

Audit Case

Workshop about applying the checklist on Financial Audit of Public Procurement

Task:

Draw up an audit programme

Please take the following facts and instructions as a basis:

The audit plan for the next **six months** includes an audit of the financial management of the Ministry of the Environment. The audit is to focus on what goods and services the department has procured in recent years. You shall assess whether the procurements did comply with the provisions of procurement law and achieved value for money. Apart from its Berlin headquarters, the Ministry has four branch offices (in Bonn, Frankfurt, Rostock and Magdeburg).

You have been tasked to draw up an audit schedule for an **audit team with three auditors**. You have been able to extract the attached information on two current invitations to tender from the TED. Furthermore, you have retained two notes on procurement projects produced in the course of an earlier audit of the Ministry.

Enclosures

Procurement One

Foyer

Note:

Subject: Furnishing of the foyers in the Ministry of the Environment

Reasons for and definition of need

Encl.: Design proposal of the company S of 21 December 2006

Sales literature

1. Justification of requirements

Since the removal to new premises, the foyer in the building does not have any seats for visitors.

Due to the increasing interest in using the new premises also for events with external – frequently international – visitors, the provision of a representative lounge suite is imperative.

Based on the design proposals of the company S., the following design was chosen on the basis of a comparison of various models from the same manufacturer and from other manufacturers. The alternative options either did not promise significant cost savings or were not sufficiently visually appealing for the intended use.

The decisive criteria for the choice of the items to be procured were the shape and colour and the symbiosis of functionality and aesthetics in relation to the existing premises.

To carry out the procurement, five specified traders are to be asked to submit a tender.

Procurement law generally requires that any contract for supplies or services must be awarded on a basis of an unrestrictive invitation to tender. A deviation from this principle is permitted only in exceptional circumstances and subject to strict condition. In this instance, a contract award by negotiated procedure might be admissible.

The total value is estimated at about €140,000. In principle, it is problematic to specify the make or brand of the goods to be procured. In the present case, the specific features of the premises and the enhanced representative character could be decisive.

Concerning the project designer, it is necessary to ensure that genuine competition takes place among the five bidders and that the project designer, which in the present case is the company S. cannot exploit any market advantage. Such an advantage could be considered to exist where one of the bidders have been commissioned to work out the furniture concept. On the other hand, however, the product can also be delivered by other furniture suppliers. Hence, there is no objection to admitting the company S. as a bidder.

2. Letter

Award of a public contract

Subject: Invitation to tender within a competition among traders

Ladies and Gentlemen,

The foyer in the main building of my Bonn headquarters is to be furnished with a lounge suite. The design and make were determined beforehand on the basis of a furnishing plan. To ensure competition, I wish to award the contract by means of a restricted invitation to tender.

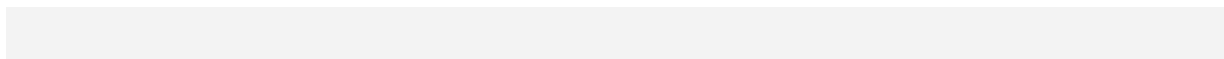
The following items are to be supplied:

| Number | Item |
|--------|---|
| 5 | double-seater couch, manufacturer W&K, series F width: 150 x depth: 80 x height: 73 cm trestle made of steel, chromium-plated leather cover of the brand congress, colour 270 papaya |
| 3 | Upholster bench, 3-seater, manufacturer W&K, series F width: 175 x depth: 70 x height: 42 cm trestle made of steel, chromium-plated leather cover of the brand congress, colour 270 papaya |
| 2 | armchair, manufacturer W&K, series F width: 80 x depth: 80 x height: 73 cm trestle made of steel, chromium-plated leather cover of the brand congress, colour 270 papaya |
| 7 | table, manufacturer W&K, series F width: 65 x depth: 65 x height: 38 cm trestle made of steel, chromium-plated table top made of crystal glass |
| 6 | floor lamp "number one", manufacturer B height 150 cm polyester fleece |

Parallel or alternative tenders will not be admitted. A tender for the furniture listed above is requested. The delivery date is to be theth calendar week of(Year).

The flooring is made of natural stone. The premises may be seen on request. An appointment for doing so will have to be agreed on a timely basis.

To enable me to decide about the contract award delay and in view of the desired delivery date, I request a binding written tender **on or before(date) ... a.m. (time)**.



Procurement Two

Guest rooms

1. Note

Each of the guest rooms in the Academy of the Ministry of the Environment has been provided with a visitor's chair. Since the relocation from Siegburg to Brühl in 1994, these chairs have been used almost daily. The seat and backrest cushions have frayed strongly due to long years of use. The trestles also have become shabby. Repairing the chairs is impossible because the fabric is no longer available and the costs of repair would amount to about 50 per cent of a new chair. Therefore, the existing chairs must be discarded and scrapped.

a) Procurement visitor's chair residential building

Based on a pre-selection and on experience with chairs made available temporarily for testing, the model of the company D turned out best and was specified in the invitation to tender. It looks well against the other furnishings of the room and, according to the administrative staff who participated in the test, it meets the ergonomic requirements best.

b) Contract award

The contract was awarded by negotiated procedure. Based on their size and ability to perform, all contractors contacted are able to submit cost-effective tenders. The price range for chairs of the specified quality is known from trade fair catalogues and internet presentations. A public invitation to tender is not likely to obtain better value for money.

2. Letters to the companies

(list of companies invited to submit tenders, all of which are based in Bonn or vicinity)