



Performance Model

Contact Committee Working Group on Public Procurement



Three different levels of reflection

Meta level –
assessment of the **governments** overall procurement **strategy**

Macro level –
assessment of the **department's** procurement **function/unit**

Micro level –
assessment of a **single** procurement **project**



Structure of the Performance Model

1. **Main question** as headline
2. **Short comment** on why this question is important
3. **Detailed questions** – which represent particular aspects the auditor should consider
4. **Guidance** – references to EU Directive and regulations, findings, statements or provisions issued by other stakeholders in the field of public procurement.



META LEVEL

Point of reference for the auditor's consideration is the **national level, the political environment** that fixes conditions and rules for public procurement

The auditor seeks to assess whether the national government provides for an adequate economical environment

especially by means of legislation and administrative regulations which

- foster competition and
- fight any kind of restriction, such as fraud and corruption



Questions to be asked

- ✓ Do government policies promote fair competition?
- ✓ Does government have an overall procurement strategy?
(performance targets on cost savings or value for money obtained,
ethical guidelines)
- ✓ Are procurement policies and strategies in line with international standards

Conclusion

- Reserved for special audits
- No standard component



MACRO LEVEL

Subject of the audit is a **particular public authority** in its function to organise and operate public procurement.

In this context the auditor seeks to assess whether organisational structures and regulations are in place and effective to provide the preconditions for the achievement of value for money in this particular administration.

The auditor verifies inter alia

- whether there is a strategy to optimise procurement,
- whether the procurement process is well organised
- and the staff is well trained.

Also important: risk management, internal control and evaluation of the procurement results.



Questions to be asked

Does the administration

- ✓ use collective buying power?
- ✓ ensure that needs are met, but not exceeded?
- ✓ apply electronic procurement to reduce transaction costs ?
- ✓ evaluate procurement function and efficiency regularly?

Has it

- ✓ set up guidelines for how procurement should be conducted?
- ✓ trained staff properly
- ✓ installed an effective internal control system?
- ✓ established an effective risk management system?



Conclusion

An audit on the macro level

does not

- assess the outcome of a particular procurement process
- verify whether value for money has been achieved

but

- evaluates the organisation and the internal regulations which govern the procurement process



MICRO LEVEL

Point of reference for the audit is the **individual procurement** procedure. The auditor has to verify whether preparation and execution of the particular award have been designed to guarantee economy, efficiency and effectiveness.

On this level **performance audit is closely connected with compliance**. The European and national laws provide for a rather narrow framework which has to be respected. Good performance must be achieved within legality. However, this still leaves considerable scope for the public authority to optimise the procurement in terms of value for money.



Questions to be asked

Planning

- ✓ Is an appropriated degree of standardization of goods and services respected?
- ✓ Is a cost/benefit analysis, a cost/effectiveness or a financial analysis considering life-cycle costs performed and is the funding of the procurement guaranteed?
- ✓ Is the appropriate procurement approach being chosen?
- ✓ Is a risk evaluation performed?



Questions to be asked

Implementation

- ✓ Is the opportunity / call for tender properly published?
- ✓ Is the performance description clearly and comprehensively specified ?
- ✓ Are prequalification criteria of suppliers (size of company, experience, capacity) properly defined and applied?
- ✓ Is evaluation of tenders objective and transparent and based solely on the published criteria?
- ✓ Is the contract awarded to the tender who best meets the relevant criteria?



Questions to be asked

Management

- ✓ Does the contract meet criteria of completeness and consistency?
- ✓ Are contract changes after awarding properly justified and executed?
- ✓ Are internal control mechanisms performed before payments?
- ✓ Are the established budget and timetable (milestones) respected?



Conclusion

An audit on the micro level

- is always closely related to compliance audit. Many aspects can not be properly assessed without prior verification that the legal requirements are met. This refers especially to the questions relating to the implementation. To this end it makes sense to apply also the checklist on financial audit.
- That applies also the other way round. The auditor in a compliance audit may receive some additional benefit from integrating aspects of performance in his concept. He may show that though the auditee applied the rules properly he might have performed better.



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