contracts is significantly higher in the state enterprises, mainly regarding rehabilitation of schools and road infrastructure projects (construction and maintenance). The value of modifications is also higher in this area.
- ✓ Since 2011, the accrued expenditure related to modifications of contracts has decreased significantly. Formerly there was an average increase in expenditure due to contractual changes of circa 10%. In recent years, even if contractual modifications persist, the global value of the contracts has declined, mainly because of a growing number of work suppressions generating lower costs when compared with expenditure associated with added works.
- ✓ Modifications are mainly due to architectural, water drainage and soil movements/foundations related additional works.
- ✓ Quantitative limits for additional works (Referring to a certain percentage of the total value of the contract) have been generally complied with
- ✓ Around 57% of the modifications resulted from projects' errors and deficiencies, 11% from unforeseeable events and 32% from different options assumed by the contracting authorities
- ✓ Projects' deficiencies are often originated by inaccurate project work, inconsistencies with the site conditions and insufficient control and revision by contracting authorities over the technical documents, specification and description of works
- ✓ Suppressed works resulted mainly from errors in the estimation of works' quantities, incorrect specification of the statement of works items, need to revise projects or budgetary constraints
- ✓ Suppressed works were the cause of recurrent disputes with contractors, with litigious processes pending in arbitration courts. These courts frequently rule in favour of compensation for the private contractors
- ✓ Public authorities have not implemented procedures to held contractors responsible for inadequate and deficient projects, and thereby, did not claim compensation for arising damages

## • Risks evaluated and deficiencies uncovered, including their costs assessment;

✓ Inconsistency of the estimated value of contracts with the market conditions

- ✓ Use of undue public procurement procedures (mainly noncompetitive ones) because of expenses being splitted in parts or because of illegal classification and use of additional works
- ✓ Existence of collusive bidding by contractors, who agree to submit high bids to allow pre-selected contractors to win contracts on a rotating basis, or to divide contracts by territory, or take other steps to defeat the competitive process and divide work.
- ✓ Submission of low bids by the contractor to ensure winning a contract, and then increasing its price and profits by submitting modification requests after the contract is awarded.
- ✓ Defining narrow or unduly burdensome pre-qualification criteria, or unreasonable bid specifications to reduce potential competitors, splitting purchases to avoid competitive bidding,
- ✓ Making unjustified sole source awards
- ✓ Lack of supervision and review of projects by contracting authorities
- ✓ Use of outdated projects
- ✓ Use of inaccurate or outdated/old cadastral or topographical information
- ✓ Projects released regardless of the absence of previous geological/ geotechnical studies, as well as, ignoring the geological characteristics of the land
- ✓ Public procurement procedures initiated and contracts signed without previous disposal of the construction sites land or mandatory administrative requirements
- ✓ Incompatibility between projects of several areas (ex: arquitecture, electricity, air conditioning)
- ✓ Inaccurate identification and quantification of the necessary works to be performed
- ✓ Non compatibility of projects with applicable legal and regulatory requirements
- ✓ Disregard by the contracting authority of the project deficiencies identified by competitors in the procurement process, which, at a later stage, are found to be true and require essential modifications for the conclusion of works

- ✓ Undue authorisation and implementation of additional works, when not arising from acceptable errors and reasonable unexpected circumstances. Those that result from different options assumed by the contracting authorities must follow a new procurement procedure
- ✓ Works linked to overly ambitious architectonical or construction solutions and use of expensive materials beyond the project scope or the needs of the users
- ✓ Works performed differently from the contracted terms, either in quantity or
  quality
- ✓ Insufficient or deficient inspection of works when performed by external private companies acting on behalf of the public entity. Neglect on their duties and contractual obligations often results in the delay of the constructions works, overrun of the project budget or overbilling by the contractor.
- ✓ Disproportioned costs of additional works when compared with similar works of the project, other construction projects or the market prices
- ✓ Noncompliance with defined quantitative limits for additional works

#### 7) FINDINGS AND RECOMMENDATIONS:

- Auditor's opinion executive summary:
- ✓ Several acts/additional work contracts were signed and implemented without the required information and justification on the eligibility of the additional works involved
- ✓ Part of the additional works analysed were non-compliant: they were carried out without authorisation from the responsible authority, disrespected expenditure regulations, and lacked justification for their admissibility and legality
- ✓ In some cases works were performed deficiently and the materials applied were of lesser quantity and quality than those specified in the contract or its change requests. Thus, the value of the executed works was diminished in face of the contracted ones and the costs related to maintenance and repairs, to be incurred in the future by the public entity, will be higher.
- ✓ Part of the additional works analysed were illegal because they were not the result of acceptable errors or unforeseeable circumstances, but rather the result of different options assumed afterwards by the contracting authority
  - ✓ Inaccurate and deficient project designs were the major cause for changes to contracts

- ✓ Contracting authorities failed to control and review projects before they were released and in the course of the procurement processes
- ✓ Contracting authorities also failed to held external project companies accountable for the deficiencies of projects that they have delivered
- ✓ They also failed to claim indemnities to the contractors, in those cases when these had the obligation to detect errors and omissions therein
- ✓ Inspection by external companies acting on behalf of the public entity was often insufficient or deficient
- ✓ Additional works resulted in some cases in disproportionate costs compared to those resulting from the needs, from the competitive procedure, from other similar construction projects or from market prices.
- The legal regime included in the Public Procurement Code was (at the time of one of the horizontal audits) quite permissive regarding the admissibility of additional works aimed at correcting errors and omissions of projects and its quantitative limits. These legal provisions showed to be not compatible with the accuracy required for the preparation of projects and were also not compatible with the European legal framework on this subject. Additionally, they had a potential effect of an increase on the final value of the contracts (as it was confirmed by the audit).

#### • Response of the audited entities:

- ✓ Audited entities have provided justifications and arguments in favour of the admissibility of additional works considered by the SAI as illegal
- ✓ They have provided additional information and reviews of calculations
- ✓ They have argued about circumstances to justify their conduct and rule out potential accusations of fraud and neglect and avoid financial responsibility's judgement

#### • Corrective actions advised:

- ✓ Audited entities were advised to:
- o Improve their role in preparing, controlling and reviewing the projects for public works, namely when they are prepared by third parties

- Adopt cost effective projects that promote value for money, avoiding complex architectonical and constructions solutions that lead to significant increases to the previewed budget.
- o Obtain previous external entities' opinions where adequate
- o Comply with all applicable laws and regulations
- o Pay due and timely attention in identifying deficiencies in procurement documents submitted by competitors and contractors
- o Identify and demand accountability for errors in projects prepared by third parties, claiming compensation for damages occurred
- o Promote an effective management of the project execution, by establishing control mechanisms that guarantee, as strictly as possible, that works performed and materials applied are in accordance with the specifications of the contract
- Verify and demand an accurate performance of external inspectors, as to guarantee full compliance with their contractual obligations and ensure a rigorous execution of the projects
- o Establish written procedures for the execution of additional works
- o Review the contract's change orders and control the costs of the related additional works as to ensure that its execution is in line market prices and similar works of the same or other related projects
- When suppressing works, take into account the legal and contractual rights of contractors
  - ✓ The Parliament and the Government were advised to:
- Set up additional requirements and procedures in order to ensure more accurate and error free public works' projects
- o Review the quantitative limits established by legislation for additional works aimed at correcting projects' errors and deficiencies
- Envisage changes to the legal provisions concerning additional works in view of their compatibility with European law

- o Introduce legal rules to clearly held accountable the public managers who do not ensure the accuracy of public works' projects, and do not claim compensation from responsible project designers indemnities
- Establish a mandatory indemnity insurance for project designers that can ensure public reimbursement in case of design errors of projects
- o Provide that arbitration courts are prevented from allowing illegal payments

#### • Final result and recommendations on follow-up actions:

- ✓ Judgments were initiated for illegal situations identified and some responsible managers were convicted to pay fines and reimbursements (The Court has a chamber for jurisdictional cases of infraction to financial regulations)
- ✓ Some of the situations identified are being investigated by criminal authorities
- ✓ Better and more complete information was given to the Court overtime, implying improved documentation and justification of contract modification processes
- ✓ Amount of additional works shows a decreasing trend
- ✓ Cases of noncompliance are also declining
- ✓ The Public Procurement Code was amended, by reducing mandatory quantitative limits to corrective works derived from projects' errors [from 45% to 5% of the initial contract price] and adjusting it to European directives on the subject
- ✓ Legal provisions concerning reinforced monitoring and audit over modifications of contracts were introduced
- ✓ Legal provisions were issued to reinforce public managers and third parties' accountability for compliance with rules on public procurement and modification of contracts were introduced

#### 3. Zambia

## 3.1 Example of an audit programme

The following is an example of and audit programme that can be used to assess the adequacy of the structure in a procuring entity and efficiency among others. The program provides for a "YES" or "NO "response.. Note that the auditors, in the absence of indicators developed by the entity in question, may also use the program below to develop indicators for use in the audit to ascertain whether an entity is fully compliant, substantially compliant, and partially compliant with existing procurement regulation.

No.	PART A STRUCTURE OF THE PROCURING ENTITY
1	The Procurement unit established in established in accordance with section 20 of the ZPPA Act of 2008
2	Procurements are carried out by persons qualified and knowledgeable in accordance with section 12 (2) the ZPPA Act and the Act No. 15 of the Zambia Institute of Purchasing and supply.
3	The controlling Officer /CEO is responsible for ensuring that all procurement are conducted in accordance with section 13(1) of the PPA
	.Appoints members of a procurement committee
	Acts as chairperson of the Procurement Committee
	Certifies the availability of funds prior to the commencement of any Procurement activity or designates an officer or officers to whom this function shall be delegated
	Authorise contract awards which fall within their level of authority
	Authorise contract documents
	Submits reports required by the Authority
4	A Procuring Entity has an established and correctly
	PART A PROCUREMENT PLANNING
1	Integration of procurement planning in the approved annual budget and work plan
2	Procurement plan prepared in accordance with the standard template which should include (but not limited by ) the following.
	Description of goods/services
	Estimated value
	Procurement methods
	Timelines (IFB, tender closing/opening, evaluation, authorisation, award notification, contract signing, contract execution, completion)

0.	PART B : SOLICITATION DOICUMENT
<u>.                                    </u>	The solicitation document has been prepared using the standard document issued by the
1	authority in accordance with section 45 (1) of the ZPPA and PPR 57(1)
	Reference number and title
	Clear statement of requirement and specific to the subject matter
	Invitation for bids
	Instructions to the bidders
	Stanadard forms
	Documentary evidence
	Bid data sheet
	General conditions of contract
	Special conditions of contract
2	Whether solicitation documents have been approved / issued by the Authority in accordance with section 45 (1) of the ZPPA
	PART C BID RECEIPT AND OPENING
	The procurement unit has kept a record of details of all the bids that are received after
1	the bid closing in accordance with section 67 (8)
2	Late bids were rejected in accordance with clause 48 (1) of the ZPPA
	. Late bids returned unopened
	. Late bids which were not labelled with the bidders name were left unopened for seven days after which the unopened bid was destroyed in accordance with the PPR 67 (5)
3	The bidding closed at the precise date and time of bidding deadline as stated in the solicitation documentation
4	The procurement unit immediately after the bid closing took the bids received to the location for bid opening in accordance with the PPR 67(7)
5	The procurement unit opened in public all the bids received on time at the date, time and location indicated in the solicitation document in accordance with the PPR 68 (1)
6	The bids have been opened on a day other than a public holiday, or the day other than a public holiday in accordance with the PPR 68(4)
7	A procurement unit has kept a record of the bid opening (staff and bidders
	PART D BID EVALUATION
1	Disclosure of interest conducted in accordance with Procurement Regulations (PR)14
1	Confidentiality of the evaluation process in accordance with PR and S(40) of the PPA

Authenticity of Bid Security verified with issuing Financial Institution.
Evaluation criteria prepared in accordance with the SD and S(50)[2] of PPA
Evaluation process conducted in accordance with the method of procurement and evaluation stage contained in the PR
· All clarifications sought in accordance with S(50) of the PPA, PR and SD
- Were clarifications sought in writing?
- Were responses given in writing and within the deadline set in the request for clarifications?
- Clarifications sought and responses received should not change the substance of the bid
Evaluation Report and recommendations made in accordance with PR and S(50) [6] of the PPA
F. TENDER AUTHORISATION AND CONTRACT AWARD - OPEN BIDDING
Evaluation Report and recommendations of the evaluation committee submitted to the Procurement Committee for authorization in accordance with Section 50(c) of the PPA.
Decision by the Procurement Committee [Section 54(2) (a)].
Issuance of letter of bid acceptance [Section 54(1)(b)], PR 128.
Contract award by placement of a written contract document in accordance with Section 54(1) (a).
Notice of best evaluated bidder and value of proposed contract published in accordance with Section 53 of the PPA and PR 126.
All other bidders informed that their bids have been unsuccessful in accordance with Section 56.
PART F PURCHASE AUTHORISATION AND AWARD - SIMPLIFIED BIDDING
Analysis sheet and recommendations submitted to the appropriated approvals authority for authorization in accordance section 50(c) of the PPA and PR 115.
Decision by the appropriate approvals authority [section 54 (2) (a)]
Issuance of letter of bid acceptance [Section 54(1)(b)], PR 128.
Contract award by placement of a written contract document in accordance with Section 54(1) (a).
PART G. NEGOTIATIONS

1	The Procurement Unit obtained the approval of the approvals authority prior to holding negotiations in accordance with Tender Regulation 80 (1)
2	The Procurement Unit held negotiations only with the best evaluated bidder except were negotiations failed in accordance with the PPR 81(2)
3	The negotiations did not relate to price of bid except in the case of direct bidding or where price was not an evaluation factor in accordance with Section 51(2) of the PPA
4	The negotiations were not conducted to substantially alter anything which was a deciding factor in the evaluation of bids in accordance with the PPR 80(3) (d).
5	The negotiations did not use compound interest method in accordance with Section 51(3) of the PPA
6	The negotiations did not materially altered the terms and conditions of the proposed contract in accordance with the PPR 80 (3) (b)
7	The negotiations have not been conducted to substantially alter anything which was a deciding factor in the evaluation of bids in accordance with the PPR 80 (3) (d)
8	The negotiating team prepared minutes of the negotiations which had formed part of the record of the procurement in accordance with PPR 80 (5)
	PART H. CONTRACT MANAGEMENT
7	Contract document prepared in accordance with the SD and Standard Contract Form as provided for by Section 55(1) of the PPA
1	Contract approval by the appropriate approvals authority in accordance with Section 22 and 52 of the PPA
2	Contract document signed by authorized representatives of both parties in accordance with SD
3	Contract manager appointed in accordance with section 57 (57 (1) of the PPA and PR 150
4	Supplier provided relevant securities as provided for in the SD
5	Relevant securities verified with issuing institution
	Contract manager held contract management meetings with suppliers/user departments,
6	where applicable
7	In respect of the complaints against supplier or service:-
	- Records and acknowledgement of receipt of complaint
	- Investigation and, if appropriate, follow up with supplier and resolution of the complaint in accordance with the GCC
8	All amendments to the contract approved by the appropriate approval authority in accordance with Section 58 of the PPA and PR 154

9	Close out meeting, where applicable, held upon completion of all contractual obligations.
10	Percentage of contracts which have been implemented as per the terms of contract.
	PART I PAYMENT
	Payments made in accordance with Terms and Conditions stipulated in the contract or appropriate Standard Payment Terms as determined by GRZ
1	Advance payment were applicable supported by Advance Payment Guarantee in accordance with PR 145, 149
2	Authenticity of Advance Payment Guarantee verified with issuing institution
3	Payment is supported by completion certificates, outputs and /or delivery notes /GRN as the case maybe.
4	Variance between the approved payment and amount actually paid (was variation approved by appropriate approvals authority in accordance with Section 58 of the PPA

## 3.2 Pilot project

#### a. Name and time frame of the audit;

Public Procurement Audit and covered procurements made from 1<sup>st</sup> January 2014 to 31<sup>st</sup> December, 2014

# b. Time period chosen to evaluate the activities of the audited (controlled) entity;

A period of twelve (12) months was chosen for the evaluation of procurement activities in ZESCO.

## Time limits for putting control, expert and analytical measures in place;

The audit was carried out from 14<sup>th</sup> October 2015 to 31<sup>st</sup> December 2015.

## c. Team Composition;

The procurement audit was undertaken by the following officers from the Office of the Auditor General Zambia

- ➤ Procurement Head Procurement and Supplies Unit
- ➤ Assistant Director Public Debt & Investment Directorate
- ➤ Senior Auditor Public Debt & Investment Directorate
- ➤ Auditor Public Debt & Investment Directorate
- Procurement Officer Procurement and Supplies Unit

## d. Substantiation of the audit and authority of its participants;

The procurement audit was sanctioned by Auditor General after submission of the proposal to taskforce working group Chairman. In addition, the entity makes huge procurements, most of which are in millions of united states dollars.

#### 1. The audit entities and domains:

#### a. Audited entities

The audit concentrated on Zambia Electricity Supply Corporation (ZESCO) Limited which is the sole supplier of electricity in Zambia.

## **b.** Domains (scope) of the audit and the authority of those participating in the measure to check them

The objectives of the pilot Public Procurement Audit were;

- To ascertain whether there is adequate management control framework in place to support procurement and contracting activities
- To ascertain whether procurement and contracting activities were executed in the manner that was compliant with applicable policies, procedures and regulations.

## c. Scope covered include:

The audit will focus on the 2014 procurement and contracting activities made during the year. The areas of the procurement and contracting audit that will be examined will include: Business and Procurement Plans, Risk Management process, Roles and Responsibilities accountabilities, authorities, procedures and monitoring mechanism

#### 2. Data used in the audit:

#### a. Information used to carry out the audit;

The following information were used to carry out the audit:

- ZESCO'S Company Act,
- Strategic plan,
- Annual Plan and Budget,
- Annual Report for 2014,
- Zambia Public Procurement (ZPPA) Act, 2008 (Act No. 12 of the 2008);

- Zambia Public Procurement Regulations, 2011;
- ZESCO 2014 Procurement plan;
- Personal files for procurement department staff ZESCO Procurement files for contracts procured in 2014;
- Procurement files for 2014

#### **b.** Information sources

- ZESCO Limited
- Zambia Public Procurement Agency

### c. Indicators provided by the audited entity;

None

### d. Indicators used while conducting the audit

*Vide supra in 3.1* 

#### 3. The tools used to make measurements and evaluations:

### a. The scales and criteria selected for making measurements and evaluations;

The following was were the scaled in the audit:

### **Rating System**

Comply on over 90% of occasions sampled = Fully

Compliant

Comply on over 51% - 90% of occasions sampled =

**Substantially Compliant** 

Comply on over 11 - 51% of occasions sampled =

Partially Compliant

Comply on over 10% of occasions sampled = Non

Compliant

### b. Data processing methods used;

None

#### c. Information technologies used while handling the information (data)

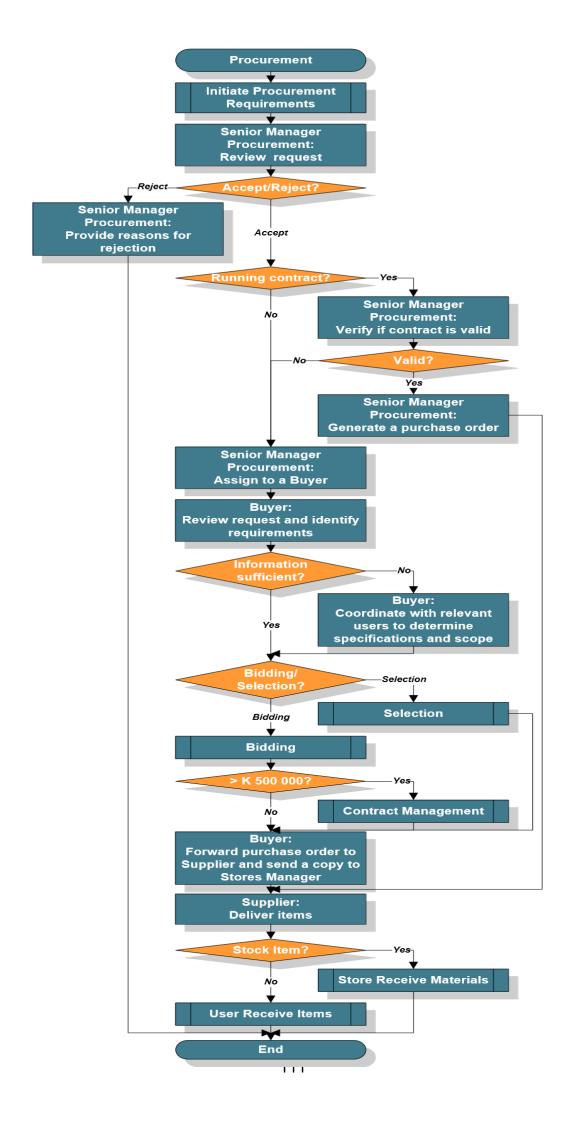
Microsoft word

#### 4. Audit results:

### a. Flowcharts of the activity of the audited entities;

Flowcharts show that controls exist in procurement system where these controls exist in the procurement system, they have three major audit purposes:

- i. Comprehension
- ii. Evaluation
- iii. Communication



# b. Results of data processing and evaluations for each type and form of the audit conducted and the audit domain;

None

### c. Risks evaluated and deficiencies uncovered, including their costs assessment;

#### i. Risks

- Procurement contracts are split to avoid threshold
- That contracts maybe awarded to bidders that did not qualify for award of contract
- Risk that contracts are awarded without following proper procurement procedures

#### ii. **Deficiencies**

- The procurement department is understaffed and as such had only 30 positions filled out of the 71 positions on the establishment
- There was laxity among procurement officers in that documents that required to be maintained were not secured
- Laxity by management to ensure that processes such as approval of manuals are carried out

### 5. Findings and recommendations:

### a. Auditor's opinion - executive summary;

Though an assessment of the control environment at ZESCO revealed that the institution an existing procurement unit with qualified personnel with adequate knowledge of procurement, the organization fell short of having sufficient number of personnel to carry out procurement activities as its establishment was not filled to capacity. Out of the seventy one (71) established positions in the procurement unit, only thirty (30) positions were filled, representing percent of 32 percent. As a result the institution was only able to execute or implement 40 percent of its planned procurement activities in the period under review.

It can also be concluded that ZESCO's was substantially compliant with procurement regulations in that most of the sampled procurement contracts had score ranging in between 51 percent to 90 percent against the measured criteria.

#### **b.** Detailed Observations

The following were observed:

### i. Understaffing of the Procurement Unit

There was overload of work assigned to few people who have filled the establishment, and as such the procurement plan was not fully implemented in that out the planned eighty (80) procurement activities planned to be undertaken during the period January to December, 2014, the procurement department at the audited entity only managed undertook twelve (12) activates representing a rate of delivery of 77%.

### ii. Non Compliance with the procurement Act

The Procurement Unit was in breach of important clauses in the procurement guidelines during the procurement process which include:

- Clause 18 of Public Procurement Act (PPA) of 2008 and the Public Procurement Regulations (PPR), 2011 where the entity failed to avail **Solicitation Documents**
- Clause 63 of the Public Procurement Act, 2008, where the entity failed show evidence of the availability of the tender opening report
- Clause 64(4) of the Public Procurement Act, 2008 where management of the entity failed to have full representation on the tender evaluation committee.

# iii. Implementation of procurement activities without an approved procurement manual

The entity had been operating without the entity's procedural procurement guideline manual as the one which was introduced was still in draft form as of December, 2015. In this regard, the entity operated without the entity's policies and guidelines as regards to internal procurement processes.

### iv. Delays in the Procurement Process

It was observed that the procurement processes took longer to commence and complete as compared to what was indicated in the procurement plan. As such all the contracts that were selected for audit from the procurement plan did not commence as scheduled. For example, some procurements took eight (8) months to commence and were implemented in 2015 as opposed to 2014. This resulted in loss of benefit on return on investments.

### v. Inadequacies in Contract Management

The following inadequacies were identified in the contract document:

- The contract form did not have the specification within which goods and services should be delivered, in the absence of the time frame, the contractor would not be held accountable for any delays in delivery
- Omission on important documents which according to some clauses of the contract document, formed part of the contract between employer and contractor and which were to form an integral part of the contract were omitted from the contract document, thereby making the contract document incomplete. These include documents such as drawings, and letter of acceptance of contract award.
- Non-disclosure in all the contract documents scrutinized of a Specific or exact contract commencement date, despite outlining other the terms and conditions that should be fulfilled by parties to the contract for the effective date. As a result most of the contracts were taking longer to commence.
- Delays in the contract execution as most the contracts procured in the period under review were only executed in 2014 and 2015 respectively

### **b.** Executive Summary

### • Response of the audited entities;

Responses to the report are yet to be received from the entity

### • Corrective actions advised;

- -The unfilled positions should be filled up to reduce the work toll on the few procurement officers in the department
- -The entity should adhere to the requirements of the Procurement Act by complying with the requirements of the act and strict supervision should be

employed to ensure that officers responsible for maintaining documents carry out their responsibility

- <u>-</u>Management of the entity should ensure that the procurement manual is approved by relevant authority to ensure that there is credibility in the application of internal procurement process and guidelines
- <u>-</u>Management of ZESCO should ensure that the unfilled positions are filled up to reduce the work toll on the few procurement officers in the department.
- -ZESCO procurement officers should adhere to good contract management practices by ensuring that all the relevant clauses are as clear as possible to ensure that they are enforceable in an event of breach of contract conditions
- -Contracts should commence on reasonable time if the benefits return of investments to be realised

### • Results of maintenance of the corrective action process;

Not applicable as the client is yet to respond to the report.

### • Final result and recommendations on follow-up actions

Not applicable as the client is yet to respond to the report.

# Annex 6. The summary of the EU CC Public Procurement Audit Guide

# The Contact Committee of the Supreme Audit Institutions of the European Union PUBLIC PROCUREMENT AUDIT

In 2004, the SAIs' EU Contact Committee has set up a Working Group, chaired by the SAI of Ireland, to prepare documents meant to help auditors in the public procurement related audits. In 2008, The SAIs of Belgium and Slovenia led an updating initiative of those documents.

Four documents were developed:

- A Guideline for Auditors, based on the EU Public Sector Procurement Directive 2004/18/EC and including summaries of the most important judgments of the European Court of Justice;
- A Procurement Performance Model, including key questions developed as reference pointers for auditors evaluating the performance of the procurement function in public sector bodies;
- Checklists for Financial and Compliance Audit of Public Procurement, to be used when auditing public procurement processes. The checklist is relevant and applicable to auditors operating within different frameworks and with different objectives, requirements and procedures and includes fraud and corruption risks;
- Summaries of audit reports published by EU SAIs in the field of public procurement.

Following an international seminar on the subject, the SAI of Portugal has published a book with all those documents. The full materials can be found in the following links:

http://www.tcontas.pt/pt/publicacoes/outras/PublicProcurementAudit.pdf

http://www.tcontas.pt/pt/publicacoes/outras/PublicProcurementAuditAppendices.pdf

http://www.tcontas.pt/eventos/public\_procurement/default.aspx#

#### **GUIDELINE FOR AUDITORS**

The guideline for auditors was prepared as a guide for the 2004 EU Directives on public procurement. It describes the main concepts and content of the European legislation on public procurement.

Appendices to this guideline include:

- Diagrams on the main procedures to be used when procuring works, goods or services under European regulations
- Case law of the European Court of Justice concerning public procurement
- Guidance on specific public procurement areas, such as defense and security, and
- An analysis of the price and quality coefficients in the evaluation of tenders.

As an example of an issue that could be of interest for every auditor, regardless they are or not working in an EU context, we quote part of Appendix XIV about the evaluation of tenders:

#### "The two envelope method

The two envelope method describes a procedure where tenderers are requested to submit proposals in two parts, one containing the technical and capacity details and the other containing the tender sum.

Usually the tender documents provide that only the financial proposals of those tenderers who attained a minimum technical score, in all criteria, are opened.

Procurement processes carried out with the two envelope method (technical [**T**] and financial [**F**] proposals) aim at finding the Most Economically Advantageous Tender, when the Contracting Authority (CA) wishes to award a tender with the "best value for money".

This method is usually followed for the procurement of services, equipment or design and build (turn key) projects.

When an award is to be made on the basis of the Most Economically Advantageous Tender, the CA is obliged to state in the tender documents, all the technical criteria which will be taken into consideration in the evaluation of the tenders.

To avoid the subjective and arbitrary use of technical criteria, it is widely accepted that a mathematical formula, such as or very similar to, the one given below is established, specified in the tender documents and used to calculate the combined markings of the financial and technical proposals for each tender (Weighted Average Score):

where:

T = Score of Technical Proposal

Tmax= Score of Best Technical Proposal

F = Tender Sum

Fmin = Lowest Tender Sum

A = Quality coefficient (technical weighting factor)

*B = Price coefficient (financial weighting factor)* 

A + B = 100

Selection of an unjustifiably expensive tender can be avoided if the Contracting Authority includes suitable tender provisions such as:

- (a) The inclusion of a clause which forbids the submission of tenders beyond a maximum fixed sum, which is usually between 100 120%, of the genuine pre-estimated contract cost (ceiling). This method is usually adopted in Services Contracts.
- **(b)** By defining the proportions of the quality to price coefficients in such a way, so as to exclude the selection of an excessively expensive tender as compared to another which is to acceptable quality but of a much lower price. This method should be adopted in the case of Supply Contracts or Turn Key Contracts.

The technical and financial weighting factors (A and B) prescribed in the above formula, reflect **how much more** the contracting Authority is willing to pay in order to obtain better quality and consequently select a more expensive tender. So, the exact amount which the Contracting Authority will pay for each percentage point of a technically better tender is controlled by the proportion of the technical to financial weighting factors.

As a general rule however, the tender documents usually provide that a technical proposal is acceptable (and will therefore proceed with the opening of the envelope containing the financial part of the tender) only if the tenderer attains a minimum mark (usually set at 70%).

The examples shown in Fig. 1 to 6 and Table 1 (see further on), were calculated with a lowest technical score of 70%. Had a different lowest score been used, the corresponding percentage price differences would have been slightly different for the lower ratios (20:80, 30:70) and markedly different for the higher ratios (70:30, 80:20).

It is stressed that there is still a price advantage for even the lower ratios such as 20:80 or 30:70. This is clearly shown in Table 1 where for example, for a ratio of 30:70 and difference of 20% in the Technical Score, there is 10,5% price advantage for the higher marked tender. Worth noting (see fig. 6) is the much steeper increase in the % Price Difference as the ratio of A:B increases from  $\Delta$ =5% to  $\Delta$ =25%."

#### PROCUREMENT PERFORMANCE MODEL

The Procurement Performance Model develops key questions as reference pointers for auditors evaluating the performance of the procurement function in public sector bodies.

This Model applies to all types of public procurement policies and processes, regardless their value and the applicable legal framework. It is useful for all value for money approaches to public procurement.

The summary of this Model follows:

### The procurement performance model

Meta level - assessment of the governments overall procurement strategy

- 1 <u>Do government policies promote and/or safeguard fair competition?</u>
- 2 <u>Does government have an overall procurement strategy and/or policy?</u>

- 3 Are procurement policies and practices in line with (international) good practice standards?
- 4 Is the performance of the procurement function/unit benchmarked with other procurement functions/units in the different stages of the procurement process?
- Are obtained prices/qualities competitive to prices/qualities obtained by other procurementfunctions/units, comparing obtained or improved value for money?

#### Macro level – assessment of the department's procurement function/unit:

- 6 Are outsourcing and Public Private Partnerships considered as alternatives to in-house work?
- 7 Does the department have a procurement strategy and is it implemented?
- 8 <u>Is the department's procurement function/unit well organized?</u>
- 9 Is the procurement process well organized?
- 10 Do the employees have the necessary skills and experience to carry out procurements efficiently?
- Are there appropriate controls in place to ensure that procurement complies with the relevant legislation?
- 12 Are there mechanisms in place to evaluate the performance of the department's suppliers?
- Are risks managed to provide reasonable assurance regarding department procurementobjectives?
- 14 Are there regular reviews and analysis of the performance of the procurement function/unit?

#### Micro level – assessment of a single procurement project

- Does the procurement project have a clear goal and does the goal meet the specified needs of the users?
- 16 <u>Is the procurement project efficiently managed?</u>
- Are there appropriate controls in place to ensure that the procurement project complies with relevant legislation?

Each one of the audit questions at the meta, macro and micro levels are then detailed in 3 dimensions:

- Why is the subject important
- Which sub-questions should the auditor explore
- Where can the auditor look for guidance on the specific issue

As an example of the detailed analysis, please look into audit question 1.

#### 1. Do government policies promote and/or safeguard fair competition?

#### Why important?

Public procurement can only be successful in a competitive business environment. There are business sectors in which sound competition has to be promoted or needs government attention. Typical government policies within this context may include law and regulations to promote free trade as well as anti-corruption policies.

#### **Questions**

- Is free and fair (international) competition promoted by government policies and legislation, in line with EU-, trade organisations and other policies?
- Are regulations on taxes, fees, duties, excises, tariffs etc. not impeding (international) competition?
- Do government agencies oversee that rules of competition are adhered to?
- Does government impose sanctions on companies unduly limiting competition?
- Are regulations and protective measures in place to avoid corruption?
- Is government transparent about winning bids and prices?

#### **Guidance**

- Directive 92/50/EEC; Guide to the Community rules on public procurement of services (http://europa.eu.int/comm/internal\_market/publicprocurement/ index\_en.htm)
- Office of Fair Trading (OFT) UK: Guidelines to competition assessment; February 2002 (<a href="http://www.oft.gov.uk/Business/regulations/default.htm">http://www.oft.gov.uk/Business/regulations/default.htm</a>)
- Australian Chamber of Commerce and Industry: National Competition Policy; April 2001, No.74 (<a href="http://www.aph.gov.au/library/intguide/econ/ncp\_ebrief.htm">http://www.aph.gov.au/library/intguide/econ/ncp\_ebrief.htm</a>)
- Council of Europe: Resolution (97)24: On the twenty guiding principles for the fight against corruption
   (<a href="http://www.coe.int/T/E/Legal">http://www.coe.int/T/E/Legal</a> affairs/Legal cooperation/ Combating economic crime)
- United Nations (UN): Convention against corruption 2003 (http://www.unodc.org/unodc/en/corruption.html)
- Transparency International (http://www.transparency.org)

#### CHECKLISTS FOR FINANCIAL AND COMPLIANCE AUDIT OF PUBLIC PROCUREMENT

Although the checklists follow the requirements of the EU Directives, they were prepared on the basis of common principles and procedures, considering that all SAIs must focus on the robustness of the procurement function and on assessing whether public needs and competition objectives are met and if transparent procedures are used. So, they are general in nature and are applicable and adaptable to all types of purchases and legal frameworks. They also address organizational issues and place emphasis on aspects which, from experience, are known to be prone to failure and irregular influence.

The checklists begin with an analysis of the procurement function, and thereafter is organized according to the main stages of the procurement process such as pre-tender stage, choice of procurement procedure, publicity and notifications used, identification of potential bidders, evaluation of tenders and award procedure. A specific attention is given to additional works and supplies as a frequent form of direct contracting.

Each chapter has a number of main questions, which are then presented in the following format:

Background, explaining the importance and giving some relevant information;

- Questions, detailing the areas and directions in which that item should be investigated;
- **Guidance**, identifying documents that the auditor should consider in relation to the item under analysis:
  - The relevant parts of the Directive 2004/18/EC;
  - The related sections of the PPWG Guideline for Auditors;
  - Questions included in the PPWG Procurement Performance Model;
  - Important judgements of the European Court of Justice (ECJ Case-Law);
  - Audit reports and studies produced by SAIs<sup>13</sup>.

Since public procurement is one of the activities creating more opportunities for corruption, which originate damages estimated between 10% to 50% of the contract value, a fraud and corruption perspective was included in the checklists. Where the audit emphasis is on fraud and corrupt practices, then the auditor should take special note of those questions highlighted with a red flag fit the answer to those questions is "**No**" increased risks of fraud and corruption are probable and further analysis is needed<sup>14</sup>.

When using these checklists, the auditor should keep in mind that:

- The evaluation of public procurement processes may be only a part of the audit (as in the case
  of a financial audit), and, thus, the proposed questions may have to be integrated within the
  broad methodology of that audit;
- Depending on assessed risks, not all questions will be applicable to each audit;
- According to audit mandates and national systems, some items may have to be modified or questions added. For instance, financing through national, state or local budgets will put the procuring entity under the obligation of following the relevant national, state or local financial and procurement regulations;
- Where an audit is planned to include value for money questions, items from these checklists should be considered along with those included in the Procurement Performance Model.

<sup>13</sup> Summaries, details and links to these reports are included in "Supreme Audit Institutions Summaries of Procurement Studies" or can be obtained by contact with the concerned SAI.

<sup>&</sup>lt;sup>14</sup> See AFROSAI-E guideline "Detecting fraud while auditing" for a global approach, for fraud checklist and for audit procedures, risks and suggested controls for selected audit areas, including public procurement (on request to AFROSAI-E).

For types of fraud and corruption in contracts and warning signs of possible fraud and corruption in contracts see "ASOSAI Guidelines for Dealing with Fraud and Corruption" in: <a href="http://www.asosai.org/guidelines/guidelines1.htm">http://www.asosai.org/guidelines/guidelines1.htm</a>. See also Fighting Corruption and Promoting Integrity in Public Procurement, OECD, 2005.

The summary of the checklists is as follows:

#### 1. AUDITING THE MANAGEMENT OF THE PROCUREMENT FUNCTION

- **1.1.** Are procurement processes well organised and documented?
- **1.2.** Are proper financing arrangements taken?
- **1.3.** Are internal control systems in place?
- **1.4.** Is procurement execution duly monitored and documented?

#### 2. AUDITING THE PREPARATION OF THE PROCUREMENT

- **2.1.** Are EU procurement regulations applicable?
- **2.2.** Did the public authority calculate the contract value accurately?
- **2.3.** Was the performance description adequate to needs and legal requirements?
- **2.4.** Were the tender documents comprehensive, transparent and free from restrictions or conditions which would discriminate against certain suppliers?
- **2.5.** Was the submission of variant tenders accepted and duly ruled?
- **2.6.** Has the public authority procedures in place to monitor the input of experts employed to assist the procurement function?

#### 3. AUDITING THE PROCEDURE CHOSEN TO PROCURE

- **3.1.** Did the public authority decide upon an adequate and admissible procurement procedure?
- **3.2.** Did the chosen procedure ensure fair competition and transparency?

#### 4. AUDITING THE PUBLICITY AND NOTIFICATIONS USED

- **4.1.** Did the public authority report procurement processes and results in compliance with the Directives?
- **4.2.** Was timely and equal access to contract documents and information provided to all candidates?
- **4.3.** Was confidentiality ensured when necessary?

#### 5. AUDITING THE AWARD PROCEDURES

**5.1.** Was the formal review of requests to participate or evaluation of bids correctly undertaken?

- **5.2.** Was suitability of candidates accurately assessed?
- **5.3.** Were exclusion causes duly considered before the actual evaluation of tenders?
- **5.4.** Were bids properly evaluated?
- **5.5.** Was the decision on the award process accurate and adequately communicated?

#### 6. AUDITING ADDITIONAL WORKS OR DELIVERIES

**6.1.** Were any additional works or deliveries admissible, without recourse to a new procurement procedure?

To have a glimpse on the content, one can look into the detail of audit question 1.

# 1. AUDITING THE MANAGEMENT OF THE PROCUREMENT FUNCTION

### 1.1. Are procurement processes well organised and documented?

#### **Background**

The organisation and assignment of responsibilities within the procurement process is critical to the effective and efficient functioning of that process.

The public authority must document all measures and decisions taken in a procurement process, in order to be able to follow progress, to review it when necessary and to support management decisions.

This organisation and documentation measures also form the basis for financial and compliance controls applied in the procurement process.

#### Questions



- Are the functions and responsibilities of those involved in the procurement function clearly established and documented?
- Have guidelines incorporating the principles and objectives of a robust procurement practice been established?

- F/C
- Are procurement processes organised and documented and include: needs to be addressed, contract performance description, documentation, notifications, award procedure and decision, draft and concluded contract, physical execution and payments made?
- F/C
- Are procedures conducted by electronic means sufficiently recorded and documented, making the audit trail easy to follow?
- Do staff involved in the various stages of the process have the appropriate skills and training to perform their duties effectively?
- F/C
- Are procurement proposals initiated, processed and approved by authorized officers, with no cases of overstepping?
- Are there no cases of documents missing, altered, back-dated or modified or after-the-fact justifications?



#### Guidance

#### Directive<sup>15</sup>:

For records of e-procedures see article 43.

### PPWG Procurement Performance Model (PPM):

For procurement strategy see nº 7 of PPM.

For organization of the procurement function see nº 8 of PPM.

For organization of the procurement process see  $n^{\underline{o}}$  9 of PPM.

For staff's skills, experiences and competencies see nos 10 and 16 of PPM.

For risks relating to internal and external environments see nº 13 of PPM.

For capturing and using performance data see nº 14 of PPM.

#### Audit reports and studies:

#### For clear identification of functions:

Report	SAI
Management of public procurement at the Ministry of Interior and its governing area	Estonia
Management of procurement at the Ministry of Environment	Estonia

#### For the need of guidelines:

Report	SAI
Contract marketing and promotion expenditure	Belgium

<sup>&</sup>lt;sup>15</sup> It always refers to Directive 2004/18/EC

Report	SAI
Flemish Broadcasting Corporation (VTR)'s cooperation with external services for television programmes	»
Procurement of maintenance services	Estonia
Statistics Finland's service procurements	Finland
The Defence administration's procurement activities – supply procurement	»
Audit on the operation of the Hungarian Defence Forces public procurement systems projects	Hungary

### For the organization, documentation and filing of procurement processes:

Report	SAI
Flemish Broadcasting Corporation (VTR)'s cooperation with external services for television programmes	Belgium
Consultancy contracts awarded by ministerial cabinets	»
Management of public procurement at the Ministry of Interior and its governing area	Estonia
Statistics Finland's service procurements	Finland
Universities' procurement activities	»
Procurements of system work and ADP consulting services by the tax administration	»
Annual report on federal financing management, Part II	Germany
Contracts of assistance, consultancy and services awarded by the Foundation for Further Education, financial years 1996 to 1998	Spain

### For qualification of procurement staff:

Report	SAI
Improving public services through better construction	UK
Improving IT procurement: the impact of the Office of Government Commerce's iniciatives	UK
on departments and suppliers in the delivery of Major IT-enabled projects	

### For competency issues:

Report	SAI
Contract marketing and promotion expenditure	Belgium

Report	SAI
Roads, motorways and waterways maintenance leases	Belgium

#### **SUMMARIES OF AUDIT REPORTS PUBLISHED BY SAIS**

The Working Group has identified a list of audit reports produced by European SAIs in the field of public procurement and has collected summaries of these reports.

The list of the audit reports, the main issues that are covered in each one of them and the correspondent summaries can be found in the links mentioned above:

http://www.tcontas.pt/pt/publicacoes/outras/PublicProcurementAudit.pdf

http://www.tcontas.pt/pt/publicacoes/outras/PublicProcurementAuditAppendices.pdf

## **Annex 7 Glossary of Public Procurement Audit**

Государственные закупки	Public Procurement
Государственная закупка	Public Procurement
закупка товара, работы, услуги, направленная на обеспечение государственных нужд и осуществляемая заказчиком закупки или уполномоченным органом в соответствии с национальным законодательством о закупках	purchase of goods, works or services for the satisfaction of public needs which is made by procurement customer or a procurement agency authorized in accordance with national laws on Public Procurement
Заказчик закупки / Государственный заказчик	Public Procurement customer/ State Customer
осуществляющие государственные закупки государственный орган (учреждение) или иная организация, определенная национальным законодательством о закупках	a Government procurement agency/ department or other entity / institution authorized in accordance with national laws on Public Procurement
Контрактная служба	Contracting Authority
специалисты заказчика закупки, осуществляющие закупки в соответствии с порядком, определенным национальным законодательством о закупках	managers and employees of the procurement customer responsible for procurement in accordance with national laws on Public Procurement
Потенциальный поставщик (подрядчик, исполнитель)	Potential supplier/ Economic operator
юридическое или физическое лицо, способное выполнить данную государственную закупку	legal entity or individual able to perform this Public Procurement
Предмет (продукт) закупки товар, работа, услуга, которые заказчик закупки рассчитывает получить от соответствующего поставщика, подрядчика, исполнителя	Subject matter (commodity) of purchase goods, works or services which the procurement customer expects to procure from respective supplier/economic operator

# Контракт на закупку / Государственный контракт

контракт (договор), заключенный государственным заказчиком закупки с исполнителем закупки в соответствии с национальным законодательством о закупках

# **Public Procurement Contract / Government Contract**

a contract/agreement entered by procurement customer with Public Procurement Contractor in accordance with national laws on Public Procurement

# **Исполнитель государственной** закупки

юридическое или физическое лицо, реализующее контракт на закупку

### **Public Procurement contractor**

legal entity or individual who implementing the Public Procurement Contract

# Потребители результатов государственной закупки

заказчик закупки, граждане или отдельные группы граждан, в интересах которых реализуется закупка

#### **Users of Public Procurement results**

Procurement customer, citizens or specific groups of individuals in whose interests the purchase is realized

### Информационная система закупок

информационная система, обеспечивающая формирование, обработку, хранение информации о государственных закупках, а также ее предоставление с использованием официального сайта в сети «Интернет» для неограниченного круга поставщиков (подрядчиков, исполнителей)

# **Public Procurement information system**

the information system in or with use of which the information on Public Procurement is developed, processed, stored and made available via the Internet at an official website for free access of suppliers/economic operators

### Обоснование государственной закупки

предварительный этап государственной закупки, на котором заказчиком закупки обосновывается предмет (продукт) закупки, включая цели и задачи закупки, ожидаемые результаты, сроки закупки, а также ресурсы, необходимые для реализации закупки, включая цену

### **Substantiation of Public Procurement**

a provisional stage of Public Procurement at which the Procurement customer formulates such specific product (commodity) including its purposes, anticipated results, timing, resources, including the price of procurement закупки

### План государственных закупок

формируемый и размещаемый в информационной системе закупок заказчиком закупки документ, содержащий информацию о планируемых им государственных закупках на определенный период

### **Public Procurement plan**

a document developed by Procurement customer and made available through the information system, which details such customer's plan of Public Procurement for a specified period

# Документация о государственной закупке

документы, формируемые заказчиком закупки для предоставления потенциальным поставщикам (подрядчикам, исполнителям) при проведении процедуры государственной закупки, содержащие информацию в отношении порядка осуществления процедуры государственной закупки, включая требования к предмету (продукту) закупки, условия государственного контракта, форму предоставления заявок участниками закупки и критерии их оценки

### **Public Procurement documentation**

documents developed by the Procurement customer for distribution to potential suppliers/ economic operators for the purposes of and detailing the Public Procurement procedure, including the product specifications, terms of Procurement Contract, as well as application forms and selection criteria for bidders

# Участник процедуры государственной закупки

поставщик (подрядчик, исполнитель), подавший заявку на участие в процедуре государственной закупки

#### **Bidder**

any supplier/economic operator who has submitted an application form for participation in the Public Procurement procedure

# Заявка участника процедуры государственной закупки

комплект документов, подготовленный участником закупки в соответствии с требованиями документации о государственной закупке и поданный для участия в процедуре государственной закупки

### **Application form**

a set of documents prepared by bidder in accordance with applicable Public Procurement documentation requirements and duly submitted to the tender committee

### Критерии оценки и выбора исполнителя государственной закупки

критерии, установленные в документации о государственной закупке, в соответствии с которыми заказчик закупки оценивает заявки участников и осуществляет выбор исполнителя закупки

# Criteria for contractor selection and award

criteria described in the Public Procurement documentation as used by the Procurement customer for assessment and selection of potential contractors

# Конкурентная процедура государственной закупки

процедура государственной закупки, при которой для участия в процедуре выбора исполнителя закупки приглашаются неограниченный круг поставщиков (подрядчиков, исполнителей)

# Competitive Public Procurement procedure

a Public Procurement procedure which contemplates selection of a potential Procurement contractor from unlimited number of bidders

# Конкурентная процедура государственной закупки с ограничениями

процедура государственной закупки, при которой для участия в процедуре выбора исполнителя закупки приглашаются только поставщики (подрядчики, исполнители), соответствующие установленным квалификационным критериям

# Limited competitive Public Procurement procedure

a Public Procurement procedure which contemplates selection of a potential Procurement Contractor among bidders satisfying the established qualification criteria

### Квалификационные критерии

критерии, применяемые заказчиком закупки для оценки поставщика (подрядчика, исполнителя) с целью определения его способности исполнить государственный контракт

### **Qualification criteria**

criteria used by Procurement customer to evaluate capability of bidders to perform the relevant Procurement Contract

# Электронные торговые площадки для проведения процедур государственных закупок

информационные системы, позволяющие реализовать

# Electronic trade platforms for Public Procurement procedures

information systems enabling the

конкурентные процедуры	implementation of specific Public
государственных закупок в	Procurement processes in electronic
электронной форме	form
Неконкурентные закупки	Noncompetitive procurement
процедура государственной закупки, при которой государственный контракт заключается с исполнителем закупки на безальтернативной основе (без проведения конкурсных процедур)	a Public Procurement procedure which ends up with conclusion of a Public Procurement Contract on noncompetitive basis (without tender)
Управление государственными контрактами	Management of Public Procurement Contracts
обеспечение заказчиком закупки реализации государственного контракта с соблюдением установленного порядка	coordination by Procurement customer of a Public Procurement Contract implementation in accordance with applicable requirements
Управление рисками при реализации государственных контрактов	Risk management of Public Procurement Contracts
комплекс мероприятий, осуществляемых заказчиком в целях минимизации существующих рисков ненадлежащего исполнения контрактов	a range of measures taken by Procurement customer to mitigate the identified contractual risks
осуществляемых заказчиком в целях минимизации существующих рисков ненадлежащего исполнения	Procurement customer to mitigate the
осуществляемых заказчиком в целях минимизации существующих рисков ненадлежащего исполнения контрактов	Procurement customer to mitigate the identified contractual risks
осуществляемых заказчиком в целях минимизации существующих рисков ненадлежащего исполнения контрактов  Аудит государственных закупок	Procurement customer to mitigate the identified contractual risks  Public Procurement Audit
осуществляемых заказчиком в целях минимизации существующих рисков ненадлежащего исполнения контрактов  Аудит государственных закупок  Аудит государственных закупок  направление деятельности высших органов государственного аудита (контроля) по проверке (контролю), анализу и оценке результатов государственных закупок, достижения целей государственных	Procurement customer to mitigate the identified contractual risks  Public Procurement Audit  Public Procurement Audit  the function of Supreme Audit Institutions which includes inspection, compliance control, review and assessment of public procurement

средств в соответствии с национальным законодательством о государственных закупках accordance with national laws on Public Procurement

### Предметная область аудита

совокупность предметов аудита, схожие свойства которых позволяют использовать при проведении аудита общие методические приемы и инструменты аудита

#### The audit domain

integration of subject matter of the audit whose similar features allow using common methodological audit techniques and tools in the framework of the audit.

### Объекты аудита (контроля)

государственные органы (учреждения), иные организации, на которые в соответствии с национальным законодательством распространяются аудиторские (контрольные) полномочия

### **Audited entities/ Auditee**

state institutions and agencies or other entities in compliance with applicable national laws on Public Procurement Audit

# Задачи аудита государственных закупок

оценить, насколько эффективно, результативно, в соответствии с требованиями законов и установленных этических норм, государственные заказчики осуществляют свои функции в сфере государственных закупок, с последующим предоставление всем заинтересованным пользователям независимой, объективной и достоверной информации, выводов и заключений на основе достаточных и надлежащих доказательств

## The objectives of Public Procurement Audit

to assess how efficiently, effectively, in compliance with requirements of laws and established ethical standards, contracting authorities are implementing their function of Public Procurement, with subsequent providing all stakeholders with independent, objective and reliable information, conclusions and opinions based on sufficient and proper evidence

# Источники информации для проведения аудита государственных закупок

документы и информация о государственных закупках, включающие сведения о

## Sources of information for the Public Procurement Audit

documents and information on Public Procurement covering planning, procurement implementation and

планировании, осуществлении закупок и исполнении контрактов, используемые при проведении аудита государственных закупок performance of contracts, as may be required for the purposes of Public Procurement Audit

# Целесообразность и обоснованность государственной закупки

наличие государственных нужд, необходимых для формирования целей государственной закупки, включая как обоснованность осуществления запланированных государственных закупок, их цены, объемов (количества), так и требований к качеству, потребительским свойствам и иным характеристикам закупаемых товаров, работ, услуг

# **Expediency and substantiation of Public Procurement**

availability of public needs required for the formation of Public Procurement purposes, including both the substantiation of the planned Public Procurement, their prices, volumes (quantity) and quality requirements, marketability and other features of goods, works or services procured for public needs

# Своевременность государственной закупки

установление и соблюдение заказчиком закупки сроков, достаточных для реализации государственного контракта и достижения целей государственных закупок с минимальными издержками

# **Timeliness of the Public Procurement performance**

setting and adherence by the Public Procurement customer of sufficient timing for the implementation of Public Procurement Contract and achievement of procurement purposes with minimum expenses

# Законность государственной закупки

соблюдение государственным заказчиком закупки при проведении государственной закупки национального законодательства о государственных закупках

### Legitimacy of public procurement

adherence by Public Procurement customer during the Public Procurement compliance with the national laws on Public Procurement

# Эффективность государственной закупки

получение максимальной отдачи от имеющихся ресурсов, а также

### **Efficiency of Public Procurement**

getting the most from the available

обеспечение лучших условий исполнения контракта о государственных закупках в относительной взаимосвязи между используемыми ресурсами и достигнутыми результатами с точки зрения количества, качества и сроков, достижение лучшего соотношения цены и качества

resources and achievement both of the most advantageous terms and purposes of the Public Procurement Contract in concerning with the relationship between resources employed and outputs delivered in terms of quantity, quality and timing, best value for money

# **Результативность государственной** закупки

степень достижения заданных результатов обеспечения государственных нужд и целей государственных закупок

### **Effectiveness of Public Procurement**

degree of meeting the objectives set and achieving the intended public needs and Public Procurement results

# Результаты (итоги) аудита государственных закупок

оценка уровня обеспечения государственных нужд с учетом затрат бюджетных средств, обоснованности планирования закупок, реализуемости и эффективности осуществления указанных закупок

## Findings of Public Procurement Audit

assessment of Public Procurement transactions in terms of cost efficiency, substantiation of planning stage, feasibility, and performance

# Отчет о результатах аудита государственных закупок

документ Высшего органа государственного аудита (контроля), содержащий информацию о законности, целесообразности, обоснованности, своевременности, эффективности и результативности расходов на государственные закупки, а также выводы и предложения (рекомендации)

# Reporting document of Public Procurement Audit

a document prepared by Supreme Audit Institution and containing information as to compliance, expediency, substantiation, timeliness, efficiency and effectiveness of procurement costs, as well as the relevant conclusions and recommendations

# Предложения (рекомендации) по результатам аудита государственных закупок

конкретные предложения (рекомендации), направленные на устранение выявленных в ходе аудита отклонений, нарушений и недостатков, а также на повышение качества и результатов работы объектов аудита в сфере государственных закупок

# Proposals / recommendations based on the Public Procurement Audit

specific proposals / recommendations intended to help rectify the discovered inconsistencies, breaches and defects and improve the quality and performance in the sphere of the Public Procurement

# Международный стандарт аудита государственных закупок

признаваемый Международной организацией высших органов государственного аудита (контроля) (ИНТОСАИ) стандарт, определяющий порядок проведения аудиторских проверок и профессиональные требования к аудиторам в области аудита государственных закупок

# International Standard of Public Procurement Audit

a Professional standard recognized by the International Organization of Supreme Audit Institutions (INTOSAI) which describes audit procedures and qualification requirements imposed on auditors in the sphere of the Public Procurement Audit