

Fraud-case study 1

It is about tendering scholastic stationery goods (books etc.)

Workshop assignment was:

“deliver a detailed concept for an audit plan, list your findings and conclude on the usefulness of the PPCU-checklists”.

Procurement characteristics

Authorities policy objective is:

” to enlarge tender-opportunity for small(er) companies”

Why this policy?

“ authority wants to empower previously disadvantaged persons”

- In practice: the small companies take awarded tenders to major suppliers!

How to audit the process and the outcome of tender?

Make a detailed audit plan:

- Determine your audit objective(s)
- What do you want to deliver?
- What to do, to enable deliverance?
- How to proceed?
- Timing

Workshop results

Conducting an audit plan

Step 1

- Determine type of audit (compliance audit)
- Select fully skilled auditors and/or hire independent engineering/contracting expertise
- Check whether allegations are true or false
- Check whether the policy is national or just tender-related and whether standards are clear and made public to all relevant actors

Audit tasks-1

Step 2: audit tasks

- Collect and examine all available and time related “in house” documents and the officials involved (preparation phase)
- Contact responsible management of department
- What standards and criteria are relevant and transparent (and known to all stakeholders)?
- Check the procedure(s): draft of tender, who had decisive and approving powers? Same or changing officials?
- Tenderers that were not awarded contract on lowest bid: find out why!

Audit tasks-2

- **Check information and background of bidders to detect collusion risks by:**
 - asking for tax clearance certificate;
 - checking commercial register and tax department tender data (and focus on linked information to other firms, tenders and main suppliers and their stakeholders (to detect suspicious connections);
 - how long in business?
 - make a list of personal and managers employed
 - security check
- Check the authenticity/genuinity of all documents .

Audit tasks-3

- Check indentity of contracting officials (same as always or not)
- Check independency of tendering committee members and ex-post monitoring committee members
- Use all available *independent* resources to get 100% evidence that is needed to give proove of fraude or abusive activities/constructions

Audit tasks-4

What to audit?

- **Authenticity of documentation**
- **Position and role of officials**
- **Former cases of collusion same tenders involved**
- **Date of business start of “new tenders”**
- **Internal controls were in place and were carried out independently (not connected to officials)**

Preliminary conclusion on the
“usefulness of PPCU-guidelines” in
this case ?

Guidelines (pg. 115-119-165-168-177 GL) offer
a good and practical framework
but.....

>>Auditors should always trust and use there
creative expertise and rely on any proven basic
methods to detect anomalies that could point to
collusion situations that may conflict with
national and EU-regulations or damage state
interests! <<