

GUID 5280

GUIDANCE FOR AUDITS OF PUBLIC PROCUREMENT

REVIEW DRAFT



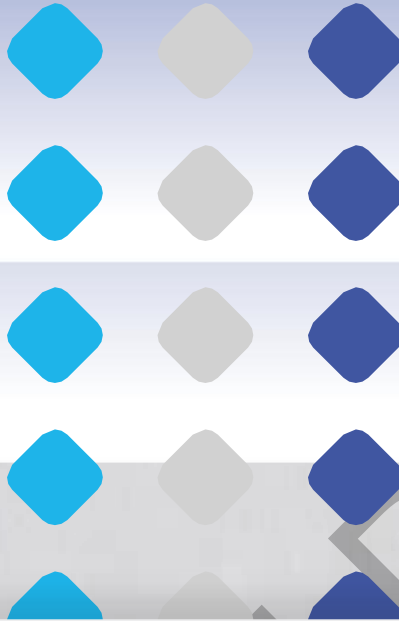
INTOSAI

INTOSAI Guidance are issued
by the International
Organisation of Supreme Audit
Institutions, INTOSAI, as part of
the INTOSAI Framework of
Professional Pronouncements.
For more information visit
www.issai.org

EXPOSURE DRAFT



INTOSAI



INTOSAI, 2022

TABLE OF CONTENTS

1. INTRODUCTION	4
2. OBJECTIVES	6
3. DEFINITIONS	7
4. SCOPE	8
5. THE OBJECTIVE OF THE AUDIT	9
6. SOME CONSIDERATIONS WHEN DEFINING THE OBJECTIVE OF THE AUDIT	12
7. PLANNING THE AUDIT	20
8. CONDUCTING THE AUDIT	32
9. REPORTING AND FOLLOW UP	34
10. ANNEXURES	37

- 1) Professional standards and guidelines are essential for the credibility, quality and professionalism of public sector auditing. ISSAI 100 - Fundamental Principles of Public Sector Auditing, amongst other contents, defines the purpose and authority of ISSAIs and the framework for public sector auditing. ISSAI 300 - Performance Audit Principles and ISSAI 400 - Compliance Audit Principles build on and further develop the fundamental principles of ISSAI 100 to suit the specific context of performance and compliance auditing.
- 2) These guidelines intend to help the auditor in understanding a specific subject matter of public procurement and in applying relevant ISSAIs in that context.
- 3) Public procurement implies activities by which governments, public entities, state-owned enterprises¹ or other bodies governed by public law purchase and obtain under a contractual arrangement goods, services and works, with a view to achieving their objectives. For that purpose, they use public funds and aim to satisfy public needs. Nowadays, there are multiple forms of contracting and providing public services, goods and infrastructures, such as concessions, public/private partnerships or agreements under which companies pay their taxes through the execution of public works projects. The legal framework applicable to these arrangements differs from country to country.
- 4) Public procurement covers almost all sectors of national economies (including education, healthcare, infrastructure and defence) and has a significant impact on socio-economic development. Public procurement activities represent on average 13% to 20% of GDP².

¹ OECD. Directorate for public governance. Public procurement. Available online: <https://www.oecd.org/gov/public-procurement>

² See World Bank: <https://www.worldbank.org/en/news/feature/2020/03/23/global-public-procurement-database->

EXPOSURE DRAFT

- 5) Due to their public nature, those activities are subject to public regulations. Although public procurement systems may differ significantly depending on the country, nowadays they have a number of common characteristics and use some common applicable principles (See Annex 1). Common interests and treaties within the framework of the World Trade Organization (WTO) and many years of shared experience show that many of the legal and organizational aspects of the existing national public procurement systems are based and as a whole are consistent with the principles and standard model provisions of UNCITRAL Model Law on public procurement³. Some economic integration associations have supranational laws and regulations on public procurement. This applies, for example, to EU countries where such provisions are set forth in the European Directives on public procurement⁴.
- 6) Public procurement is also a key instrument that influences directly or indirectly many aspects of public and economic life and through which strategic national objectives, including economic development, may be pursued. This includes environmental and social sustainability, by applying criteria and practices in public procurement that contribute to environmental and social protection and human development. public procurement is also a means to ensure technological modernity and digital transition.
- 7) The GUID used approaches and methodological solutions of different SAIs to identify general patterns and specific features of both public procurement and audit thereof under different jurisdictions.

³ UNCITRAL Model Law on Public Procurement (2011). Available online: https://uncitral.un.org/en/texts/procurement/modellaw/public_procurement

⁴ European Directives Public Procurement. Available online:

EXPOSURE DRAFT

2

OBJECTIVES

- 8) The objective of this GUID is to provide guidance to the auditor on how to conduct performance and/or compliance audits on the specific subject matter of public procurement.
- 9) ISSAI 300 and ISSAI 400 provide the Principles for Performance auditing and Compliance auditing by SAs while ISSAI 3000 and ISSAI 4000 provide the requirements that the auditor must comply with in order to be able to assert that the audit has been conducted in accordance with the ISSAIs. This GUID refers to ISSAI 300 and ISSAI 400 without duplicating it. Within the IFPP⁵, **GUID 5280** – Guidance for Audits of Public Procurement provides non-mandatory guidelines to support these requirements.

⁵ INTOSAI Framework of Professional Pronouncements.

DEFINITIONS

- 10) Public procurement refers to purchase and lease of goods, works (constructions) or services with a view to meet the needs of the state and the public made by a Contracting Authority or a procurement agency authorized in accordance with national or provincial laws or applicable Regulations on public procurement.

At the same time a Contracting Authority may be a Government department or office, local or regional authority, any public body, commercial or non-commercial (including state-owned enterprises), a subsidiary or body established by a public body, any institution or entity funded largely from public funds.

- 11) The public procurement practice employs a large number of definitions. For the purposes of this GUID the definitions and abbreviations used are listed in the Annex 2.

4

SCOPE

- 12) This GUID provides the auditor with supplementary guidance on how to conduct performance and/or compliance audits on the specific subject matter of public procurement, as well as where audit of public procurement is part of a larger audit engagement which may be a compliance and/or performance audit. In case of conducting a complex audit which includes the issues related to financial audit, SAI or auditor will need to refer to ISSAI 200.
- 13) This GUID is a tool to help auditors during planning and performing a procurement related audit when designing the audit and choosing the appropriate audit questions and criteria for the defined audit objectives and during reporting and follow-up.
- 14) This GUID is not intended to cover all items to perform such audits and does not contain any further requirement.

THE OBJECTIVE OF THE AUDIT

15) Audits of public procurement may address many different objectives. In each audit the auditor will need to identify the responsible party as well as the intended users of the audit report. The auditor will also need to select the subject matter and identify the relevant criteria. The auditor measure or evaluate the subject matter against these criteria in order to reach the conclusion that will be reported to the intended users. The following paragraphs aim to support auditors in identifying the responsible party and intended users as well as the subject matter and criteria of their audit.

❖ Responsible Parties and Intended Users

16) There are many responsible parties and intended users in an audit of public procurement. They may involve:

Responsible parties

- Procuring entities, which may be represented by central government bodies, local authorities, public enterprises or even private companies receiving public funds;
- Central government entity with a general responsibility for legislation and supervising public procurements.

In addition there are other parties involved in specific aspects of the procurement process such as analysis and advice or electronic platforms.

Intended users

- Executive and legislative bodies, notably the Parliament;
- Primary national or international supervisory bodies or public procurement panels;
- Parties providing funding or participating in joint funding of partnership projects;
- Citizens as taxpayers, service or investment users and/or people depending on

investments.

EXPOSURE DRAFT

❖ **Subject Matter**

- 17) Subject matter of the audits relevant for this GUID will concern public procurements. The subject matter relates to the question “what is audited” and is defined in the audit scope. The audit will normally result in an audit report with a conclusion on the subject matter. The conclusion will express the auditor’s assessment of the subject matter based on the criteria which the auditor has identified as suitable for the audit.
- 18) Depending on audit objectives or audit questions, the subject matter of an audit of public procurement may cover all or separate stages of the procurement cycle, processes at individual stages or may relate to procurement function in overall.

❖ **Criteria**

- 19) In a performance audit of public procurement, the criteria for assessing the subject matter are derived from the principles of **economy, efficiency and effectiveness (3Es)**. One of the key ideas of public procurement is to get value for money for the contracting authority and the public. Therefore, the contracting authority needs to establish a procurement that allows obtaining goods and services that respond to the needs, in adequate quality, best price, adequate quantities and ensuring that they are available where and when they are needed. If these requirements are not met, then it can seriously affect economy as well as the government’s ability to deliver services efficiently and meet its objectives or goals (effectiveness) and ultimately to deliver services to citizens. A performance audit of public procurement may, for example, focus on whether public procurements have offered value for money or whether the requirements for goods and services were satisfied as per the established benchmarks. It could also focus on whether procurements live up to specific established policies, for example whether they result in environmentally friendly products and services. The fundamental principles of 3Es are described in more details in ISSAI 300.
- 20) In a compliance audit of public procurement, the criteria for assessing the subject matter is derived from the applicable laws and regulations. These may include enabling legislation on the individual procurement as well as more general laws and regulations on procurements by public sector entities. Such general laws and regulations may define specific requirements to the procurement process, for example on how procurements are authorised or on the use of public tenders. In some cases, there may also be legal requirements to the suppliers or the goods or services

purchased. Depended on the scope defined by the audit, such legal requirements may be relevant criteria in the audit.

- 21) There is therefore often a close relationship between performance and compliance audit aspects. The legal framework regulating public procurements may reflect balances between a number of different considerations and general aims pursued by legislators. This may include general aims such as ensuring equity and justice for potential suppliers, promoting economic procurement decisions, maintaining flexibility and minimizing the administrative costs of the procurement process or preventing fraud and corruption. While performance audits focus on the aim of optimizing economy, efficiency and effectiveness, the legal requirements may impose limits on the procurement process that serves other purposes. For example, the principle of equity for suppliers may be a legal requirement and therefore treated as a compliance issue or it may be considered as a performance issue. The principle of equity may for instance imply that all suppliers, including small and medium sized enterprises (SMEs), should be able to have access to public procurement tenders etc. However, some other Contracting Authorities may be subject to statutory / regulatory provisions which require them to give preference to public procurements from domestic sources, or adherence to negative lists barring procurement from set of bidders established / registered in specified countries, or stipulations regarding off sets etc. A few other Contracting Authorities may also be mandated to procure certain class of products from certain suppliers only or certain products may be exempted from the policy as per national statutory requirements. SAs need to be mindful of such operating conditions on the Contracting Authorities.

SOME CONSIDERATIONS WHEN DEFINING THE OBJECTIVE OF THE AUDIT

22) In many cases the subject matter of the audit will simply be a specific procurement decision or a population of procurements of a specific kind carried out by a certain responsible party. However, there may also be a wider range of ways to approach the selection of subject matter and the relevant criteria. The following describe some different specific options and circumstances, which auditors may find helpful to consider when defining the objective of the audit.

❖ Strategic Method to Public Procurement

23) The auditor can look into public procurement to assess whether the government or the organization at stake have adopted a strategic method to procurement so that the related activities and priorities are linked to and embedded in their overall priorities. A strategic method is an important factor in managing the total costs and the risks involved in procurement.

24) Some of the well-known best practice approaches to audit within a strategic method to public procurement are:

- 1) The **Procurement Performance Model**⁶ - useful for all value for money approaches to public procurement, regardless of their value and the applicable legal framework. This model splits the analysis into three levels, looking into how public procurement is dealt with at the level of government strategies, departments' functions or concrete projects (See Annex 5).
- 2) Assessing how strategic procurement goals of an organization have been pursued and achieved, through the **Analysis of the organization's**:
 - Mandate, strategic direction, objectives and governance - may involve reviewing a variety of material and documents including business plans, strategic communications from senior management and so on (see Annex 6, Box 2).
 - Procurement portfolio - the detailed procedures to analyse the procurement portfolio, as a best practice reference can be found in UN Procurement Practitioner's Handbook⁷ (see Annex 6, Box 4).
 - Procurement function and capability which may include: roles, responsibilities, structure and reporting, procurement systems and processes, procurement skills and capacities and efforts made to enhance the same in terms of capacity building programs (see Annex 6, Box 5).

The organization, after the analytical phase, will typically develop the procurement strategy in order to identify strategic procurement objectives (see Annex 6, Box 6).

To outline how the objectives are going to be achieved a procurement implementation plan would be developed, which identifies activities, timeframes and responsible officers (see Annex 6, Box 6).

A framework would typically be developed to measure whether the procurement strategy objectives have been met. Measures or key performance indicators (KPIs) would be developed that are relevant, specific, agreed with relevant stakeholders, and within the control of the organization. Performance measures would also relate to specific strategies or key processes (see Annex 6, Box 7).

⁶ Summary of the EU CC Public Procurement Audit Guide (Public Procurement Audit Practical Guide). The Procurement Performance Model was developed by the Contact Committee of the SAls of the EU as a part of their Public Procurement Audit toolkit, available on <https://www.eca.europa.eu/sites/cc/Lists/CCDocuments/Toolkit-2018/Toolkit-2018-update.pdf>

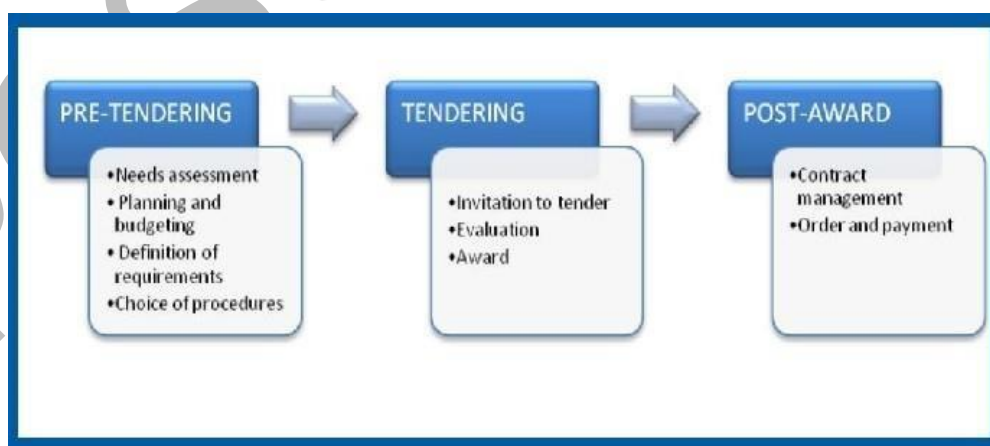
⁷ This analysis is inspired in the UN Procurement Practitioner's Handbook, available at

EXPOSURE DRAFT

❖ Process Method to Public Procurement

- 25) Public procurement can also be analysed in a process perspective.
- 26) The public procurement process is organised according to applicable regulations and the way it can be divided into distinct operational phases of the end-to-end public procurement cycle would depend on the way each country regulates it. Even though, when comparing systems, one can say today that, regardless of geography and regulations, the types of activities that are required to successfully complete a public procurement process are to some degree generic and common⁸.
- 27) While the operational phases may also be divided and named differently according to logical concepts, the types of activities are quite similar⁹. The OECD Principles for Integrity in Public Procurement divide the public procurement process into three phases and nine stages:
- **Pre-Tendering** (1. Needs assessment, 2. Planning and budgeting, 3. Definition of requirements, 4. Choice of procedures);
 - **Tendering** (5. Invitation to tender, 6. Evaluation, 7. Award);
 - **Post-tendering** (8. Contract management, 9. Order and payment).

Figure 1. Phases and stages of public procurement



⁸ Undoubtedly by influence of the UNCITRAL public procurement model law and other supranational and international organisations' public procurement guidelines.

⁹ For instance, the European Commission Public Procurement Guidance for Practitioners⁹ classifies the process in five typical public procurement stages (1. Preparation and planning, 2. Publication and transparency, 3. Submission of tenders, opening and selection, 4. Evaluation and award, 5. Contract implementation), which in substance include the nine stages of the OECD approach.

- 28) The phases and stages indicated reflect the typical activities that result or contribute to the control aspects required in public procurement. Annex 3 describes the content of each one of these phases.
- 29) Depending on the objectives, the audit of the procurement process may cover the entire procurement cycle, focus on specific stages or analyse processes at individual stages.
- 30) When adopting a process method to public procurement, the auditor considers how the procurement function management is managed, so as to conclude that:
- Regulations and guidelines have been set up on how the procurement process is to be conducted;
 - Procurement processes are well organised and documented;
 - Functions and responsibilities of those involved are clearly established;
 - When the public procurement procedure is conducted by electronic means, the process is sufficiently recorded and documented and allows a clear audit trail;
 - Electronic procedures provide adequate level of security (access to data, storage of data, disaster management, qualified signatures);
 - All decisions, assessments and opinions are taken by authorized officials;
 - Sufficient, timely and duly authorized funding was provided for the incurred expenses;
 - Internal control systems are in place at all stages of the procurement process and are effective to monitor the application of public procurement rules and to control assessment of needs, authorisation levels, orders of purchase, contract performance, contract compliance, payments, documentation and accounting;
 - Segregation of duties is ensured between those procuring goods or services, requisitioning them, verifying performance and approving payments;
 - Mechanisms to avoid conflicts of interests in the procurement processes have been established (e.g. codes of conduct, integrity training, declarations, gifts and hospitality policy, whistleblowing mechanism, integrity monitoring);
 - Regular reviews of the procurement processes are conducted.

❖ Corruption and Fraud Risks in Public Procurement

- 31) Given the allocated funds and potential conflicts of interests, public procurement is one of the public activities most prone to misappropriation, fraud and corruption. Estimates indicate that corruption in public procurement may involve additional costs of 10 to 25% and that close to half of the corruption situations occur in public procurement¹⁰. Personal gain, financial growth and political benefits may motivate unethical and/or corrupt practices of procurement actors, for example, providing confidential and sensitive information, influencing decisions or displaying bias towards vendors. In public procurement conducted in emergencies, those possibilities rise significantly¹¹.
- 32) Therefore, fraud and corruption risks relevant to the audit objectives are among the major issues to be considered in an audit of public procurement. Undue influences and misconduct not only jeopardize public interest and public needs but also result in costly and non-efficient procurement. The main risk factors are:
- Large volume of substantial allocated public funds;
 - Variety of public procurement items, with many of them being procured in large;
 - Complex specification of properties and qualitative characteristics of numerous items procured, which complicates the assessment of public procurement substantiation;
 - Complexity of systems, rules, regulations, standards, requirements and mechanisms of procurement process management;
 - Approval and use of exceptional accelerated and deformed public procurement procedures in emergencies;
 - The design complexity of the control systems;
 - Major conflict of interests or collusion;
 - Over years, there is tendency to procure by pooling requirements which may increase the possibility that the smaller, multiple bidders cannot meet the qualification criteria for eligibility which in turn may result in reducing competition, giving rise to possibility of anti-competition behaviour and risks;

¹⁰ See https://ec.europa.eu/anti-fraud/sites/antifraud/files/docs/body/identifying_reducing_corruption_in_public_procurement_en.pdf, https://www.transparency.org/whatwedo/publication/curbing_corruption_in_public_procurement_a_practical_guide, <https://www.oecd.org/gov/public-procurement/integrity/>, <https://www.oecd.org/gov/public-procurement/publications/Corruption-Public-Procurement-Brochure.pdf>, <https://www.oecd.org/gov/ethics/48994520.pdf>, <http://www.oecd.org/governance/procurement/toolbox/principlestools/integrity/>

¹¹ In October 2020, United Nations Secretary-General António Guterres issued an urgent warning that corruption in the time of COVID-19 could send the world even farther off-track from achieving the Sustainable Development Goals

- Very generic contract terms and regulatory gaps;
- Lack of transparency in public procurement processes;
- Lack of training of public officials managing public procurement.

33) Notwithstanding the importance of concrete circumstances and assessments, the typical features of public procurement allow to generally identify the main risks of fraud and corruption and the situations in which they occur. The risks to integrity in the several stages and steps of the public procurement process are summarized in Annex 9, inspired by OECD Principles for Integrity in Public Procurement.

34) This OECD publication also highlights indicative precautionary measures to mitigate the identified risks of fraud and corruption at the several stages of the procurement process. These measures are mainly targeted at limiting exceptions to the use of competitive tendering and at adopting measures against conflicts of interests and corruption. They can be used as a source of inspiration for audit criteria.

35) ISSAIs 100/47 and 400/55 and 59 refer how the auditors, while planning the audit, should assess the risks of fraud relevant to the audit objectives and make enquiries and perform procedures to identify and respond to these risks. In this process, auditors obtain an understanding of the relevant internal control systems.

36) In the context of the internal control systems, in order to be able to identify and promote prevention of fraud and corruption in public procurement, auditors look into the associated risks and control measures implemented by the regulations and the audited entity, aimed at preventing them in the course of procurement. For this purpose, the auditor pays attention to internal processes and main risk factors increasing the system vulnerabilities and the inherent risks, notably the following:

- The volume of operations in the area of procurement: the higher it is, the higher the risks and vulnerabilities are;
- The volume of contracts awarded through closed or restricted procurement procedures;
- 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;
- The system sensitivity if complex and multi-component procurements are carried out or a large amount of heterogeneous and inexpensive nomenclature is purchased;

- Number of procurements carried out in different territorial or geographical areas in which the supplier (vendor, bidder) is the same, generating risks of corruption or fraud;
- Historical conduct (tracking record) of the entity's bidders or suppliers and of public officials who are members of the entity's selection committees.

❖ Public Procurement in Emergencies

- 37) In emergencies, the urgent needs for goods, supplies, services and the imperative of a quick response usually leads to significant amounts of public expenditure devoted to emergency procurements, during which normal procedures and controls ordinarily applicable are relaxed, including no ex-ante reviews, simplified processes and more flexible payment terms, such as advance payments. These circumstances may favour fraud and corruption in various forms. On the other hand, considering that public procurement in emergencies has an important role in satisfying urgent and imperative needs, the risks that may affect the fulfilment of the new objectives arising from the emergency also need be identified and considered.
- 38) Along with poor planning, less competition and deficient documentation, fraudulent situations related to public procurement may also occur, such as overstated needs, biased direct award of contracts, without following due procedure, market and price manipulation, demands for kickbacks and poor execution of contracts, including unauthorised payments for non-executed or faultily executed contracts¹². Consideration needs to be given to risks associated with the interaction between the supplier and the public official being face-to-face or virtual, e.g. for the signing of the contract and the control mechanism through the use of the digital signature or the lack of physical control over goods to be provided.
- 39) SAIs, with the care of safeguarding their independence, may increase the value of an audit of ongoing emergency public procurements by narrowing the scope of their audits, deliver audit results on a shorter timeline or by providing shorter, factual or interim reports. Such an audit can be used to fill in information or action gaps (e.g. disclosing information on conducted procurements). SAIs may also cooperate with public procurement authorities and/or internal audit bodies or to issue audit-based

¹² See INTOSAI GUID 5330, Guidance on Auditing Disaster Management, <https://www.issai.org/pronouncements/guidance-on-auditing-disaster-management/> and INTOSAI GUID 5270, Guideline for the Audit of Corruption Prevention, both mentioning public procurement.

guidance for the emergency situation. Through their audit report SAIs may remind basic rules to be considered, even during emergencies.

- 40) Due to emergency procedures which may be in operation during the emergency phase following a disaster, it may not be possible to comply with all the relevant laws and regulations. The need to circumvent some rules in exceptional circumstances in order to prioritise the saving of lives and the alleviation of human suffering needs to be considered and assessed. However, where reasonable or required by state rules, the deviations from the rules need to be documented, in a timely manner and explained¹³.

¹³ See INTOSAI GUID 5330, *Guidance on Auditing Disaster Management*.

PLANNING THE AUDIT

41) The process of auditing public procurement comprises the following stages:



❖ Planning Audits of Public Procurement

42) Selecting audit topics is part of the SAI's strategic planning process, which can be multiannual. SAIs identify possible audit topics and select them in line with their mandate and according to their materiality (either financial, social or political importance), risks involved (e.g. of poor performance, fraud, non-compliance to rules, principles or objectives) and/or potential to contribute to better implementation of policies and value for money, and to the expectations and impact the correspondent audits could meet. The importance of topics is also matched with the SAI's capacities to perform the audits and with the auditability of the topic.

43) There are a good number of reasons for SAIs to choose public procurement or specific focus areas within it as a subject matter for audits. Public procurement represents a significant portion of public expenditure targeted at meeting relevant society's needs. Failure to procure efficiently and effectively can lead to significant waste of financial resources as well as to a negative impact on key national objectives, including welfare of citizens. On the other hand, public procurement is a good instrument to enhance value for money and to promote other public objectives, such as economic, social,

environmental and digital policies. Auditing is a good means of assessing public procurement's contribution to those policies. Additionally, public procurement usually entails risks of misappropriation, fraud and corruption, notably during emergencies (see sections «Corruption and Fraud Risks» and «Public Procurement in Emergencies»).

- 44) SAIs will select audit topics according to their materiality (either financial, social or political importance), risks involved (e.g. poor performance, fraud, non-compliance to rules, principles or objectives) and/or potential to contribute to better implementation of policies and value for money.
- 45) Within the public procurement subject matter, many topics may have those characteristics, which, of course, must be considered in the concrete context of each country and other competing priorities. Examples of possible public procurement audit topics are whether:
- Public procurement and the correspondent resourcing are consistent with strategic, investment, environmental or other global policies;
 - Public procurement is fostering innovation in public administration and economy;
 - Public procurement scope, size, quantity, variety, price and amount are justified and reasonable towards needs and expected results;
 - Public procurement follows the principles of transparency and fair and open competition and provides good value for money;
 - Integrity, compliance and/or performance in public procurement were adequately managed as to prevent risks of fraud and corruption;
 - The structure, organization, planning and monitoring of procurement processes management and internal control are efficient and effective and adequately address identified risks;
 - Public procurement and the related transactions, processes and procedures comply with applicable laws, regulations and statutory requirements;
 - Public procurement conducted is timely and cost-effective at all stages of the goal-oriented process;
 - The terms of contracts are complied with, the payments made correspond to products received and the works, goods or services provided meet the expected standards.

These topics may be approached globally, concerning concrete entities, investments or contracts and also focusing in selected areas, such as health, education or local administration.

- 46) When auditing public procurement, SAIs may consider conducting audits or formulate audit questions focused on how the public procurement systems offer a robust protection against fraud and corruption. In that case, it may decide to conduct an assessment on the appropriateness and quality of the risk/vulnerability assessment carried out by the government or entity, on the management's response to the identified risks as well as on how this response is implemented.
- 47) The following sections focus on the second part of the planning step – pre-study and audit design of public procurement. They deal with 'what to audit', 'which criteria to apply' and 'how to conduct analysis'. ISSAI 300 and ISSAI 400 provide information related to what methods of data gathering can be used during this process.

❖ Audit Objective(s) and Audit Approach(es)

- 48) Before starting the planning process of an audit of public procurement, analysing information obtained through digital media such as public databases, transparency or open data portals, public procurement management information systems and other related systems can contribute to identifying the subject of analysis and help define objectives and audit questions.
- 49) The objective(s) of auditing public procurement is for compliance audits to promote that public resources are spent in accordance with the legal or technical framework and for performance audits – the adherence to economy, efficiency and effectiveness principles. The objective(s) determines the approach and the design of the audit.
- 50) The choice of the audit objective(s), the audit questions the audit intends to answer and the identified relevant audit criteria define the work to be done to collect sufficient appropriate audit evidence and thus the audit approach.
- 51) Section «Audit Criteria» deals with the possible criteria for an audit of public procurement.

❖ Audit Questions

- 52) Generally, audit objectives can be framed as an overall audit question, which can be broken down into more precise sub-questions. Audit objectives can be thematically

related (i.e., covering types of activities within a procurement stage or procurement cycle), complementary, not overlapping and collectively exhaustive in addressing the overall audit question.

- 53) Considering the large amount of information that will be involved in any single procurement exercise and the possible varied audience of stakeholders and employees who may contribute to an audit, it is important that auditors hold some structure and organisation in the enquiries they make and the questions they ask. The practice of SAIs in audits of public procurement allows the identification of a common set of related groups of questions, which are listed in the Annexures to this GUID.
- 54) Specific questions and the nature of the enquiry are at the discretion of the auditors based on the information they have at hand in the moment. The GUID can assist the auditor with a methodological approach in making enquiries and providing initial questions that assist with a starting point. From there, the auditor can make more profound further questions based upon the information and responses received during the audit.
- 55) Which audit questions to use depends on the audit objectives and the audit approach. In the case of public procurement, they also depend on how the SAI chooses to look into the complexity of this subject matter.
- 56) Examples of groups of audit questions are provided in Annexes 4 to 7:
- Annex 4 includes possible audit questions to focus the audit in aspects of economy, efficiency or effectiveness and in audit approach;
 - Annex 5 includes possible audit questions to assess performance of public procurement in a strategic perspective, at a whole-of-government level, at an organisation or department's level or at the concrete procurement project's level;
 - Annex 6 includes possible audit questions to assess strategic performance of public procurement from the point of view of the strategic functions;
 - Annex 7 includes possible audit questions to analyse public procurement through a process method (according to stages of the procurement process).
- 57) Audits of complex and long-term projects, such as major construction investments, public/private partnerships and concessions, are often conducted at early stages, either before the projects are launched or during their implementation. Such audit engagements assess, for instance, the preparation for the launch of the project, the

reliability and substantiation of prospective research results, the regularity and propriety of budget expenditures, compliance with statutory requirements, compliance of costs performed with real and expected benefits from implementation of projects.

- 58) The summary included in Annex 9 provides auditors with ideas for audit questions that a SAI can use when it decides to focus the audit on fraud and corruption in public procurement. Audit questions, checklists, red flags and signs to be considered specifically in the field of public procurement affected by risks of fraud and corruption may also be found in regional guidelines¹⁴.
- 59) An audit of a country or an organisation's protection against fraud or corruption in public procurement can focus on the general control system throughout the whole procurement function. INTOSAI GUID 5270, Guideline for the Audit of Corruption Prevention¹⁵, IDI's Guidance on Audit of Institutional Framework for Fighting Corruption¹⁶ and EUROSAI Guideline Audit of Ethics in Public Sector Organisations¹⁷ may help in planning this audit. They describe the main components of that system (guiding the focus of the audit questions) and provide guidance on audit criteria and procedures.
- 60) In the case a dedicated audit is not decided, in planning the audit the auditors should look for the signs of operations and transactions associated with fraudulent or corrupt activities in public procurement and its funding (ISSAI 100/47).
- 61) As regards the exceptional procurement context in emergencies, auditors focus in updated risk areas and subjects, such as
- a. the flexibility in awarding procedures,
 - b. the planning of stocks to face the emergency needs,
 - c. the deliveries' management to efficiently address those needs,
 - d. the pricing policies,
 - e. the integrity and transparency safeguards,
 - f. the red flags for fraud and corruption,
 - g. the adequacy of specifications and the quality of the correspondent supplies and
 - h. the sufficient documentation and audit trail.

¹⁴ Checklist for financial and compliance audit of public procurement in the Public Procurement Audit toolkit <https://www.eca.europa.eu/sites/cc/Lists/CCDocuments/Toolkit-2018/Toolkit-2018-update.pdf> and ASOSAI Guidelines for dealing with fraud and corruption

¹⁵ <https://www.issai.org/pronouncements/guid-5270-guideline-for-the-audit-of-corruption-prevention/>

¹⁶ <https://www.idi.no/elibrary/well-governed-sais/sais-fighting-corruption/548-guidance-on-audit-of-institutional-framework-for-fighting-corruption-1/file>.

¹⁷ <http://www.eurosai-tfae.tcontas.pt/activities/Guidance/Activities/TFAE%20Guidelines%20to%20audit%20ethics/g-english-TFAEGuidelines%20to%20audit%20ethics.pdf>

62) Audit questions to be considered could be whether¹⁸:

- The government or audited entities established guiding policies and relevant reporting systems with regard to emergency purchases falling under emergency legislation;
- Contracting authority actions are compliant to such policies;
- There was discretion in the execution of procedures in the face of regulatory gaps in public procurement for emergencies;
- Direct awards were limited to the strictly necessary;
- Procurement conducted under exceptional procedures (e.g. direct awarding, exemption of controls) was actually motivated by urgent needs and proportionate to them (quantities and duration of contracts);
- Direct awards were regularised during the period granted by applicable rules;
- There are close and suspicious links between procurement officials and suppliers or other integrity breaches;
- There are signs or evidence of favouring certain suppliers;
- There are signs or evidence of market and price collusion between suppliers;
- There was lack of control over orders and deliveries that favoured the supply of fraudulent equipment;
- There was misappropriation of goods;
- There was enough publicity and transparency on the emergency procurement conducted, to the extent possible;
- The processes to procure supplies and works were duly documented and an audit trail is recognisable;
- The public entity assessed the risk of non-compliance and responded accordingly;
- The goods procured/supplied actually met the requirements of the emergency, such as timely availability at the specified locations and conformance to the specific (quality) standards;
- Public funds were used for the public purpose stated in the legal mandate by which they were allocated.

63) The audit questions, notably those included in the Annexures, are structured around possible audit approaches and possible public procurement methods and are a menu from which to choose from. They are not an exhaustive list and need to be put in the

¹⁸ See <http://pubdocs.worldbank.org/en/315691568908208946/Emergency-Procurement-for-Reconstruction-and-Recovery-Toolkit.pdf>; <https://www.oecd.org/competition/COVID-19-competition-and-emergency-procurement.pdf>; <https://www.oecd.org/governance/procurement/toolbox/search/guideline-accelerated-public-procurement-procedures.pdf>; <https://www.transparency.org/en/blog/six-months-covid-19-have-public-contracting-systems-delivered-common-good>.

context of each country and system and to be completed with the applicable and/or designed audit criteria.

- 64) While obtaining an understanding of the subject matter and its context, the auditor considers and assesses the risk of different types of deficiencies, deviations or misstatements that may occur in relation to the subject matter (ISSAI 100/46).
- 65) An important condition for audited entities to identify and reduce risks is an efficient up-to-date internal control system and duly created control environment, notably to manage integrity risks, based, for example, on relevant solutions introduced by COSO (The Committee of Sponsoring Organizations of the Treadway Commission) or similar recommendations developed under the local jurisdiction. The issues of auditing the inner control systems may be included into the subject matter.
- 66) For actively managing risks, the auditor may develop a risk-scale (colour or rating) for each audit question related to the public procurement cycle or for audit the procurement function. The following table provides guidance on analysing risks' level and possible risk mitigation actions required.

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

❖ Audit Criteria

- 67) The audit criteria are the benchmarks used to evaluate the subject matter (ISSAI 100/27). The auditor can use many different sources to identify audit criteria.
- 68) In this respect, one should not assume that following a certain model leads to good performance. There is a need to establish that apparent good practices led to actual good results and, on the opposite, that identified weaknesses in the specific case have had negative impact on results or other activities.

69) The audit criteria can be qualitative or quantitative and may be general or specific, focusing on what should be according to laws, regulations or objectives; or on what is expected, according to sound principles, scientific knowledge and best practice; or on what could be (given better conditions).

70) In audits of public procurement regularity criteria establish that the auditor verifies the formal implementation of all relevant procurement legal or regulatory requirements, regulations and methodologies approved by higher authorities, as well as compliance with contractual commitments and procurement agreements, industry standards, licensing terms, or other rules and requirements that affect the subject matter of the audit. The following no exhaustive criteria can be considered here:

- Performing all mandatory preliminary procurement procedures;
- Validity in choosing the procurement method (procedure) and type of public contract in accordance with the legislation and by-laws;
- Compliance of the main procurement documents (invitation to tender or invitation for prequalification, contract notice, technical specifications, instructions to tenderers, draft contract and etc.) with legal provisions that constitute mandatory requirements;
- Compliance with all the procedures of tenderers selection, award and contract sign off;
- Compliance of the signed contract with the legislation and the established needs of the customer;
- Compliance of terms, amounts, qualitative and quantitative characteristics of the provided goods/works/services with the standards, requirements, etc. as well as with the provisions of the contract;
- Compliance of the actual outcomes with the intended ones, etc.

71) The establishment of propriety criteria usually requires the auditor to verify the enforcement of common principles, standards, norms and requirements that define the operation of the procurement system as a whole and the behaviour of the participants in the procurement process. An audit with propriety criteria may, for example, focus on compliance with ethical behaviour codes, internal anti-corruption documents, non-discrimination or fair competition principles in procurement, etc.

- In an audit of public procurement, auditors may use three analytical strategies to set criteria for specific audit questions: the cost and benefit analysis based on comparison of costs and usefulness (benefit) obtained, direct or indirect benefit from performance of public procurement;

- The what-if assessment allows the assessment and analysis of different scenarios and alternatives, indicating possible wins and losses associated with the changes in procurement parameters. The approach is based on identification of factors that may affect the result of the public procurement procedure;
- The comparative analysis (benchmarking) aims predominantly at the assessment of trends and identification of alternatives. Comparison may be performed using different bases to see, for example, how well the work is done, to compare envisaged and actual results, actual and planned performance; similar procurement contracts or similar performance results achieved by institutions or agencies, etc. One of the key questions of comparative analysis is whether it is/would have been possible to achieve a better result than the one that has already been achieved.

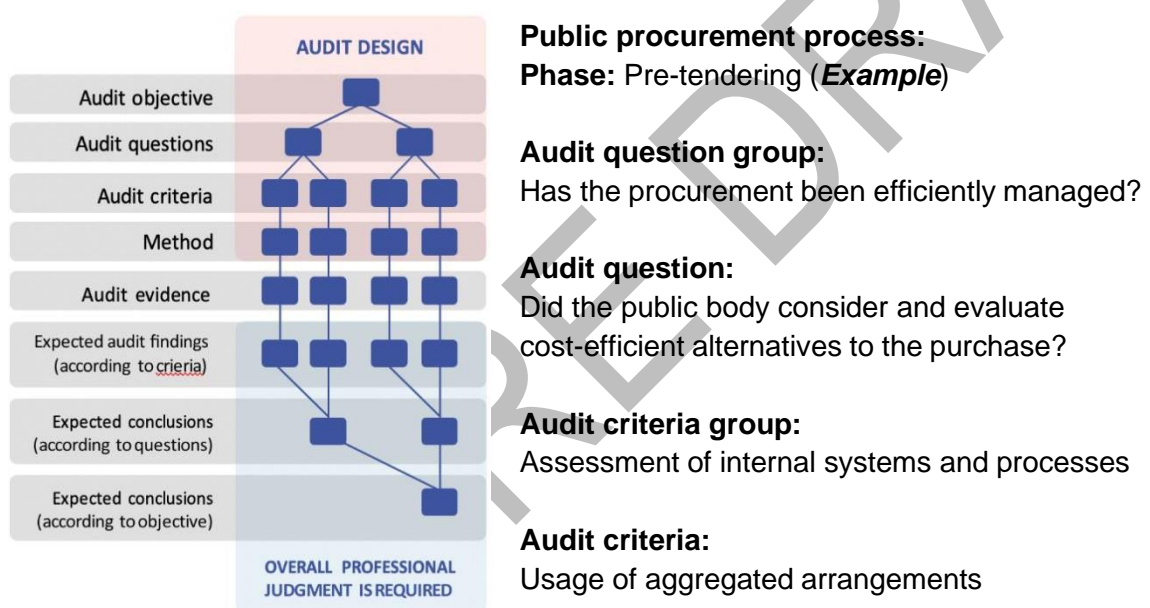
72) Some examples of possible criteria for evaluating the performance of the process and the results of the procurement can be presented as follows. This set of criteria groups is not exhaustive.

Criteria groups	Criteria / Criteria dimensions
Competitive process	<ul style="list-style-type: none"> • Coverage and mode of the tender advertisement; • Number of compliant bids and proposals (e.g., below average); • Number of suppliers involved in the competition (e.g., below average); • Suppliers time for feedback on process and cool off period provided to complainant; • Whether adequate time as mandated in the regulations of Contracting Authority was given for furnishing the bids; • Existence of prebidding meetings; • Clarification if sought by bidders, is provided to all the potential bidders.
Cost reduction / containment	<ul style="list-style-type: none"> • Level/amount of savings/cost reductions achieved; • Reduction of stockholdings; • Reduction in demand; • Number of “stock-outs”; • Number of goods rejected; • Increased use of alternatives; • Bulk purchase encouraged.
Supplier management	<ul style="list-style-type: none"> • Number of “new” suppliers involved in competition; • Number of late/damaged/inadequate deliveries; • Level of quality achieved;
Internal systems and processes	<ul style="list-style-type: none"> • Volume of low value transactions; • Usage of aggregated arrangements or long-term agreements; • Reduction in transaction cost; • Internal customer satisfaction.

Procurement management	<ul style="list-style-type: none"> • % of procurement officers certified; • Number of staff days for training; • Effective composition and functioning of procurement committees, which includes independence, training, etc.
------------------------	--

73) The table below provides an example of audit criteria in correlation with audit question – this can further be extended with reflecting a specific aspect of public procurement (strategic or operational).

Figure 2. Audit Design Matrix



74) Auditors, in the absence of criteria developed by the entity in question or from other sources, may themselves develop suitable criteria. The auditor needs to keep in mind that the legitimacy of criteria developed by the auditors depend on how reasonable and convincing users of the audit report consider them to be.

75) With regard to public procurement in emergencies, and considering the change in circumstances, the following performance criteria may be considered:

- The assessment of a supply chain stability, in particular in healthcare and inventory management systems;
- The balance amongst the promptness of supplies, price and transparency;
- More rigid requirements to good standing of suppliers (even if considered as excessive in a normal situation they may become justified in order to offset their risks of bankruptcy and termination of contracts).

❖ Audit Risk

76) The audit risk may relate to the very technical nature of some of its aspects. For instance:

- The financial and technical studies behind the decisions to undertake complex infrastructures may be biased;
- Unnecessary or superfluous requirements than occasion / requirement demands, favoring suppliers, due to vendor-driven specifications, may be embedded in technical specifications, in such a way that they are only detectable by experts of the concerned market;
- Biased or unfair evaluation criteria may be incorporated in complex scoring algorithms;
- Deficient delivery may be related to substandard materials, labor performance or even due to faulty design of items procured.

77) Auditors mitigate audit risks in the audit plan or pre-study. Annex 8 provides some questions concerning audit risks that may be helpful.

78) If the audit risk is significant it may be necessary to develop strategies for mitigating the risks and/or to modify the audit plan. The auditor can then develop and modify the evidence collection strategy to lower the audit risk. For example, it may be useful to consider:

- Establishing a different staff mix – for instance including more senior / staff experienced in procurement audit;
- Using additional internal or external specialists with indepth competencies in public procurement aspects, such as engineers or experts in the subject matter of the procurement or IT experts, when possible. This specialized knowledge is required, for instance, to apply digital audit techniques or to carry out physical verifications and inspections, e.g. of medical equipment, procurement of sophisticated goods or implementation of construction techniques;
- Giving due importance to integrity, e.g. identifying and managing potential conflicts of interests and familiarities of internal and external members of the audit team;
- Setting up specific communication arrangements with the audited entity;

- Establishing specific quality control measures;
- Establishing adequate and competent supervisory mechanisms over such audits.

EXPOSURE DRAFT

CONDUCTING THE AUDIT

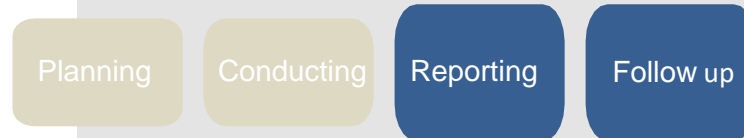


- 79) Auditors are required to obtain sufficient and appropriate evidence. Usual common audit methods like document studies, interviews and wherever possible and appropriate, physical inspections are appropriate and the internal resources to carry out an audit of public procurement are often similar as for other audits.
- 80) However, audit of infrastructural projects or other large technical procurements may require use of technical experts.
- 81) IT data analytical tools are becoming a strong and increasingly used method to extensively analyse open (or non-open) data on public procurement procedures. This data is typically included in databases and electronic platforms that publish information on undertaken public procurement procedures, on the content of the procurement documents, on the awarded contracts and on the companies that signed those contracts. The more this information gets detailed, the more powerful algorithms will be able to do an extensive audit work that will add a lot of value to the audit of public procurement. SAIs can use Data Analytics and Artificial Intelligence to review and analyse the available contracting data in order to detect unusual procedures and relations as well as patterns, trends or anomalies indicating possible favours or collusion not only at planning stage, but also while conducting the audit. It is particularly important while auditing the preliminary results which have the same schedule as audits. This may present a significant challenge for SAIs, since, to do this, not only is it necessary to recruit experts in computer design, but also to train auditors in the knowledge of these tools. The

ability of auditors to obtain data from IT-systems and timely analyze the previously verified data during the audit is vital when the resources, especially timing are scarce.

- 82) Auditing emergency public procurement faces obstacles, since the situation on the ground may make it difficult to use common audit methods. Physical inspections may be very important for this type of urgent and deformed procurement, but may be very difficult to implement. In the situation whereby a SAI cannot afford to be physically to the premises of the audited entity, a SAI may switch to remote working, with the support of online solutions and IT platforms. In such circumstances, the SAI may have to develop measures for operational efficiency and safety of such channels. Auditors may need to continuously evaluate if the evidence obtained with those methods is sufficient to ensure that the audit findings are reasonable, relevant and reliable.

REPORTING AND FOLLOW UP



- 83) Reporting and follow-up in audit of public procurement follows the same steps and requirements as in performance audit (ISSAI 3000) and compliance audits (ISSAI 4000).
- 84) The auditor is expected to provide constructive recommendations that are likely to contribute significantly to addressing the weaknesses or problems identified in the procurement and may also address significant instances of noncompliance noted or weaknesses found in controls.
- 85) When looking into the most common audit findings and recommendations of audits of public procurement conducted by SAIs¹⁹, it may conclude that they cover many areas and situations. Nevertheless, the most typical situations refer to:
- Lack of a strategic approach to public procurement, failure of procurement to achieve innovation or environmental objectives or lack of due procurement planning, management or control;
 - Insufficient justification and background studies for needs, investments and procurements;
 - Imprecise definition of the procurement object or splitting of the procurement object or estimated costs;
 - Lack of important information in the procurement documents, such as deadlines to submit tenders or details of the procurement object or requirements;

¹⁹ Summary of the information included in the Public Procurement Audit Practical Guide.

- Lack of publicity and/or transparency justification during the procurement procedures;
- Non-competitive procurement procedures, with no justification or against regulations;
- Discriminatory, illegal or excessive requirements or technical specifications;
- Poor or biased definition of selection or award criteria;
- Noncompliance with established requirements and deadlines for submission of tenders;
- Overpricing, evidence of collusive practices or conflicts of interests;
- Shortcomings in tenders' evaluation operations or unsubstantiated award decisions;
- Contracts deficiencies (insufficient guarantees to cover the risks of non-performance; excessive duration of contracts);
- Illegal amendments to tenders and unjustified substantial modifications to contracts;
- Poor contract management (supervision of orders, deliveries and payments, control of subcontractors, late delivery, compliance to agreed terms, poor quality, increase in scope, excessive costs, fictitious suppliers).

86) Besides the findings and recommendations included in the SAI's audit reports, all concrete instances of suspected fraud and corruption identified in an audit need to be documented and submitted to the management and competent authorities. Depending on the individual SAI's mandate and the nationally established procedures, the SAI may be authorized or mandated to transfer information to investigation bodies. Some SAIs work closely with anti-corruption agencies²⁰.

87) The final stage of audit of public procurement is follow-up control of compliance with recommendations based on the conclusions arising from findings of audit. The SAI establishes a follow-up process to monitor and ensure that audit recommendations have been effectively implemented. Its primary objective is to organize feedback, continuously track the implementation of recommendations in operations of an audited entity and assess the final effect of such implementation. During the follow-up process, it is often useful to pay particular attention not so much to the process of implementing the recommendations, but to the final results in improving efficiency and effectiveness of the internal control system, removing

²⁰ INTOSAI signed a Memorandum of Understanding (MoU) with the United Nations Office on Drugs and Crime (UNODC), on 30 July 2019. This MoU deals with reaffirming the essential role that SAIs play in combating corruption and enhancing collaboration between the SAIs and anti-corruption bodies to more effectively prevent and fight corruption.

bottlenecks in the procurement process management and, finally, elimination of breaches and errors, minimization of unnecessary expenditure and generally improving procurement efficiency.

EXPOSURE DRAFT

ANNEXURES

Annex 1: Principles of public procurement

Auditors mainly refer to the public procurement principles established in their national laws. These principles are meant to guide the content of regulations, the interpretation of legal provisions and the decision-making throughout the entire procurement process.

Nowadays, by the influence of international best practice in public procurement and of the UN guidance included in the UNCITRAL model law on Procurement of Goods, Construction and Services, national public procurement laws and regulations often refer to the internationally accepted principles they convey.

UNCITRAL is a subsidiary body of the UN General Assembly and, among other roles, it prepares model laws, which are legislative texts recommended to states for enactment as part of their national laws. The UNCITRAL model law on Procurement of Goods, Construction and Services encourages national provisions of public procurement laws to incorporate the following principles:

Open participation and competition	All potential qualified suppliers should be allowed to participate in public procurements procedures, except on specific, regulated and justified circumstances, which permit exclusions
Fairness and equality	All interested / potential bidders should be able to have access to and rely on clear, objective and complete information and criteria, publicly disseminated by the contracting authority. Bidders are also entitled to expect that they will be treated fairly and on equal conditions to other participants.
Integrity and transparency	Taxpayers and citizens in general have the right to expect that public procurement is conducted with integrity, exclusively in the public interest and in a transparent way.
Economy, Efficiency and/or Effectiveness	They also expect that prices paid for the goods, services and works represent maximum value for money and are procured in the right quality, quantity and in time.

Where SAIs consider it appropriate to assess the quality of national public procurement rules and procedures against international recommendations, criteria for the audit may be looked for in the UNCITRAL model law or in other international documents, such as the OECD Principles for Integrity in Public Procurement.

Annex 2: Definitions and Abbreviations

Key terms	Definition
Award Criteria	Criteria used by Contracting Authority to evaluate submitted tenders and to select the one or more best positioned bidder(s) to meet the defined needs.
Bidder	Legal or natural persons participating in the procurement process of a contract with the Contracting Authority.
Public Procurement Contract / Government Contract	A contract / agreement entered by Contracting Authority and the Supplier in accordance with the relevant national or provincial laws or applicable regulations on public procurement.
Procurement Process	A series of actions, steps and decisions involved in the way procurement work is completed.
Public Procurement Cycle	The process structured around three distinct phases: Pre-Tendering, Tendering and Post-Tendering and characterized by the following stages: (1) preparation and planning, (2) publication and transparency, (3) submission of tenders, opening and selection, (4) evaluation and award, (5) contract implementation and closure.
Procurement Stage	A typical high-level procurement process within the public procurement cycle that can be further divided into sub-processes, procurement procedures / activities and results or contributes to the control aspects required in of public procurement.
Audit of Public Procurement by SAIs	Public procurement audit by SAIs or its delegates, which includes, verification of the physical existence of the acquired assets, compliance control, review and assessment of public procurement processes, results and performance, reporting on the audit.
Qualification criteria	Criteria used by the Contracting authority to evaluate capability of suppliers /vendors/ providers to perform the relevant procurement contract.
Risk management of public procurement contracts	A range of measures taken by the Contracting authority to mitigate the identified contractual risks.
Supplier (Vendor, Provider)	A legal entity or an individual generally providing goods and services or specifically chosen to provide them to the Contracting authority.
Users	Contracting authority, citizens or specific groups of individuals who consume, use the procured product or employ it in their life, business etc.
Procuring entities	Central government bodies, local authorities, public enterprises or even private companies receiving public funds.

Key terms	Abbreviations
EU	European Union
KPI	Key Performance Indicators
OECD	Organization for Economic Co-operation and Development
SME	Small and Medium Size Enterprise
UNCITRAL	The United Nations Commission for International Trade Law
WTO	World Trade Organization
IDI	INTOSAI Development Initiative
IFPP	INTOSAI Framework of Professional Pronouncements
ISSAI	International Standards of Supreme Audit Institutions
INTOSAI	International Organization of Supreme Audit Institutions
SAI	Supreme Audit Institutions

Annex 3: Phases of the public procurement process

Phase 1. Pre-tendering

This phase includes the assessment of needs and market, the planning and budgeting of the procurement, the definition of what exactly is going to be procured and the choice of the procedure to follow in the procurement. Those activities create the foundation for a successful public procurement and the quality of work demonstrated at this stage typically reflects upon the quality likely achievable at subsequent stages.

The justification of needs and the evidence to justify it are elements that should be considered in all types of public procurement, including in emergency situations.

The choice of the procedure is guided by the applicable principles and regulations at the national or supranational level. The most common procurement procedures are the competitive ones, through bidding, since they are the most effective to ensure equal access of all potential suppliers to public procurement markets and to create the conditions for the contracting authorities to obtain the best advantageous offer. Nevertheless, these bidding procedures are usually long and detailed. Thus, many national or public authorities' regulations allow for relatively low value procurements through simplified competitive procedures, limited tendering or direct purchases, in order to make the procurement procedure more efficient and timelier. Exceptional circumstances such as in emergencies may allow limited or direct purchases. Auditors may need to verify whether the exceptional

reasons were substantiated and really occurred. Since those types of procedures raise the level of risk for favouring suppliers, other controls such as substantiation and transparency of decisions should be applied.

Alternative procedures include procuring centrally, pooling requirements and buying according to framework agreements. The aggregation of purchases and the use of framework agreements allow contracting authorities to negotiate better prices and conditions and conduct subsequent more agile and efficient procedures. But, depending on the applicable rules to these arrangements and practices adopted, they may decrease the possibility that the smaller, multiple bidders meet the qualification criteria for eligibility or that unethical conduct may occur. If those risks are not addressed, this may result in reduction in number of eligible bidders, reducing competition or giving rise to possibility of anti-competition behaviour.

Complex procurement procedures, such as competitive dialogues, may be applied to procure public private partnerships or to contract the development of new products and services.

Electronic procurement platforms are increasingly being adopted, allowing the delivery of electronic versions of the procurement documentation, electronic communication at all stages of the procedure, data-based approaches at various stages of the procurement process, but also specific electronic procurement procedures, such as dynamic purchasing systems, electronic catalogues and electronic anonymous reverse auctions. These electronic procedures are able to combine competitive and swift procedures.

Phase 2. Tendering

Following the former phase, documentation is produced which informs potential suppliers of the requirements, how they can bid for the contract to fulfil those requirements, and how their bid will subsequently be evaluated.

Drafting procurement documents, defining specifications and standards, setting criteria for evaluating bidders and bids, setting the time limits for the submission of tenders and advertising the procurement and its phases are the key elements to ensure objectivity, transparency and equality during the whole procedure. Subsequently, bids are received and checked against requirements.

In some systems and procedures there may be a two steps selection, involving firstly a qualification of suppliers, in order to select those that will be invited or accepted to participate in the procedure, and secondly the presentation and/or selection of their tenders. It is also possible that the system requires a complete differentiation between the selection of the bidder and the selection of the bid, with a clear separation of the respective criteria and operation. Regardless of the concrete applicable procedure (opening ceremonies, electronic procedures, previous qualification process, etc.), tenders need to be kept confidential and in safe custody until the time of their due disclosure has come. Once duly opened, each bid undergoes a compliance check to ensure that it was submitted in accordance with the requirements described in the tender documentation.

All compliant bids are then evaluated in accordance with the evaluation methodology outlined in the bid documents in order to choose the one that best meets the award criteria. No departure from, amendment to, or omission from the methodology are permitted in order to preserve the integrity of the tender process. Scrutiny in this stage is key. Scoring and evaluation matrixes, collegiality, substantiation of assessments and decisions, evaluations reports, notifications, publicity of the award and rights of appeal are important instruments to ensure objectivity and transparency. This stage is concluded with the signing of the contract between the contracting authority and the supplier.

Phase 3. Post-award

The goal of this final phase of the procurement cycle is to ensure that the contract is implemented, that both the supplier and the contracting authority meet their obligations and that the public purpose has been achieved. It includes execution, monitoring, deliveries, compliance with deadlines and performance requirements, payments, record keeping, complaints, remedies, contract modifications and closure/ termination of operations. The contract may end either due to expiry or due to breach of contract.

The post-award phase is important since it focusses on the value actually delivered to the contracting authority and the compliance with the terms and conditions of the contract. Although the procedure until the conclusion of the contract may be considered as correct and adequate, many shortcomings may occur in its implementation. Risks exist of post award relaxations and changes to the contract conditions in favour of the contractor which, if foreseen and implemented before bidding/contract award, could have significantly altered the competitive bidding

landscape. According to the applicable regulations, assessment needs to be made on modifications to contracts to distinguish those representing minor changes, the application of review clauses included in the initial procurement documents or unavoidable and admissible change of circumstances from those modifications that are considered as substantial, changing the competitive balance agreed during the procurement and established in the contract, and that make the contract materially different from the original one. In this case, a new procurement procedure could be necessary.

Electronic Procurement

Public procurement is increasingly implemented through electronic means. This can apply to means of communication and information exchange, where procurement documents are available electronically; where requests, submissions, responses and notifications may follow an electronic procedure; or, even, where specific procurement procedures or parts of a procedure are conducted electronically in an E-procurement platform (e.g. market place/direct ordering, sealed bidding, electronic reverse auctions, electronic catalogues, etc.).

Public bodies should ensure that the electronic means used are not introducing technical barriers to potential bidders. Tools and devices used for electronic communication should be compatible with the technology in general use and should be generally available.

Security issues are also a concern. The use of electronic signatures, levels of access, accreditation procedures and rules and algorithms used by the system are part of strict security requirements that need to be in place to make sure that the submissions and decisions are coming from the competent persons; that access to sealed bids is not possible (not even by the tendering officers) before the opening date; that it provides equal and simultaneous access afterwards; and that strict anonymization is ensured when required (e.g. electronic reverse auctions).

Tenders presented in the format of an electronic catalogue or the application of electronic reverse auctions require the use of algorithms.

Annex 4: Possible Audit Questions Regarding the Principles of “3 E” in an Audit of the Procurement Process or Procurement Function

BOX 1. ECONOMY, EFFICIENCY, EFFECTIVENESS AND AUDIT APPROACHES

Economy:

- Are the goods or services provided through the procurement process or procurement function available in due time and at right place, of appropriate quantity and quality, and at the lowest possible price?

Efficiency:

- Are we getting the most output – in terms of quantity and quality – from our inputs to Procurement function or procurement process (procurement stage or separate procurement activity)? or,
- Could the same output have been achieved with less input?

Efficiency assesses the relation between inputs and outputs. Audits of efficiency can be aimed at: *technical efficiency*, for example:

- Can procurement processes be streamlined to improve performance?

allocative efficiency, for example:

- Can efficiency be improved by allocating procurement function or procurement stage resources differently, for instance by automation (i.e. automating processes by using IT systems vs manual processes) that contribute to higher output?

or *scale or synergy efficiency*, for example:

- Can the same output be achieved with less input by sharing means or processes, or even merging organisations (i.e. consolidating spend / joint procurement)?

Effectiveness:

The question of effectiveness consists of two parts, corresponding to the following questions:

- 1) To what extent are the procurement objectives (procurement strategy/ policy/ plan / processes) met?
- 2) Can this be attributed to the output of the procurement strategy/ policy/ plan / processes pursued?

Result-oriented audit approach:

- What is the performance of procurement function/procurement process or what results have been achieved and have the requirements or the objectives been met?

Problem-oriented approach:

- What is the problem i.e. in Preparation and Planning of the procurement stage?
- What are the causes of the problem i.e. the lack of enough competition?
- Submission of tenders, opening and selection stage of procurement?

System-oriented approach:

This type of audit can use descriptive questions such as:

- What is the objective of the procurement management system/procurement process?
- Who are the responsible actors within the system?

Annex 5: Possible Audit Questions Regarding a Strategic Method to Public Procurement (Procurement Performance Model)

BOX 2. PROCUREMENT PERFORMANCE MODEL ²¹

Assessment of the governments' overall procurement strategy

- 1) Does the government have an overall procurement strategy and/or policy?
- 2) Do the government policies promote and/or safeguard fair competition?
- 3) Are procurement policies and practices in line with (international) good practice standards?
- 4) Is the performance of the several procurement functions/units in the different stages of the procurement process benchmarked against each other?
- 5) Are prices/qualities obtained by the several procurement functions/units compared as to highlight competitive results or improved value for money?
- 6) Is there detailed documentation in the nature of procurement regulations is available in the government?

Assessment of a specific organization or department's procurement function/unit:

- 7) Are outsourcing and public private partnerships considered as alternatives to in-house work?
- 8) Does the organization/department have a procurement strategy consistent with a national strategy and has it been implemented?
- 9) Is the organization/department's procurement function/unit well organized, including in terms of adequacy of resources, e.g. human resources with clear roles defined?
- 10) Is the procurement process well organized and documented?
- 11) Do the employees have the necessary skills and experience to carry out procurements efficiently?
- 12) Is there a system to enhance their capacities on a regular basis?
- 13) Are there appropriate controls in place to ensure that procurement complies with the relevant legislation or the applicable regulations?
- 14) Are there mechanisms in place to evaluate the performance of the organization/department's suppliers?
- 15) Are risks managed to provide reasonable assurance regarding the organization or department procurement objectives?
- 16) Are there regular reviews and analysis of the performance of the procurement function/unit?

Assessment of a single procurement project

- 17) Does the procurement project have a clear goal and does the goal meet the specified needs of the users?
- 18) Is the procurement project efficiently managed?
- 19) Are there appropriate controls in place to ensure that the procurement project complies with relevant legislation / applicable regulations?

Reasoning:

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.

²¹ See <https://www.eca.europa.eu/sites/cc/Lists/CCDocuments/Toolkit-2018/Toolkit-2018-update.pdf>, for possible sub-questions detailing how each one of these 17 dimensions should be assessed.

Annex 6: Possible Audit Questions Regarding a Strategic Method to Public Procurement

BOX 3. OVERALL MANDATE AND STRATEGY OF AN ORGANIZATION

- Does the organization have a strategy / strategic plan?
- Is the procurement aligned with the overall mandate and strategy of the organization (is it the part of an organizational strategy)?

Reasoning:

The ultimate objective of procurement is to add value to the organization in fulfilling its goals and objectives. Procurement activities support organizational mandates on a daily basis by obtaining the necessary inputs for the organization to do its work.

BOX 4. PROCUREMENT PORTFOLIO

Here, audit questions could be raised in two ways, following either top-down or bottom up approach.

Procurement profile

Top-down approach

- Does an organization's have a full and comprehensive picture (procurement profile) of its procurement needs?

(sub-question)

- Has a procurement profile identified past and projected procurement expenditure and associated levels of risk in form of a matrix?

Spend analysis

- Was past and projected procurement expenditure or spend for goods, services and works (spend analysis) analysed?
- Is the historic spending data a good indicator of future spends?

(sub-questions)

- Were there special events affecting the historic spend that will not be repeated, e.g. a natural disaster or large-scale project that caused a large, but temporary increase in spend?
- Are there anticipated special events that will affect future spend, e.g. a forthcoming large-scale project?
- Are there events happening in the external environment that are likely to affect the spend profile, e.g. political or economic changes in the program/country or in the behavior of the donor community?
- Are there strategic organizational issues that are likely to affect spend, e.g. changes in the funding profile or in the priorities of the organization?

Procurement portfolio risk analysis

- Was difficulty and risk associated with securing these goods, services and works analyzed?

bottom-up approach (questions that might help to understand resulting procurement profile)

- Which goods, services and works are purchased and how much is spent on them?
- Comparison of historic spend-on each item with the projected spend?
- How are the goods, services and works purchased?
- Whom are the goods, services and works purchased from?
- Where are suppliers geographically located (e.g. local, regional, international)?

Reasoning:

Existing and analyzed procurement portfolio is a good indication that a full and comprehensive picture (procurement profile) of the procurement needs of the organization is developed. Analysing procurement spend provides data that can be used as a baseline to measure improvements, but also to provide reliable data for the auditor to understand which procurement objectives or strategies are likely or prone to achieve short- and long-term savings.

BOX 5. PROCUREMENT FUNCTION AND CAPABILITY**Roles, Responsibilities, Structure, Reporting**

- Are the roles and responsibilities clearly defined?
- Which functions/structures are involved in procurement and what is the reporting line?
- Is there a high-level responsibility for the function?
- To what extent is procurement delegated and/or decentralized?
- To what extent do decentralized procurement authorities coordinate their procurement of common items?
- Do procurement officers share information about markets, suppliers and products?
- How is the performance of the procurement entity measured?

Systems, Processes

- How is procurement process/system conducted for the various types of goods, services and works and what are the associated transaction costs?
- Does the procurement system use electronic components containing catalogs, e-tendering, inventory management, payment systems, etc.?
- How are centralized procurement arrangements managed, i.e. long-term agreements, pre-qualified suppliers, coordinated procurement of common items?
- Is procurement management information (procurement profile, supplier performance information) captured and easily available?
- Which tools exist and how are they used e.g. standard solicitation documents, procurement manuals, good practice guides, etc.?
- What are the recent results and recommendations of the internal and external audit?
- Which issues and trends appear in contracts committee minutes?

Skills, Capacities

- Do the levels of procurement skills match the procurement portfolio?
- Are skill levels evaluated on a recurrent basis?
- Are skills for procurement developed systematically?
- Is there a long-term strategy for recruitment, selection, training and certification of staff – does a policy for staff development exist?
- Does procurement staff have skills to procure complex/special items (i.e. IT)?
- Does the procuring entity understand supply markets and suppliers and does it have the ability to negotiate with them?
- Does staff have the ability to secure best performance from contractors?

Reasoning:

In all three cases, it is important that they are appropriate in terms of matching the procurement portfolio.

BOX 6. STRATEGIC PROCUREMENT OBJECTIVES & STRATEGY**STRATEGIC PROCUREMENT OBJECTIVES**

- Are there procurement objectives for each category of goods, services and works on the supply-positioning matrix?
- Are there objectives for significant purchases (purchases falling into the leverage, bottleneck and strategic categories on the supply positioning matrix.)?
- Are there objectives for the management of the procurement function?

Reasoning:

These objectives will vary from organization to organization and also within a specific organization and can vary from year to year but they are very important and have a direct impact for “3 E” aspects.

PROCUREMENT STRATEGY

- Is a procurement strategy prepared and approved?
(sub-question)
- Is there an implementation plan, which identifies activities, timeframes and responsible officers?
- Is the procurement strategy followed up?

Reasoning:

The incorporation of strategic practices in public procurement can result in the best expenditure of public resources and the reduction of corruption in the process of procurement. The procurement strategy presents proposals for concrete actions that can be taken within the contracting authorities. With the procurement strategy, the benefits that can be achieved through a strategic approach to purchasing are demonstrated as well as concrete terms how the approach to purchasing highlighted in the strategy can be achieved in each particular activity.

It is important that the procurement strategy results in actions taken by the contracting authorities. The auditor may assess if procurement departments delivered specific task of implementing and following up the strategy across specific policies of procurement strategy related to effectiveness, efficiency or economy.

BOX 7. MEASURING RESULTS

- Was a results measurement framework developed to ensure procurement strategic objectives are followed and met?
- Are KPIs relevant, specific, agreed with relevant stakeholders, and within the control of the organization?
- Do performance measures relate to specific strategies or key processes?
- Is benchmarking with other procurement units (either within or outside the organization's system) used for collecting data and measuring performance?

Reasoning:

A framework is important for measuring whether the procurement strategy objectives have been met. Performance measurement is important in order to aid probity and accountability and also to identify strengths and weaknesses in the procurement function.

ANNEX 7: Possible Audit Questions Regarding a Process Method to Public Procurement

BOX 8. PRE-TENDERING PHASE (detect needs; engage stakeholders; analyse market; define the subject matter; choose the procedure; draft specifications including criteria; prepare procurement documents; advertise the contract; provide clarification)

- Was there reasonable justification for the need of the purchase?
- In the case of expensive investments, was there a favorable cost-benefit analysis?
- Do needs analyses and specifications ensure that the right items are acquired in the right quantity and quality, and at the right time and cost, to meet the users' needs?
- Was the scale and complexity of the procurement project duly addressed?
- Were the needs and conditions drawn up in a comprehensive and unambiguous way, free from uncertainties and misinterpretation and did they protect the public interest?
- Did the public body calculate the contract value accurately, based on realistic prices, and was that value consistent with the final cost?
- Was the description of the purchase and the schedule for the deliveries adequate to needs and legal requirements?
- Where applicable, did the public body adequately manage external experts employed to assist in the procurement process?
- Did the public body select an appropriate and admissible procurement method?
- Did the chosen procedure ensure competition, transparency, equal treatment and value for money?
- Were the bidding documents comprehensive, transparent, non-discriminating and with no inconsistencies?
- Have the bidding documents adequately addressed the public interest?
- Was timely and equal access to bidding documents and information provided to all candidates?
- Was the submission of alternative bids regulated and accepted, with approvals at appropriate levels and with full justification?
- Did the bidders have a clear understanding of which documents and declarations had to be presented with the tender?
- Did technical specifications (required characteristics of a material, design, product, supply or service) afford equal access for tenderers, containing no feature that directly or indirectly discriminate in favor, or against, any bidder, product, process or source?
- Did the procurement documents include exclusion grounds, selection criteria of bidders and award criteria?
- Were technical specifications, extent of information required, exclusion grounds and selection criteria justified by objective reasons, related and proportionate to the subject matter of the contract, and, thus, not overly demanding or discriminatory, likely to result in lesser competition?
- Were the award criteria clearly defined, linked to the subject matter and main focus of the contract, coherent and leaving little scope for arbitrary assessments?
- Did the public body depending upon the quantum of procurement advertise the procurement as to ensure sound competition (reasonable time, enough information and sufficient dissemination) and in compliance with the applicable regulations?
- Were requests for clarifications admissible, duly ruled and were they supplied to all participants in a timely manner?
- In the case of changes to the procurement documents, including criteria, were they permissible under the applicable regulations, prior to bidding, and were participants given additional time to prepare bids?
- Was confidentiality ensured when necessary?
- Did the procedure ensure wide publicity, open competition as applicable according to regulations, and did it reduce or eliminate favoritism?

Background:

At this phase, the actual needs will be identified and should be scrutinised from all angles. The range of people who have an interest in the required supply will be identified and involved in creating a clear picture of what is required, to what standard, in what timescale, at what estimated costs and under which conditions. The involvement of external experts in the design of requirements raises risks to the principles of public interest, equal treatment and transparency, mainly if they are somehow involved with bidders. The concrete procedure to adopt depends on the applicable regulations and objectives to achieve.

It is important that the procurement documentation be thoroughly prepared as it ensures objectivity, transparency, equal information to all bidders, suitability of bids and comparable tenders. That promotes sound competition and facilitates the evaluation process. The Request for Proposal (RFP), RFQ (Request for Quotation), Invitation to Tender (ITT) is then published through approved / recognised means. Queries by potential bidders are responded to timely and shared with all potential bidders.

BOX 9. TENDERING PHASE (receipt and opening; apply exclusion grounds; select suitable tenderers; evaluate tenders; award and sign the contract; notify tenders and publish the award)²²

- Did the opening of tenders follow the applicable procedure?
- Did the opening of tender's system ensure complete transparency and respect for the confidentiality of bids until their opening?
- In the case electronic platforms were used, did it provide open and equal access to all potential bidders, did it ensure security requirements and confidentiality of sealed bids and anonymization as needed for the procedure?
- Were the opening and verification of admissibility of tender's subject to sufficient oversight?
- Were tenders reviewed as for adherence to deadlines and enclosure of the required information?
- Did the contracting authority verify objection to admission of tenders?
- Did the contracting authority verify potential conflicts of interests by tenderers and public officials involved in assessments of tenders or in the procurement process?
- Did the technical acceptance of the bids received comply with defined qualification / technical criteria?

²² Verify if it is applicable to consortiums with foreign companies that are allowed under national procurement law.

- Has any fake / false certification been provided by the bidders?
 - Were tenders verified against technical specifications and minimum eligibility criteria?
 - Was rejection and acceptance of tenders duly justified and recorded?
 - Is it evident that the contract was awarded to a tenderer based on selection criteria or minimum ability levels, who complied with all requirements?
 - Were bids properly evaluated?
 - Is the evaluation process documented in a transparent and convincing manner?
 - Is there any evidence of collusion between bidders?
 - Was the evaluation and award strictly based on the defined and published criteria?
 - Has the evaluation been conducted and reviewed by more than one person? It is good practice to follow maker, checker and approver principle here.
 - Is it clear that no modification to the defined criteria was introduced during the evaluation process?
-
- Is there no evidence of bias, favoritism or pressure during evaluation of tenders?
 - Is it clear that, when admissible, negotiations did not involve changes to the essential aspects of the tender or the public procurement requirements or procedures?
 - Was the outcome of the evaluation process properly reached and communicated?
 - Was the award decision based on the results of the evaluation of tenders?
 - Was the award notified so as to allow complaints?
 - Were complaints lodged by bidders / candidates against any act or omission by the public body properly resolved?
 - Did the conditions of the contract comply with the detail provided in the procurement documents and with the outcome of the procurement procedure?
 - Was any post tender negotiation permissible and compliant with extant guidelines/orders?
 - Did the conditions included in the contract protect the risk of non-performance or misconduct by the supplier and were there no conflicting provisions?
 - Are there any deviations / contingencies during the procurement process? How are unforeseen events dealt with? Will the current procurement process be updated or modified in light of the deviations?
 - Do the tendering process, evaluation and award notification processes adhere to the required deadlines?

Background:

In this phase, requests to participate and/or bids are received, opened and assessed against requirements and selection criteria, if applicable. Tenders should be kept confidential and in safe custody as described in applicable regulations. When applicable, and according to requirements clearly defined in the procurement documents, candidates may be submitted to a qualitative assessment of their economic, financial, technical, professional, quality or environmental qualifications. This assessment should be made previously or independently to the evaluation of tenders. Bids will be subject to a compliance check to ensure that they were submitted in accordance with the instruction issued to bidders in the tender documentation. Errors, omissions, discrepancies or other queries relating to bids not meeting the requirements will be considered and a decision made concerning exclusion, or whether the issue should be clarified with the bidder. The decision may be taken to remove a supplier or a tender from the process due to mandatory exclusion criteria or non-conformance, in which case the reason for the disqualification will be provided to the bidder.

All compliant bids are evaluated strictly in accordance with the evaluation methodology outlined in the bid documents. No departure from, amendment to, or omission from the methodology is permitted in order to preserve the integrity of the tender process. Following a robust evaluation process, the expected outcome is for preferred bids to be clearly identified upon evaluation outcomes. Any internal approvals required to commit to a contract will be obtained and the award of the contract will be published through recognised means. After a required period of time, sufficient to allow any objections to the award either from other bidders or the market itself, a contract is agreed with the supplier and the parties move towards implementation.

BOX 10. POST-AWARD PHASE (manage and monitor the execution; issue orders and payments; if needed, deal with modification or termination of contract; close the contract)

- Was priority given to post contract follow up (including disciplining of suppliers), so as to avoid time and cost over runs, loss to the contracting authority and/ or undue benefit to suppliers?
- Were any post-procurement actions by public bodies established as regards compliance with the implementation plan?
- Were performance requirements and service levels monitored by the contracting authority?

- Were adequate measures taken to avoid loss to the contracting authority in the event of non-performance of the contract?
- Was it confirmed that deliveries were in accordance with the contract terms (cost, technical specifications, quantum, deadlines, etc.)?
- Were payments verified, approved and in line with contract terms and actual deliveries?
- Where advance payments occurred, were they unavoidable and, if resorted to, were suitable safeguards adopted to fully protect the public exchequer?
- Were any measures put in place to avoid or reduce risks of inadequate oversight over contract execution?
- Where justified, were compensations for non-compliance sought and enforced by the contracting authority?
- Were any substantial modifications to contracts or additional works or deliveries introduced in the contract, where a new contract following the due process should have been resorted to?
- How many contracts of the interested parties (entities) are subject to arbitration proceedings?
- Have the reasons for which the contract was submitted to arbitration with the supplier been determined?
- Was the contract closed only when the contracting authority formally recognized that all deliveries were completed as per contractual terms and conditions, and payments released accordingly?

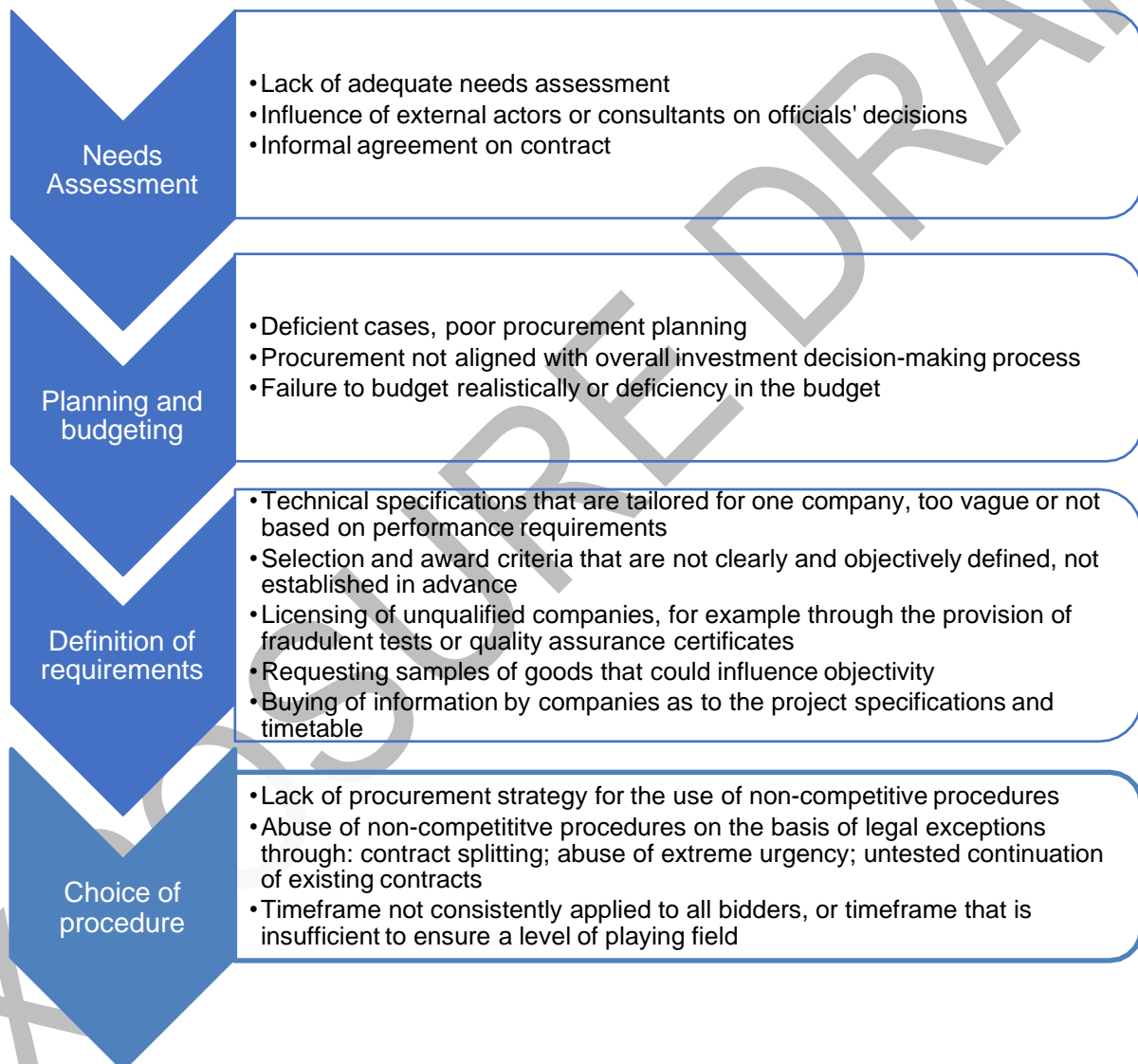
Background:

This phase concludes the procurement cycle and iterates until the end of the contract, either due to expiry or due to breach of contract. A detailed contract management plan will have been prepared during the bid process or should be prepared at this stage. The contract management plan is detailed, addressing all the key elements of the contract translated into the business as usual environment. This plan is the documented approach to manage the contract in all of its aspects through to end of life. Special attention should be paid to compliance with contractual conditions, correspondence between deliveries and payments and substantial modifications of the contract.

EXPOSURE DRAFT

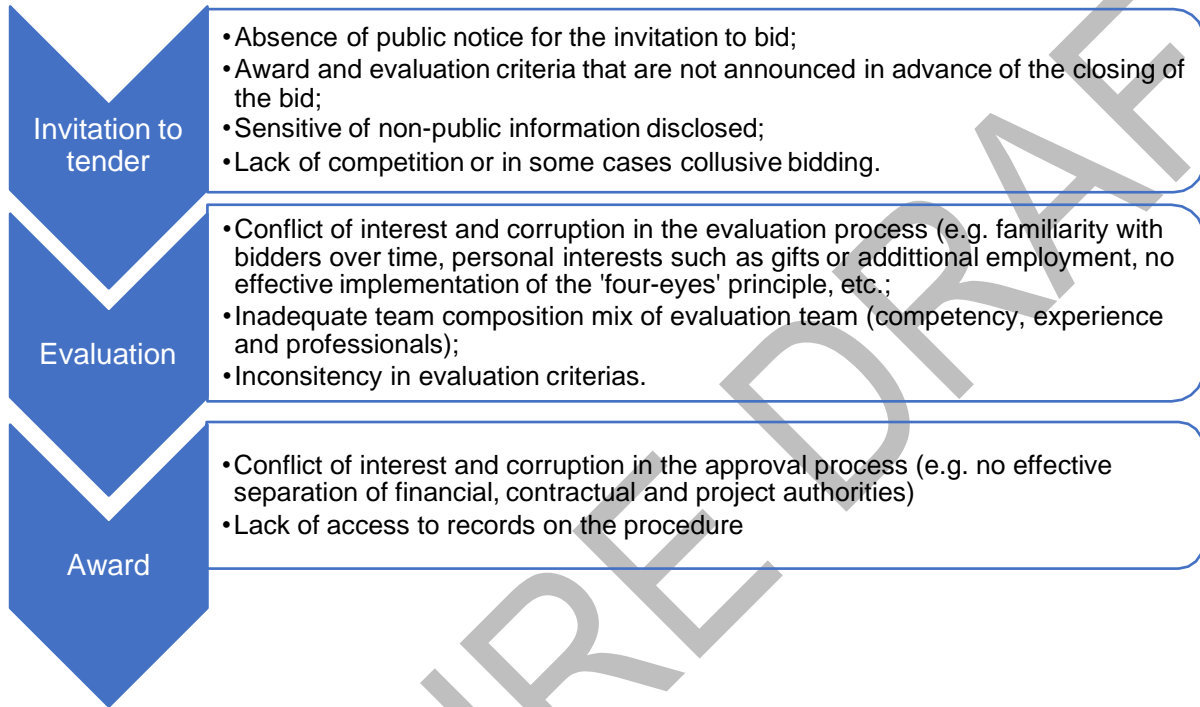
Annex 8: Risks to Integrity at Each Step of the Procurement Process²³

Risks to Integrity During the Pre-tender Phase

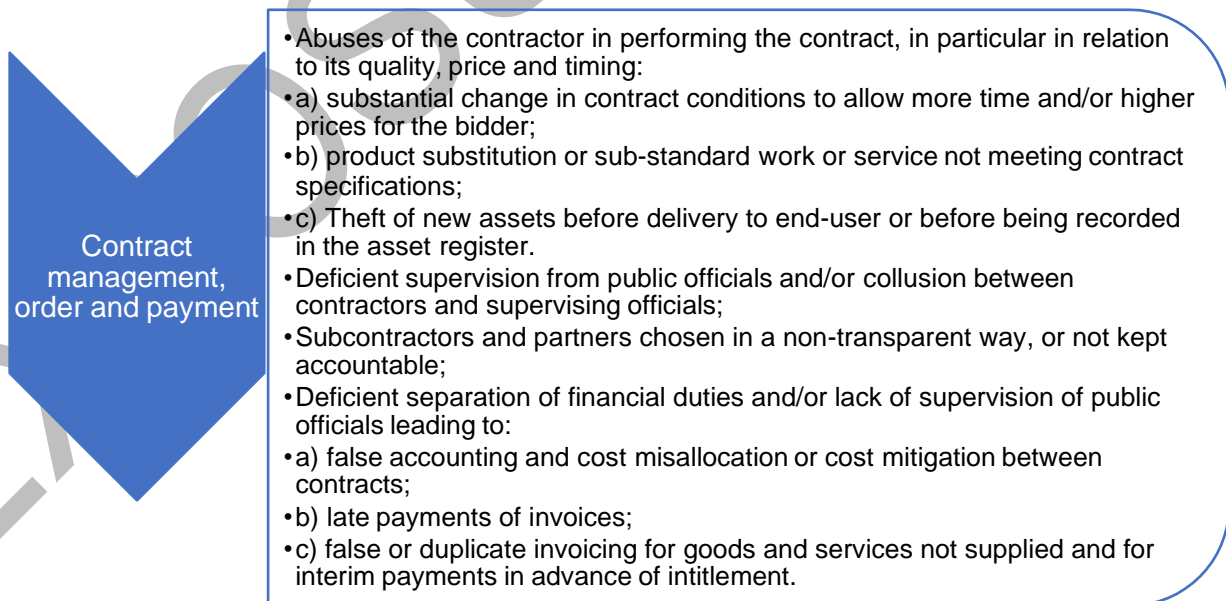


²³ Quoted from AFROSAI-E Public Procurement Performance Audit Guideline <https://afrosai-e.org.za/2011/04/19/public-procurement-performance-audit-guideline-2011/>

Risks to Integrity During the Tender Phase



Risks to Integrity During the Post-tender Phase



Annex 9: Audit Risk Questions

BOX 11. AUDIT RISK QUESTIONS

- Is there enough reliable data available?
- Does the audit team possess sufficient skills and knowledge of public procurement for this particular audit, considering also the specificity and technicalities of the subject matter of the procurement?
- Does the audit require the use of experts?
- Are the time frames and resources (hours/funds) needed to conduct the audit enough and/or feasible?
- Is the audit subject matter sensitive, highly visible or controversial? (political sensitivity, media sensitivity, parliamentary sensitivity)
- Is the audit and/or the subject matter very complex?
- Is there a risk related to the management of integrity or entity relations?
- How conflicts of interest are managed?

Reasoning:

It is good practice to include a discussion of the specific audit risks and how the auditor plans to mitigate them in the audit plan or pre-study.