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A SYSTEM OF INTERNAL AUDIT PROCEDURES FOR PUBLIC PROCUREMENT (BASED ON INTERNATIONAL STANDARDS)

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Abstract. This article develops a system of internal audit procedures for public procurement. Based on ISSAI 4000, ISSAI 300, and GUID 5280, the study proposes stage-specific audit procedures, checklists, and a four-element structure of an audit finding (criteria–condition–cause–effect). The proposed system comprises six principal types of audit procedures, contributes to reducing methodological differences in audit practice, and supports greater consistency in audit quality. The findings may contribute to improving the quality of public procurement audits and strengthening coordination between internal and external audit functions.

Keywords: public procurement, internal audit, audit procedures, checklist, ISSAI, GUID 5280, working papers, structure of audit findings, standardisation.

Аннотация. В статье разработана система процедур внутреннего аудита государственных закупок. На основе стандартов ISSAI 4000, ISSAI 300 и руководства GUID 5280 предложены специальные аудиторские процедуры для отдельных этапов государственных закупок, контрольные перечни, а также четырёхэлементная структура аудиторского наблюдения: критерий, фактическое состояние, причина и последствие. Предлагаемая система включает шесть основных видов аудиторских процедур, способствует сокращению методологических различий в аудиторской практике и обеспечивает более последовательный подход к качеству аудита. Полученные результаты могут способствовать повышению качества аудита государственных закупок и укреплению координации между функциями внутреннего и внешнего аудита.

Ключевые слова: государственные закупки, внутренний аудит, аудиторские процедуры, контрольный перечень, ISSAI, GUID 5280, рабочие документы, структура аудиторских наблюдений, стандартизация.

INTRODUCTION

The effectiveness of internal audit in the field of public procurement largely depends on the proper organisation and application of audit procedures. Audit procedures represent a set of specific actions performed by auditors to obtain audit evidence and assess the procurement process. Their systematic application and standardisation ensure the quality of audit work and the reliability of audit results.

Audit procedures constitute a central element of the audit process. The primary objective of an audit is to obtain sufficient and appropriate evidence regarding the procurement process and to form an objective conclusion based on the collected evidence. This objective can only be achieved through properly designed and consistently implemented audit procedures. Therefore, the selection, sequencing, and application of audit procedures are among the key factors determining audit quality.

In practice, public procurement audits may be conducted using different methodological approaches. Such methodological variation may result in inconsistencies in audit quality, insufficient consideration of significant issues, and difficulties in comparing audit results. Therefore, the development of a unified system of public procurement audit procedures based on international auditing standards remains an important methodological task.

Within the framework of public procurement reforms in the Republic of Uzbekistan and the introduction of internal audit institutions, the standardisation of audit procedures has become increasingly important. The purpose of this article is to develop a system of audit procedures for different stages of public procurement based on the requirements and principles of international standards, including ISSAI and IIA standards.

LITERATURE REVIEW

Audit procedures and methodological approaches to their application are extensively addressed in international auditing standards. The INTOSAI ISSAI 4000 Compliance Audit Standard establishes principles for selecting audit procedures and collecting audit evidence. ISSAI 300 provides methodological principles for performance auditing, while GUID 5280 contains specific guidance on conducting public procurement audits. Together, these standards form a methodological foundation for developing a comprehensive system of public procurement audit procedures.

In the field of internal audit, L. Sawyer (2012) and R. Moeller (2016) have provided systematic descriptions of audit procedures and approaches to their application. N. Kazakova (2019) examined audit evidence and methods of its collection, while V. Burtsev (2000) analysed the role of audit procedures within the system of public financial control.

The concept of audit evidence is closely interconnected with audit procedures. According to international auditing standards, audit evidence must be both sufficient and appropriate. Sufficiency relates to the quantity of evidence obtained, whereas appropriateness refers to its relevance and reliability. Audit procedures are designed to obtain such evidence, which highlights the importance of selecting and applying appropriate procedures.

The standardisation of audit procedures occupies an important position in modern audit theory and practice. Standardised procedures reduce the influence of auditor subjectivity, ensure a consistent level of audit quality, and improve the comparability of audit results. This issue is particularly relevant in the public sector, where audit outcomes are subject to increased accountability and public scrutiny.

The specifics of public procurement auditing have been examined in international studies (Arrowsmith, 2014; Thai, 2009). The organisational aspects of internal audit have been explored by domestic researchers (Ilhamov, 2019; Abdieva, 2022). However, a comprehensive system of public procurement audit procedures that integrates checklists and a structured classification of deficiencies adapted to each procurement stage remains insufficiently developed. This research gap determines the relevance of the present study.

RESEARCH METHODOLOGY

The study analyses international auditing standards, including ISSAI 4000, ISSAI 300, GUID 5280, and IIA standards, and adapts their principles to the context of public procurement auditing. A systematic approach was applied to develop audit procedures as an integrated methodological framework.

Methods of analysis and synthesis were used to classify audit procedures according to their types and corresponding procurement stages. The grouping method was applied to systematise procedures by stages of the procurement process, while the method of logical generalisation was used to formulate conclusions and develop recommendations.

The study involved analysing risks associated with each stage of public procurement and identifying corresponding audit procedures. Checklists and a structured classification of deficiencies were developed based on international audit practices and the specific characteristics of the public procurement sector.

ANALYSIS AND RESULTS

The proposed system of internal audit procedures for public procurement is based on the principles of international auditing standards. ISSAI 4000 Compliance Audit Standard provides the methodological basis for assessing the legality and compliance of procurement processes. ISSAI 300 Performance Audit Principles establish the framework for evaluating the economic, efficient, and effective use of public funds, while GUID 5280 provides specific guidance for auditing public procurement processes. The IIA standards define the general principles and requirements applicable to internal audit activities.

The ISSAI 4000 Compliance Audit Standard establishes requirements regarding the selection of audit objectives, collection of evidence, evaluation of compliance criteria, and formulation of audit conclusions. GUID 5280, in turn, addresses specific aspects of public procurement auditing, including procurement methods, competition, transparency, and contract implementation. The integration of these standards creates a comprehensive methodological foundation for conducting public procurement audits.

The ISSAI 300 Performance Audit Principles focus on assessing whether public resources are used economically, efficiently, and effectively. This standard enables auditors not only to evaluate compliance with procurement requirements but also to assess the value and outcomes achieved through procurement activities. Therefore, the proposed system combines both compliance audit and performance audit approaches.

The proposed methodology is based on six main types of audit procedures. These procedures enable auditors to obtain sufficient and appropriate evidence from multiple sources and provide a comprehensive assessment of the procurement process. The classification of audit procedures and their application areas are presented in Table 1.

Table 1
Main Types of Public Procurement Audit Procedures

Procedure type	Description	Application example
Inspection	Examination of documents, records, and tangible assets	Verification of procurement documentation, contracts, and related records
Inquiry	Obtaining oral or written information from relevant persons	Requesting explanations from members of the procurement commission
Confirmation	Obtaining written confirmation of information from an independent third party	Receiving confirmation from suppliers or other external parties
Recalculation	Verification of the mathematical accuracy of calculations	Recalculation of the initial estimated procurement price
Observation	Direct monitoring of a process or activity	Observation of goods receipt and acceptance procedures
Analytical procedures	Analysis and comparison of data to identify relationships, trends, or anomalies	Comparing procurement prices with market prices

Source: Author's elaboration based on ISSAI 4000.

The types of procedures presented in the table are applied to different audit tasks depending on the objectives and characteristics of the audit engagement. For example, inspection and recalculation procedures are used to verify the accuracy and completeness of procurement documents and financial calculations, while inquiry and confirmation procedures provide additional information from relevant parties. Observation and analytical procedures enable auditors to assess procurement processes and analyse relevant data. The selection of appropriate procedures is determined by the specific circumstances and risks associated with each audit object.

Public procurement audits rely on evidence obtained from various sources, including procurement documentation, data extracted from electronic procurement systems such as kharid.uzex.uz, contracts, payment records, and confirmations from third parties. Electronic system data may constitute a valuable source of audit evidence because it provides traceable records of procurement transactions. However, its reliability depends on the effectiveness of system controls, access management, data completeness, and safeguards against unauthorised modification. Therefore, the auditor should assess the reliability of such evidence by considering its source, the method by which it was obtained, the controls governing its generation and storage, and the circumstances in which it was produced.

The effectiveness of an audit largely depends on the appropriate selection and combination of audit procedures. In certain cases, a single procedure may provide sufficient evidence, whereas other situations require the application of several complementary procedures. For instance, when assessing contract execution, auditors may combine document inspection, observation of goods delivery and acceptance processes, and recalculation of related payments. Such a combined approach enhances the sufficiency and reliability of audit evidence.

The sequence of audit procedures is also an important element of an effective audit methodology. As a rule, an audit begins with general procedures, such as reviewing procurement documentation and understanding the overall process, followed by more detailed procedures focused on specific risks, including the examination of individual contracts or transactions. This structured approach enables auditors to obtain a comprehensive understanding of the procurement process and identify areas requiring further examination.

A distinctive feature of the proposed system is the adaptation of audit procedures to the specific stages of the public procurement process. Since each procurement stage involves different risks and control objectives, corresponding audit procedures are defined for each stage. The main audit procedures applicable to different stages of public procurement are presented in Table 2.

Table 2
Main Audit Procedures by Public Procurement Stage

Procurement stage	Key audit procedures
Procurement planning	Assessing the justification of procurement needs, reviewing the procurement plan and analysing amendments made to it
Determination of the initial estimated price	Verifying the accuracy of price calculations and comparing the estimated price with market prices
Selection of the procurement method	Assessing the legality and justification of the selected procurement method
Evaluation of bids/proposals	Examining the objectivity of evaluation criteria and verifying the accuracy of evaluation results
Contract conclusion	Assessing the legality of contract terms and their compliance with procurement requirements and outcomes
Contract execution	Monitoring the delivery of goods, performance of works or provision of services, as well as verifying payments and fulfilment of contractual obligations

Source: Author's elaboration based on GUID 5280.

The audit procedures defined for each procurement stage are designed to identify risks specific to that particular stage of the procurement process. For instance, during the planning stage, auditors examine risks related to the inaccurate estimation or inappropriate division of procurement needs. At the stage of initial estimated price determination, the focus is placed on identifying unjustified price increases, while during the evaluation of bids or proposals, auditors assess risks associated with unequal treatment of participants and potential deviations from objectivity principles. The adaptation of audit procedures to individual procurement stages ensures a more targeted and effective audit process.

To ensure the consistent and comprehensive application of audit procedures, checklists are developed for each stage of the procurement process. A checklist represents a structured set of questions and verification actions that guide the auditor during the examination of specific areas. The use of checklists ensures a uniform audit approach, reduces the risk of omitting significant issues, and contributes to the standardisation of audit quality.

For example, a checklist for the procurement method selection stage may include questions such as: Is the selected procurement method consistent with legal requirements? Was a competitive procurement method avoided without sufficient justification? Does the estimated procurement value comply with the applicable thresholds for the selected method? Such questions help auditors conduct a systematic and objective assessment of the procurement decision-making process.

Within the proposed system, audit procedures and checklists are applied as interconnected elements of the audit methodology. For example, during the evaluation of bids or proposals, the auditor initially examines the evaluation report through inspection procedures, then analyses the compliance of evaluation criteria with regulatory requirements using analytical procedures. Where necessary, additional information is obtained through inquiries directed to procurement commission members, and the results are documented using the relevant checklist. This integrated approach enables the identification of potential subjectivity or bias in the evaluation process.

Another important advantage of checklists is their contribution to the documentation and monitoring of audit results. A completed checklist provides a structured record of the issues examined during the audit, the procedures performed, and the identified findings. This supports quality assurance processes within the internal audit function and facilitates subsequent reviews or follow-up audits.

Checklists can be adapted to the characteristics of individual organisations and different types of procurement activities. A standard checklist may serve as a basic framework and can be expanded, modified, or simplified depending on the specific features of a particular procurement process. Such flexibility allows checklists to be effectively applied in various operational contexts. At the same time, maintaining a core set of mandatory questions across all checklists ensures a minimum consistent audit standard.

To provide a systematic description and classification of deficiencies identified during public procurement audits, the proposed system introduces a four-element deficiency structure. This structure improves the quality and reliability of audit conclusions by ensuring that each identified deficiency is described in a complete, consistent, and evidence-based manner. The four-element structure of audit deficiencies is presented in Table 3.

Table 3
Four-Element Structure of an Audit Deficiency

Element	Content	Clarifying question
Criteria	The expected condition established by laws, regulations, standards, or contractual requirements	What should have occurred according to the applicable requirements?
Condition	The actual situation identified during the audit	What actually occurred in practice?
Cause	The underlying reasons that led to the identified deficiency	Why did the deficiency occur?
Effect	The consequences, risks, or potential impact resulting from the deficiency	What consequences or impact resulted from the deficiency?

Source: Author's elaboration based on ISSAI 4000..

The four-element structure enables auditors not only to identify deficiencies but also to analyse their underlying causes and consequences. This approach creates a methodological basis for developing justified and practical recommendations. For example, if the audit criterion requires the use of a competitive procurement method, the actual condition is identified as single-source procurement, the cause is inadequate procurement planning, and the effect is a reduction in competition, the recommendation should focus on improving the planning process.

Audit conclusions are formulated based on the results of performed procedures and identified deficiencies. The conclusion provides an overall assessment of the legality, economy, efficiency, and effectiveness of the procurement process, together with a summary of identified findings. The description of deficiencies using the four-element structure ensures that audit conclusions are well-founded, transparent, and understandable for users of audit reports.

The results of audit procedures are documented in audit working papers. Working papers contain information on procedures performed, evidence obtained, and conclusions reached during the audit engagement. They play an important role in ensuring audit quality control, supporting audit conclusions, and facilitating coordination with external audit bodies.

Audit procedures, checklists, and working papers are integrated into a comprehensive audit programme. An audit programme defines the audit objectives, scope, timing, procedures to be performed, and responsibilities of audit team members. It ensures that audit activities are conducted systematically and consistently in accordance with established methodological requirements and international auditing principles.

When developing an audit programme, the risk profile and materiality level of the procurement object are taken into consideration. For high-risk procurement activities, the audit programme includes more extensive procedures and a deeper level of examination, whereas lower-risk procurement activities may be subject to a simplified audit approach. This risk-based allocation of procedures contributes to the efficient use of audit resources.

The proposed system of audit procedures is closely integrated with risk-based auditing and the concept of materiality. The assessed level of risk and materiality determine the scope, depth, and nature of audit procedures. Accordingly, high-risk procurement activities require more comprehensive testing and detailed examination, while lower-risk areas may require limited procedures. This relationship ensures that the audit process functions as a coherent and logically structured system.

The standardisation of audit procedures provides several important advantages. First, it ensures a consistent level of audit quality. Second, it improves the comparability of audit results across different procurement objects. Third, it facilitates auditor training and performance evaluation. Fourth, it strengthens the integration of internal audit results with external audit activities.

The integration of standardised audit procedures with external audit mechanisms is particularly significant. Audit evidence collected and working papers prepared by the internal audit function using standardised procedures may be considered by external auditors, subject to their assessment of the internal audit function and the relevance, sufficiency, and quality of the work performed. Such coordination may reduce unnecessary duplication and contribute to the overall efficiency of the public financial control system.

The audit report should include recommendations aimed at addressing identified deficiencies. Recommendations should be specific, practical, and focused on corrective actions. The "cause" element within the four-element deficiency structure provides a foundation for developing targeted recommendations. The implementation of recommendations should be monitored through follow-up audits, thereby strengthening the corrective and preventive functions of internal audit.

The proposed system of procedures also provides a mechanism for audit quality assurance. The head of the internal audit function reviews the procedures performed, completed checklists, and audit working papers to ensure compliance with established methodological requirements. Such quality control procedures enhance the reliability of audit results and enable timely identification and correction of methodological weaknesses.

Furthermore, the standardised procedure system serves as a foundation for auditor training and professional development. New auditors can adapt more quickly through the use of structured procedures and checklists, while experienced auditors can perform their activities within a unified methodological framework. This contributes to strengthening the overall institutional capacity of the internal audit function.

CONCLUSIONS AND RECOMMENDATIONS

Based on the conducted research, the following conclusions have been drawn regarding the system of internal audit procedures for public procurement.

First, methodological differences in the organisation of public procurement audits may result in inconsistent audit quality. Therefore, the development of a unified system of procedures based on international auditing standards is necessary.

Second, the procedure system developed in this study, based on ISSAI 4000, ISSAI 300, and GUID 5280, includes six main types of audit procedures, stage-specific procedures for different phases of procurement, and structured checklists.

Third, the four-element structure of audit deficiencies (criteria–condition–cause–effect) enables auditors to provide a comprehensive description of identified issues and develop well-grounded recommendations.

Fourth, the standardisation of audit procedures may improve audit quality, enhance the comparability of audit results, and strengthen coordination between internal and external audit institutions. It is recommended that the proposed approach be considered in the development of methodological guidelines and practical manuals for public procurement audits.

Fifth, the practical implementation of the proposed system requires the development of appropriate methodological materials, including audit programmes, checklists, and guidance documents for auditors. The proposed approach may contribute to improving the quality of public procurement audits and supporting the gradual alignment of audit practices with internationally recognised principles and standards.

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