



ORGANISATION FOR ECONOMIC
CO-OPERATION AND DEVELOPMENT

RISK MAPPING METHODOLOGY

DEVELOPING PRACTICAL TOOLS FOR PROCUREMENT

*Workshop on Investment and Anti-
Corruption Policies in the framework of the
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Structure of the presentation

- Part A) Risk Mapping – The Theory
- Part B) Practical Application to Develop Tools – The Case of Public Procurement in Iraq

Part A

Risk Mapping – The Theory

OBJECTIVES OF RISKS MAPPING

- Put in place efficient means to reduce risks of frauds and corruption;
- Have more efficient investigations by concentrating the efforts on “sensitive” processes, methods or persons.

WHAT ARE THE RISKS?

- Organisation of the unit or entity
- Processes used
- Persons in charge

ONE UNIQUE METHOD : AUDIT

ORGANISATIONAL AUDIT

- What are the tasks and real activities of the different persons involved in the process?
- According to which delegations (of power or of signature) are they acting?
- To whom do they have to report?
- What are the controls (internal, external) in place?
- Who is responsible for the control?

PROCESS AUDIT

- Which rules have to be applied?
- Who is in charge of the control of the implementation / enforcement of these rules?
- What are the necessary authorisations to obtain before acting?
- Are these authorisations relevant? Why?
- Why is it an obligation to obtain an agreement from other departments / administrations?
- Do we have the possibility of computerisation of this process?

AUDITING PEOPLE

- Who is responsible for what?
- Who takes the final decision (by signing the documents)?
- Do the persons have personal peculiar problems (such as debts, divorce in progress, hooked to money games, addictions)? *Background checks*
- Do they have assets (cars, houses, travels...) exceeding their salary? *Illicit enrichment*

Illustration of the Audit Method

VISA PROCEEDINGS FOR FOREIGNERS

- The number of visas given to the inhabitants of country A has been rapidly increasing these past years.
- Most of the visas are given by the consulate of country B.
- The matrix of tasks and responsibilities of all the members of the B consulate is established.
- One of the employees of the consulate is very often signing documents in the name of the consul but has no authorization. He is a native of country A.

Part B

Practical application of the Risk mapping methodology to develop hands-on tools:

The case of Public Procurement in Iraq

LINKS BETWEEN RISKS INDICATORS AND PENAL OFFENSES

- Number of contracts to the same company (*favouritism*)
- Systematic subcontracting (*collusion*)
- Open tenders replaced by “direct invitation” or “single source” contracts (*favouritism*)
- Personal links existing between the decision maker and a person in the company who obtains the contract (*conflict of interests*)

Risks in the pre-bidding phase I

Definition of requirements:

- Selection and award criteria (not clearly defined, not established and announced in advance, voluntary lack of information)

Risk: using different criteria for the selection of the companies (*subjectivity*) equals *favoritism*

Questions: who is in charge of defining the criteria? Who is responsible for the control?

Risks in the pre-bidding phase II

Choice of the procedure

- Using “single source” and “direct invitation” instead of “open tendering” without appropriate justification

Risk: *corruption, bribery, embezzlement*

Questions: Who has the right to choose the tendering method? To whom is he/she accountable for his decision? How are the companies invited to submit a tender chosen? Who chooses them? Who controls the process?

Risks in the pre-bidding phase III

Time frame for preparation of the tender

Advertising periods are not always sufficient to

- Prepare the technical offer and related documentation (including samples for ex)
- Obtain the required guarantees from the banks such as performance bonds

Risk: only contractors informed beforehand may have the time to prepare tenders (*favouritism*)

Questions: How are the advertising periods fixed? By whom? Why are these periods so short?

Risks in the bidding phase I

Information on tender opportunities are not provided in a consistent manner

- Information is given through different channels as newspapers, websites, announcement boards, etc. depending on the purchasing unit

Risk: unequal access to information (*conflict of interests, abuse of power, favouritism*)

Questions: Who decides on the advertising method?
Why isn't the information on tender opportunities standardised?

Risks in the bidding phase II

Price as the “utmost” evaluation criteria

- The selection of the contractor is depends mainly on the price factor (using the lowest price offer instead of the “economically most advantageous offer”)

Risk: low-quality delivery, selection of non-performing contractors (*misuse of public funds*)

Questions: What is the role of the price in the tender evaluation process? How and by whom is the indicative price calculated?

Risks in the post-bidding phase I

Contract enforcement and execution

- Lack of monitoring sites and deliveries
- Lack of control for the contract execution

Risk: what is delivered does not match with the initial order (*embezzlement, misuse of public funds, theft*)

Questions: What institutions are in charge of controlling contract execution? What sanctions are applied in case of incoherence? Who decides on them?

Risks in the post-bidding phase II

Payments

- Performance bonds required to be submitted when tendering and retained reimbursement

Risk: cash flow problems for SMEs → *limited possibilities of competition*

Questions: Why isn't the reimbursement immediate for the non-selected contractors? Who decides the delay of reimbursement? Why?

CONCLUSION

THE PREVENTION TOOLS

- Management measures (in order to modify the organisation of the entity);
- Administrative measures (improving the rules);
- Reinforcement of controls;
- Increasing transparency;
- Inform general inspectors and investigators as soon as possible;
- Codes of conducts to set standards;
- Deontology to enforce standards of conduct.

THANK YOU FOR YOUR ATTENTION

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In close collaboration with Anikó HRUBI