

**REPORT ON THE FOCUS GROUP MEETING
ON RESEARCH ON CONTRACT PROCUREMENT AUDIT**

18 – 20 JUNE 2014

JOHORE, MALAYSIA

1. BACKGROUND

1.1 ASEANSAI Knowledge Sharing Committee (KSC) Work Plan 2014 – 2017 was endorsed during the ASEANSAI General Assembly in Brunei Darussalam in November, 2013. Research and Seminar on Contract Procurement Audit is one of the activities planned in 2015 Work Plan. The objective is to exchange and share information, knowledge and experiences as well as identifying best practices on contract procurement audits conducted by ASEANSAI member countries. The expected deliverables are the Research Report and the Guidelines on Contract Procurement Audits. The expected date of completion of the research project will in November 2015.

2. The Focus Group Meeting (FGM) on research on contract procurement audit which was held from June 18 to 20, 2014 in Johore, was attended by 15 participants from Supreme Audit Institutions of Brunei, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines and Thailand. The Chair of the KSC, Mr Ambrin Buang who is also the Auditor General of Malaysia emphasised the role of auditors to conduct rigorous audits on procurement and contract management to ensure efficiency and value for money as the Governments worldwide incurred billions of losses and wastages on public procurement. The identification of typical pitfalls in procurement controls and potential risk areas will help the auditors to carry out effective audits. It is essential for auditors to keep themselves well-informed about government rules and regulations on contract procurement audits as well as the relevant auditing tools. He urged all the participants to tap into the wealth of experiences and expertise among the participants to develop a common understanding to come up with a comprehensive and practical framework for the auditing guidelines on contract procurement.

2. PRESENTATION OF COUNTRY PAPERS AND DISCUSSION ON THE RESEARCH FRAMEWORK

The 3-day meeting commenced with the presentation of country papers/slides from 8 SAIs as per Appendix A1 – A8. The presentations included the following matters:

1. Background – mandate to audit, rules and regulations on contract procurement, number and frequency of contract procurement audits carried out by your SAI auditing guidelines used.

2. Objectives of the audits – Is it attestation, compliance or value for money?
3. Scope (types of procurements i.e supplies or services or works), approach and methodology of audits
4. Audit Findings – Common issues highlighted.
5. Recommendations and actions taken by auditees.
6. Challenges and Lessons learnt in carrying out the audits.

RESOLUTION

- i. All the members discussed on the contents of the country papers as per **Appendix B** (Summary of discussion of the country papers). It is agreed that the country papers need to be improved since the papers will be included as annexures to the research report. SAI Malaysia will communicate further on this matter.
- ii. The proposed contents of the ASEANSAI Research Report on Public Procurement Audits were presented. Views from the members were solicited. It is agreed that the members will be given time to give feedbacks on the contents of the report.

| PROPOSED CONTENTS | |
|-------------------|---|
| 1. | Background of the Research Project |
| 2. | Introduction (Description on the audit mandate, types of audit) |
| 3. | Public Procurement Audit |
| 3.1 | Definition of Procurement |
| 3.2 | Structure of Management(Central Agency, etc) |
| 3.3 | Rules and Regulation |
| 3.4 | Types of Procurement audit/No & Frequency of audits |
| 3.5 | Audit Objectives |
| 3.6 | Audit Scope and Methodology |

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|-----|---------------------------------|
| 3.7 | Common Audit Findings |
| 3.8 | Recommendations & Actions Taken |
| 4 | Challenges & Lessons Learnt |
| 5 | Best Practices |
| 6 | Conclusion & Way Forward |
| | Annexures |

3. DISCUSSION ON GUIDELINES ON PUBLIC PROCUREMENT AUDIT

The members agreed that the topic of the guidelines be changed from contract procurement audit to public procurement audit. The proposed contents and the distribution of chapters among the members are as follows:

| PROPOSED CONTENTS | | RESPONSIBLE SAIs |
|--------------------------------|---|------------------|
| Foreword | | |
| Acronyms | | |
| Chapter 1 - Introduction | | Malaysia |
| 1.1 | Background | |
| 1.2 | Purpose and Authority of Guidelines | |
| Chapter 2 - Public Procurement | | Myanmar/Thailand |
| 2.1 | Definitions | |
| 2.2 | Types of Procurements | |
| | 2.2.1 Supply or Goods /Supply and Installation | |
| | 2.2.2 Works (construction/ infrastructure/ civil works) | |
| | 2.2.3 Services (Consultancy & Management) | |

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|--|--|-----------------------------|
| 2.3 | Rules and Regulations/Policies | |
| 2.4 | General elements of the Procurement Process | |
| Chapter 3 - Public Procurement Audit | | Brunei |
| 3.1 | Definitions | |
| 3.2 | Audit Mandate | |
| 3.3 | Types & Objectives (Financial, Compliance & Performance) | |
| 3.4 | Scope (What, When & Where) | |
| | <ul style="list-style-type: none"> • Procurement plan | |
| | <ul style="list-style-type: none"> • Tendering and awarding processes | |
| | <ul style="list-style-type: none"> • Contract management | |
| | <ul style="list-style-type: none"> • Usage of deliverables | |
| 3.5 | Audit Approach / Methodology | |
| Chapter 4 - Audit Planning | | Indonesia |
| | <ul style="list-style-type: none"> • Risk Identification & Assessment (Risk management to government and risk assessment to procurement auditing) | |
| | <ul style="list-style-type: none"> • Audit Plan (Audit Planning Memorandum/Audit Programme, materiality) | |
| Chapter 5 - Audit Execution | | Malaysia/Philippines |
| | <p>Procedures on direct purchase, competitive bidding, direct negotiation, etc</p> <ul style="list-style-type: none"> • Goods, • Services • Works | |
| Chapter 6 - Reporting | | Lao PDR |
| Chapter 7 - Matters for consideration | | Cambodia |
| | <ul style="list-style-type: none"> • Conflict of interest | |
| | <ul style="list-style-type: none"> • Collusive bidding | |

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|---------------------------------------|---|------------------|
| Chapter 8 - IT and Procurement | | KIV |
| Glossary | | |
| References (Examples) | | Indonesia |
| Annexures | | |
| | Audit Programmes | |
| | <ul style="list-style-type: none"> • Audit of the procurement plan | |
| | <ul style="list-style-type: none"> • Audit of tendering and awarding processes | |
| | <ul style="list-style-type: none"> • Audit of contract management | |
| | <ul style="list-style-type: none"> • Audit of Usage of the deliverables | |

RESOLUTION

- i. Recognising the use of information technology on processing procurement, a separate chapter on IT and Procurement will be included. The contents have yet to be determined and will be discussed in the next meeting. One of the matters to be noted is pertaining to International Standards of Supreme Audit Institutions (ISSAIs) requirement – ICATs.
- ii. It is agreed that the members will submit a write-up on the following matters:
 - Government rules & regulation/policies pertaining to public procurement
 - Audit Planning
 - Audit Execution
 - Reporting
- iii. It is proposed that examples of high impact procurement case studies be included. This matter will be further discussed in the next meeting.

4. ACTION PLANS

4.1 SAI of Malaysia will circulate the FGM report to all member SAIs before 28 June 2014.

4.2 It is agreed that the 2nd meeting of the Focus Group will be on October 27 – 30, 2014. The suggested venues are Cameron Highland, Pahang or Langkawi Island, Kedah.

4.2 Milestones agreed by the members for the preparation of the research report and the auditing guidelines are shown in the following table:

I. ASEANSAI RESEARCH REPORT ON PUBLIC PROCUREMENT AUDIT

| No. | Tasks | Timelines | Output | Responsible SAI |
|-----|---|----------------|---------------------------------------|-----------------|
| 1. | Circulation on proposed contents on Research Report | 1 July 2014 | Research Report Contents | Malaysia |
| 2. | Feedbacks from member SAIs on the proposed contents | 4 July 2014 | Feedbacks | 8 SAIs |
| 3. | Circulation of feedbacks for consensus | 11 July 2014 | Feedbacks | Malaysia |
| 4. | Circulation of 1 st draft of the research report. Feedbacks will be discussed in the 2 nd meeting in October 2014 | 3 October 2014 | 1 st Draft Research Report | Malaysia |

II. ASEANSAI GUIDELINES ON PUBLIC PROCUREMENT AUDIT

| No. | Tasks | Timelines | Output | Responsible SAI |
|-----|---|---------------|-------------------------------|-----------------|
| 1. | Circulation on proposed contents of the Auditing Guidelines on Public Procurement | 1 July , 2014 | Auditing Guidelines Framework | Malaysia |
| 2. | Feedbacks from member SAIs on the proposed contents | 4 July, 2014 | Feedbacks | 8 SAIs |

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|----|---|-------------------|----------------|----------|
| 3. | Circulation of feedbacks for consensus | 11 July 2014 | Feedbacks | Malaysia |
| 4. | Submission of Write-up <ul style="list-style-type: none"> • Rules & Regulations/Policies • Audit Planning • Audit Execution • Reporting | 11 July 2014 | Write-up | 8 SAIs |
| 5. | Submission of the draft chapters. The chapters will be discussed in the 2 nd meeting. | 19 September 2014 | Draft chapters | 8 SAIs |