STRENGTHENING PROCUREMENT AUDIT PRACTICES & COMPLIANCE IN THE CARIBBEAN

Compendium Report of Collaborative Procurement Audits Undertaken in Select Caribbean Countries

Submitted By: ML Consulting Services
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OVERVIEW

About CAROSAI

The Caribbean Organization of Supreme Audit Institutions (CAROSAI), an INTOSAI regional organization, comprises twenty-three (23) Supreme Audit Institutions (SAIs).

Core Mission

CAROSAI’s core mission is to build stronger SAIs in the Caribbean.

Strategic Mandate

1) To support the management and reporting in SAIs
2) To support the implementation of International Standards of Supreme Audit Institutions (ISSAI’s) for high quality audits
3) To support enhanced SAI-stakeholder engagement for greater audit impact

Project Rationale

In July 2016, CAROSAI conducted a survey to determine the mandate, needs and priorities of all its members. The adoption and implementation of ISSAI was identified as a critical capacity building need for most SAIs. In pursuit of addressing this need the CAROSAI Secretariat, through the joint support of the World Bank and the Inter-American Development Bank (IDB), spearheaded an initiative for collaborative audits on procurement. The programme of activities commenced with a workshop in Jamaica from 29th May 2017 to 2nd June 2017. Arising from the workshop selected SAIs were tasked to conduct a collaborative procurement audit in their respective countries.

The focus of the collaborative audit was on Public Procurement, defined as the delivery of goods and services to the Public Sector which are derived from external sources. These goods and services must be procured at the best possible cost to meet the needs of the government in terms of quality, quantity and time, while complying with the applicable laws.
THE PROCUREMENT PROCESS

The **Procurement Process** involved the five (5) important phases listed below:

1. **Planning**
2. **Bidding**
3. **Evaluation**
4. **Contract Finalization**
5. **Contract Management/Implementation**

The procurement processes are intended to promote transparent, fair and open competition while minimizing exposure to risks, fraud, and collusion.

**Project Results**

The results of the collaborative procurement audit undertaken simultaneously by selected SAIs in their respective jurisdictions are herein compiled as a compendium report. The report highlights commonalities across eight (8) SAIs and aims to share audit methodologies and approaches, with a view to utilising the best and most up-to-date and appropriate practices. Additionally, it is intended to serve as a tool for knowledge-sharing and a baseline for procurement audit in the Caribbean providing insights on government’s engagement and compliance with procurement rules and recommendations for enhanced procurement practices.

The anticipated users of the report are:

- Government entities
- Internal audit office of Government Ministries and Departments
- Supreme Audit Institutions (SAIs)
This report highlights the findings from the following eight member states of CAROSAI that conducted collaborative procurement audits:

Each participating SAI chose a department or ministry from their respective country to conduct a procurement audit. The audits were conducted simultaneously as part of a knowledge-sharing approach in reviewing procurement activities. The purpose of these audits was to assess the general adequacy of procurement practices across the region.

The summary of the audits - scope, findings, recommendations and conclusions - conducted are set out below.
**AUDIT SCOPE SUMMARIES**

- **Bahamas Public Hospitals Authority**
  - The overall objective of the audit was to review the procurement practice of Public Hospitals Authority (PHA) namely, Princess Margaret Hospital, Rand Memorial Hospital and Sandilands Rehabilitation Centre and to determine if the procurement practices are in compliance with the relevant acts, legislation and procedures.

- **Barbados Water Authority**
  - The main objective of this audit was to determine whether the Barbados Water Authority’s actions in respect of the acquisition of water tankers were in compliance with its procurement procedures and directives.

- **Ministry of Health of Belize**
  - The Office of the Auditor General of Belize conducted an audit of the procurement of medical equipment purchased by the Ministry of Health of Belize.

- **Department of Public Works Curaçao**
  - The public procurement practice of the Department of Public Works of the Ministry of Traffic, Transport and Urban Planning was audited by the Supreme Audit Institution of Curaçao. The audit was performed to provide the Parliament, taxpayers and the public in general with the assurance that the funds entrusted to the government were spent legitimately.

- **Ministry of Education Guyana**
  - The audit sought to obtain sufficient evidence to enable the Auditor General to determine whether the procurement practices of the Ministry of Education complied in all material respects with the relevant acts, regulations and policies governing the procurement of textbooks.

- **Ministry of Communication (MCWL) Montserrat**
  - The Office of the Auditor General conducted an audit of the procurement and contracting practices of the Ministry of Communication, Works and Labour (MCWL) National Information and Communications Technology (NICT) project and whether the procurement practices comply with the relevant acts regulations and directives.

- **Basic Needs Trust Fund St.Kitts**
  - The National Audit Office in St. Kitts conducted a compliance audit on the Cayon Primary School Roof Renovation Project, a BNTF project. The audit was conducted to determine if the procurement activities of the Cayon Primary School Roof Renovation Project were done in compliance with the relevant regulations, policies, guidelines and best practices.

- **Ministry of Public Works Suriname**
  - The Supreme Audit Institution of Suriname conducted an audit of the Ministry of Public Works, Transport and Communication to assess whether the resources of the Ministry were managed in accordance with good financial management and accountability procedures.
AUDIT METHODOLOGY SUMMARY

Testing of appropriate controls and substantive procedures are necessary in achieving audit objectives. The commonalities in audit methodology utilized by the participating SAIs are outlined below and can serve as best practice within the SAIs across the region:

☐ Audit conducted in accordance with the International Standards of Supreme Audit Institutions.

☐ Assessment of the control environments to ensure that the review process examined all the relevant controls and procedures.

☐ Examination of files and documents pertaining to the procurement systems and processes.

☐ Interviews with key persons involved in the procurement and other processes (management, legal division, and other Senior Officials) and a thorough review of the relevant procurement contracts to gain an understanding of the entity and evaluate its procurement processes (planning, sourcing and contract management) for compliance with the relevant laws and regulations.

☐ Review of the applicable guidelines, policies and procedures governing procurement by the entity to assess compliance.
## SUMMARY FINDINGS

<table>
<thead>
<tr>
<th></th>
<th>Planning</th>
<th>Bidding</th>
<th>Evaluation</th>
<th>Contract Finalization</th>
<th>Contract Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bahamas</td>
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<td>P</td>
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<tr>
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<tr>
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<tr>
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<tr>
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<tr>
<td>Montserrat</td>
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<td>Suriname</td>
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</tbody>
</table>

**Key to Grid**

- **C** = Compliant
- **P** = Partially Compliant
- **N** = Non-Compliant

*Note: Grid Compiled Based on Direct and Indirect Statements Made in the respective Procurement Audit Reports*
ANALYSIS AND SUMMARY CONCLUSIONS

Overall, only 1 out of 8 or 12.5% of the countries audited was compliant in the Planning Phase; 1 or 12.5% in the Bidding Phase; none in the Evaluation Phase; none in the Contract Finalization Phase and 1 or 12.5% in the Contract Management Phase of the projects undertaken.

This means that non-compliance and partial compliance was recorded at an average of 92.5% across the procurement process, with non-compliance as a single metric reaching as high as 87.5% during the Contract Finalization phase. If these statistics are representative of the public procurement process across Caribbean States, then this is a major cause for concern. The statistics suggest that the recommendations made by the auditors need to be urgently adopted within these territories in order to increase effectiveness and efficiency in the public procurement of goods and services.

Best Practice Tool

The Bahamas audit identified the use of the Online Tender Management System as a useful tool for managing the procurement process. Despite challenges with the implementation of this system, it still represents the best opportunity for the effective management of projects. Once the inefficiencies found in the electronic submission system are identified and corrected, this tool should be adopted as a BEST PRACTICE across the Region in the procurement of public goods and services.
## SUMMARY RECOMMENDATIONS

### Recommendations

The cross-cutting recommendations from the collaborative audits are set out below and serve as a guide to strengthening procurement audit best practices across the SAIs. The recommendations also provide a baseline for procurement practices in the Caribbean towards greater efficiency and transparency.

<table>
<thead>
<tr>
<th>RECOMMENDATIONS (Planning Phase)</th>
<th>RECOMMENDATIONS (Bidding, Evaluation &amp; Contract Finalisation Phase)</th>
<th>RECOMMENDATIONS (Contract Management Phase)</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Proper inventory of goods and/or equipment to be procured</td>
<td>• Formal approval of project plans and implementation schedules</td>
<td>• Projects must be managed in accordance with procurement regulations</td>
</tr>
<tr>
<td>• Declaration of conflicts of interest</td>
<td>• Creation of clear evaluation criteria and recording bid scores</td>
<td>• Stronger internal controls</td>
</tr>
<tr>
<td>• Register of all contracts approved by a tendering committee</td>
<td>• Publicizing awards of contracts</td>
<td>• Implement sanctions for non-performance and non-compliance with regulations</td>
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<tr>
<td>• Clear roles and responsibilities of those involved in managing projects</td>
<td>• Review of contracts by an Attorney-at-Law before signing</td>
<td>• Effective documentation and maintenance of records</td>
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<tr>
<td></td>
<td>• Online Tender Management System</td>
<td>• Effective and ongoing monitoring and reporting on all areas of the procurement process</td>
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<td></td>
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<td>• Board and Ministry approval of major contracts required</td>
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<tr>
<td></td>
<td></td>
<td>• Formal approval for changes in scope to projects is required.</td>
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<td>• Debar listing (record of all vendors excluded from bidding) should be established</td>
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<td></td>
<td></td>
<td>• Payments should be made in accordance with agreed guidelines and procedures</td>
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<td></td>
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<td>• Reporting obligations with the relevant supporting documentation need to be enforced</td>
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<td>• Formulation of timely policies governing projects</td>
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<td>• Development of Risk Identification and Mitigation measures</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Formal approval of project plans and implementation schedules</td>
</tr>
</tbody>
</table>
A project of the CAROSAI Secretariat, with joint support from the World Bank and the Inter-American Development Bank (IDB).