

PROCUREMENT AUDIT



08/2021
6-Aug-21

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Overview of the Procurement Audit

- ❖ **Financial Considerations**, Objectives and Audit Activities
- ❖ **Compliance Considerations**, objectives and Audit Activities
- ❖ **Performance/VFM Considerations**, objectives and Audit Activities



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Financial Considerations

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Financial Considerations (1/3)

- ❖ **Procurement plan/Budgeting**
 - Check whether the item requisitioned for is captured in the Procurement plan.
 - Check whether Goods and services procured are included in the Procurement Plan.
 - Check whether Funds have been allocated for planned items.

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Financial Considerations (2/3)

❖ Reflection of public procurement records and transactions in the cash register and financial statements

Payments:

- Assessment of adherence to contract payment schedules, including timeliness of payments to contractors and service providers.
- Verification of evidence of payment, including certificates and the monitoring teams validation report before payments are made.
- Check Correct application of price adjustment formula where applicable.
- Validation of Invoices, Waybills, Stores Receipts and issue vouchers.
- Completion certificates and and evidence of Payment i.e Receipts.

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Financial Considerations (3/3)

❖ Reflection of public procurement records and transactions in the cash register and financial statements

Deductions:

- Where mobilization is given, verify/cross check that this has been deducted as required. Ensure the necessary taxes have been deducted if appropriate.
- Check compliance with liquidated damages clause (non-performance).
- Check compliance with statutory tax deductions.

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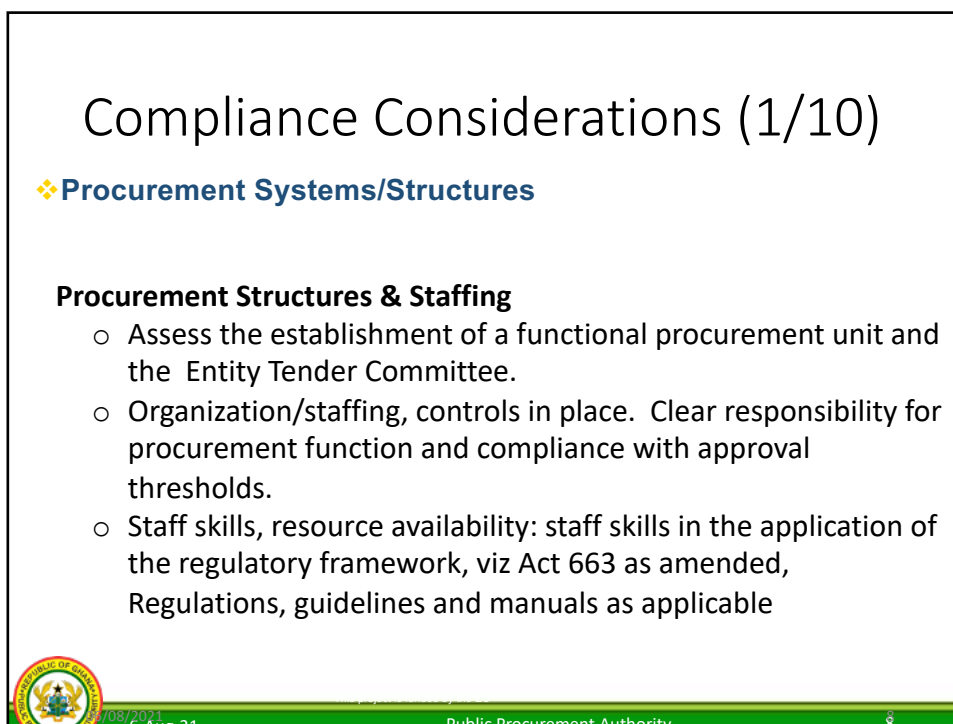


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Compliance Considerations

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Compliance Considerations (1/10)

❖ **Procurement Systems/Structures**

Procurement Structures & Staffing

- Assess the establishment of a functional procurement unit and the Entity Tender Committee.
- Organization/staffing, controls in place. Clear responsibility for procurement function and compliance with approval thresholds.
- Staff skills, resource availability: staff skills in the application of the regulatory framework, viz Act 663 as amended, Regulations, guidelines and manuals as applicable

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Compliance Considerations (2/10)

❖ Procurement Systems/Structures

Internal Controls:

Review existing internal control documentation and assurance. Walk through system to confirm the existence of adequate control activities and procedures.

- Assess adherence to approval thresholds as required under Act 663 as amended.

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Compliance Considerations (3/10)

❖ Procurement Systems/Structures

Filing systems

- Determine if secured procurement documentation, filing and retrieval systems are in place.

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Compliance Considerations (4/10)

❖ Procurement Process

Procurement Planning:

- Assess conformity of the procurement plan with the framework published by PPA, checking for evidence of ETC approval of procurement plans and updates
- Ascertain whether the timelines proposed were realistic and generally compared favourably with actual dates achieved
- Were the procurement methods used specified in the entity's procurement plan?

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Compliance Considerations (5/10)

❖ Procurement Process

Tender documents:

- Check conformity of the tender document issued with the Standard Tender Document published by PPA, checking for the appropriateness of the choice of STD, RFQ or RFP
- Check whether sustainability criteria are considered in the evaluation and selection criteria. Eg Environmental/social considerations
- Check against use of brand names. Check against use of brand names.

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Compliance Considerations (6/10)

❖ Procurement Process

Tendering Procedures:

- Assess the conformity of the tendering procedures to the requirements under parts 4,5 and 6 of Act 663 as amended
- Assess evidence of issuance of tender document by the procuring entity, and receipt of tender document by prospective tenderers.

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Compliance Considerations (6/10)

❖ Procurement Process

Evaluation and Contract Award:

- Assess the constitution and composition of the evaluation panel
- Assess adherence to the evaluation criteria specified in the tender document, including tender securities
- Assess conformity of evaluation report with the standard evaluation report template published by PPA
- Assess evidence of approval by the appropriate Approving Authority
- Adequacy of publication of the award of contract.

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Compliance Considerations (7/10)

❖ Contract Administration

Contract formulation:

Assess the quality of documents comprising the contract, including the agreement, contractual terms and conditions, , Performance Securities, Advance Payment Guarantees as well as delivery/completion schedules.

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Compliance Considerations (8/10)

❖ Contract Administration

Contract Administration Plan

- Assess the quality of the contract administration plan, including Policies, Systems and Procedures established by the Procurement Entity to supervise, monitor and evaluate the performance of suppliers, contractors, consultants and other service providers at the commencement of contract implementation.

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Compliance Considerations (9/10)

❖ Contract Administration

Contract administration process

- Assess adequacy of procedures for
 - Processing payments
 - Managing contract changes and variations
 - Resolution of claims and settlement of disputes
 - Managing contract securities
 - Termination of contract
 - Performance Monitoring Reports

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Compliance Considerations (10/10)

❖ Contract Administration

Contract administration process

- Assess adequacy of procedures for Contract closure : Check if
 - Inspection and Final Acceptance of contract deliverables conform to defects liability periods
- Assess adequacy of Record keeping
- Carry out physical inspection to confirm delivery of goods, works or services

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Performance/VFM Considerations



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Concept of Value For Money

- Optimal combination of benefits and costs in the procurement process through to the award, management and closure of the contract.
- The effective, efficient, and economic use of resources, which requires an evaluation of relevant costs and benefits, along with an assessment of risks, and non-price attributes and/or life cycle costs, as appropriate. Price alone may not necessarily represent value for money.
- VFM Drivers – $VFM = 6Rs + 3Es + SP$

The Six Rights	The Three E's	SP
<ul style="list-style-type: none"> • Right Quantity • Right Quality • Right Source • Right Place • Right Time • Right Price 	<ul style="list-style-type: none"> • Effective • Efficient • Economic 	<ul style="list-style-type: none"> • Social • Environmental • Economic


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Performance/VFM Considerations (1/4)

❖ Use of Funds with due regard to Economy

Choice of procurement method:

- Check if procurement method was the most competitive option under the given circumstances to ensure value for money.
- Did the procurement entity decide upon an adequate and admissible procurement procedure?

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Performance/VFM Considerations 2/4)

❖ Use of Funds with due regard to Economy

Selection Criteria

- Check the reasonableness of the selection criteria in ensuring value for money
- Were the procurement documents comprehensive, transparent and free from restrictions or conditions that would discriminate against certain suppliers or contractors?

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Performance/VFM Considerations (3/4)

❖ Use of Funds with due regard to Efficiency

Specifications/Requirements:

- Was the performance description adequate to needs and legal requirements?
- Evidence of stakeholder consultation in the preparation of specifications.

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Performance/VFM Considerations (4/4)

❖ Use of Funds with due regard to Effectiveness

Fulfilment of procurement objectives

- Identify and list all payments made for goods and services not fully delivered.
- How have the Entity treated returned items and how did they handle sub-standard delivery or work?
- Did the public authority calculate the contract value accurately?
- A clear statement of needs and procurement objectives as outlined in the procurement plan.
- Determine if the procured goods , services and works have been or are being utilized by the appropriate beneficiaries OR intended for which they were procured.

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