THE ROLE OF AUDIT PROCEDURES IN PUBLIC PROCUREMENT

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Public sector audit and control

- **System of checks and balances**
- **Assessing:**
  - reliability and accuracy of financial data
  - compliance with relevant laws and norms
  - Effectiveness, efficiency and economy of management of public resources
- **Supporting good governance:**
  - Accountability – important piece of the puzzle
  - Transparency – making information available
  - Rule of law – enforcement (in some cases)
  - Value for money
  - Fair competition
Public Sector External Audit

- External audit: Supreme Audit Institutions
  - Westminster Model
  - Court Model
  - Board Model

- Different organisational structures

- Types of audit
  - Ex ante and ex post
  - Ex post: regularity (financial and compliance) and performance

- Enough similarities – INTOSAI and ISSAIs
Section 2. Pre- and post-audit

1. Pre-audit represents a before the fact type of review of administrative or financial activities; post-audit is audit after the fact.
2. Effective pre-audit is indispensable for the sound management of public funds entrusted to the state. It may be carried out by a Supreme Audit Institution or by other audit institutions.
3. Pre-audit by a Supreme Audit Institution has the advantage of being able to prevent damage before it occurs, but has the disadvantage of creating an excessive amount of work and of blurring responsibilities under public law. Post-audit by a Supreme Audit Institution highlights the responsibility of those accountable; it may lead to compensation for the damage caused and may prevent breaches from recurring.
4. The legal situation and the conditions and requirements of each country determine whether a Supreme Audit Institution carries out pre-audit. Post-audit is an indispensable task of every Supreme Audit Institution regardless of whether or not it also carries out pre-audits.

Section 21. Public contracts and public works

1. The considerable funds expended by public authorities on contracts and public works justify a particularly exhaustive audit of the funds used.
2. Public tendering is the most suitable procedure for obtaining the most favourable offer in terms of price and quality. Whenever public tenders are not invited, the Supreme Audit Institution shall determine the reasons.
3. When auditing public works, the Supreme Audit Institution shall promote the development of suitable standards for regulating the administration of such works.
4. Audits of public works shall cover not only the regularity of payments, but also the efficiency of construction management and the quality of construction work.
### Stages of audits in public procurement

<table>
<thead>
<tr>
<th>Ex ante / a priori</th>
<th>Opinion</th>
<th>Ex post / a posteriori</th>
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<tbody>
<tr>
<td>Ex ante audit of proposed act (Chile)</td>
<td>In high-risk areas / great financial implications (UK)</td>
<td>Procurement can be part of:</td>
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<tr>
<td>Limited ex ante audits</td>
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<td>- Financial or compliance audit</td>
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<tr>
<td>By function/act (Italy)</td>
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<td>- Performance / Value-for-money audit</td>
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<td>By financial threshold (Portugal)</td>
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<td>- Concomitant / “real time” audit</td>
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<td>Removal (Belgium)</td>
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<td>- Subject of specific audit</td>
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<tr>
<td>Seal of Approval</td>
<td>Non-enforceable opinion</td>
<td>- Value-for-money</td>
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<td>- Investigative / Forensic</td>
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<tr>
<td></td>
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<td>- Audit findings (enforceable and not)</td>
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<td>- Good practice guidance</td>
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System-wide approach

Office of the Auditor General of Thailand
External audit and public procurement

2000’s

• Procurement Performance Model

Meta level
“whole-of-government”
assessing the government public procurement strategy / system

Macro level
Assessing the department unit (entity level)

Micro level
auditing/assessing a single procurement project
Trends in the audit community

• **Micro level ("real time" and ex post):**
  - Planning processes (needs assessment, project feasibility)
  - Bid notice, draft contracts, pre-qualifications
  - Results of bid evaluations
  - Awarding and contract management

• **Macro level**
  - Assessing internal audit and control mechanisms at entity level (control environment, activities, risk assessment, communication and monitoring)
  - Assessing functioning of embedded processes for procurement cycle

• **Meta level**
  - Highlighting good practices
  - Supporting well-managed risk taking and innovation
  - Ensuring organisational and management capability to undertake novel projects
Future of audit and procurement?

- Effective transitions from *ex ante* to *ex post*, where applicable
- Developing capacity to keep pace
  - Institutional knowledge
  - Knowledge of procurement cycle
  - Technical knowledge (e-procurement systems)
  - Diversification of staff
- Understanding the impact of audit findings on public procurement
  - 67% - improvements in financial management and control (UK NAO)
  - 50% - improvements in services as a result of value-for-money audits (UK NAO)

INTOSAI’s Task force on Contract Audit
INTOSAI 9160 - *Guiding Principles: Enhancing Good Governance for Public Assets*
Thank you

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