



Explanatory Memorandum – Project 2.11: Public Procurement audit

REQUEST FOR COMMENTS

This Exposure Draft, emanating from the project - **2.11: Public Procurement audit**, was developed by the Working Group on Public Procurement audit (WGPPA) of INTOSAI KSC.

Respondents are asked to submit their comments electronically by **Month Date Year** to the email address wgppa@ach.gov.ru and intrel@ach.gov.ru. Please submit comments to specific paragraphs using the file circulated at the same time as the exposure draft. General comments may be submitted using PDF or Word documents. All comments will be considered a matter of public record and may be posted on the issai.org website.

The WGPPA will consider all comments received when preparing the final version of the text for submission to the Forum for INTOSAI Professional Pronouncements (FIPP) for approval.

The FIPP have approved this exposure draft on **Month Date Year** (cf. section 2.1 of the due process for the IFPP). The final pronouncement is expected to take effect from November 2022.

Respondents are encouraged to consider the effective date in their comments to the exposure draft.

Introduction

The Forum for INTOSAI Professional Pronouncements (FIPP) adopted a classification of INTOSAI pronouncements under the INTOSAI Framework of Professional Pronouncements (IFPP) and accordingly various documents are classified as Principles, Standards and Guidance. Under the IFPP, Guidance pronouncements (GUIDs) are intended to provide guidance to SAIs on a specific subject matter and for conducting Financial, Compliance and Performance Audits encompassing the related subject matter.

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 200 – Fundamental Principles of Financial Audits, 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 financial, performance and compliance auditing.

Public Procurement implies activities by which governments, public entities, state-owned enterprises 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. Public Procurement covers almost all sectors of national economies and has a significant impact on socio-economic development. Public Procurement markets account for a significant percentage of the Gross Domestic Product (GDP), generating financial flows amounting to \$11 trillion out



of the global GDP of nearly \$90 trillion in 2018. In other words, 12 percent of global GDP is spent in Public Procurement activities.

Within the IFPP, **GUID 5280** - Guidance for Audits of Public Procurement provides non-mandatory guidelines and refer to the principles in ISSAI 300 and ISSAI 400 without duplicating them. The GUID is intended to provide guidance to auditors when auditing subject matter of Public Procurement and to apply relevant ISSAIs in the course of audit planning, conducting, reporting and follow up. It is inspired by best practice examples extracted from the experience of different SAIs.

Kommentert [AKH1]: To ensure consistency with the GUID itself

Background

The present draft of INTOSAI GUID 5280 for audits of public procurement has been developed within the IFPP by following the Due Process governing the development and revision of Professional Pronouncements within the milestones. Accordingly, as part of Stage 1 of the Due Process, the Project proposal for developing this GUID was prepared by the WGPPA, under the Knowledge Sharing Committee (KSC), and then submitted to FIPP for approval in **2018**. FIPP had accorded its conditional approval to the updated Project proposal in **2019**. As part of Stage 2 of the Due Process, the Exposure Draft for a GUID was developed. FIPP reviewed the Exposure draft during the FIPP meeting on June 25, 2019 concluding the draft was not ready for the appraisal. After a series of consultations between the WGPPA and FIPP in May and December **2020**, FIPP concluded that incorporating the inputs from the INTOSAI Compliance Audit Subcommittee (CAS), Performance Audit Subcommittee (PAS) and TSF was necessary. The inputs by CAS and PAS were received in March and June 2021 respectively with TSF input received in July 2021. The FIPP reviewed the updated Exposure Draft on September 9th, 2021 and concluded the draft was not yet ready for exposure and reviewed the Draft again in October, 2021. Additional comments by FIPP members were sent to the WGPPA on November 10th, 2021 with an invitation to update and submit the Exposure Draft again for FIPP meetings in February, 2022. As part of Stage 2 of the Due Process an updated Exposure Draft was prepared and is submitted to FIPP.

The following measures have been taken by the Project Team as part of the Due Process:

- Comparison with ISSAIs 100, 300 and 400 as well as earlier ISSAIs and GOVs, to ensure alignment with the basic concepts and principles.
- Reference to the latest existing literature on the subject matter of public procurement.
- Involvement of expertise from the INTOSAI Compliance Audit Subcommittee (CAS). Inputs received from the Subcommittee have been duly incorporated into the Exposure Draft.
- Involvement of expertise from the INTOSAI Performance Audit Subcommittee (PAS). Inputs received from the Subcommittee have been duly incorporated into the Exposure Draft.
- Involvement of the TSF with respect to the technical quality.
- Involvement of SAIs, who formed part of Project Team members. Inputs received from all the member SAIs have been duly incorporated in the Exposure Draft.



- Sharing the document with members from KSC (Liaison Officer).

The endorsement of the GUID would provide guidance to auditors when auditing subject matter of Public Procurement and to apply relevant ISSAIs in the course of audit planning, conducting, reporting and follow up.

The inputs of SAIs, INTOSAI bodies and external stakeholders on this Exposure Draft are welcome at this stage.

Questions to Consider

Respondents are especially encouraged to consider the following questions:

Question 1. Does this GUID provide clear guidance that will be valuable for your SAI in carrying out the audit of public procurement activities?

Question 2. The GUID [and some of the accompanying annexes](#) provides indicative lists of audit objectives ([chapter 7](#)), audit questions ([chapter 7 and annex 4-7](#)) and sources of criteria relevant for public procurement audit ([chapter 7](#)). Do you find these [lists sufficiently clear and supportive when performing a compliance and performance audit of public procurement?](#) [Are the examples of audit questions for each of the 3Es sufficient as a support to designing performance audit question pyramids for economy or efficiency or effectiveness audits?](#)

Kommentert [AKH2]: Adjusted for clarity for the respondent

Question 3: Is this GUID comprehensive enough to assist auditors and fill potential gaps, in terms of either experience or knowledge, in such audit engagements?

Question 5: Does the GUID have the necessary flexibility to address the concerns arising in different contexts, either in the SAI environment or in the public procurement activity?

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Question 6: [Does this GUID and the accompanying annex 8 support the auditors in managing audit risk during the audit of public procurement?](#)

Kommentert [AKH4]: As audit risk is covered in the GUID and in the annex, we suggest to include a question on audit risk.