

Original Research Article

Research on Government Procurement Internal Control Audits in Public Sector Organizations

Meiling Yang

Nanjing Audit University, Nanjing City, Jiangsu Province, 211815, China

Abstract: Based on the perspective of internal auditing, this article clarifies the entire process of government procurement and analyzes the current situation and problems of the internal control of government procurement in administrative institutions and public institutions, including incomplete systems, incomplete auditing scope, and insufficient professional capabilities of auditors. Subsequently, in combination with the entire process of government procurement, from budget preparation, demand determination to performance acceptance, an optimization path is proposed, aiming to enhance the compliance and efficiency of government procurement.

Keywords: Internal audit; Government procurement; Internal control; Audit countermeasures

1. Introduction

As the scale of government procurement expands, audit reports have revealed problems such as out-of-control budgets, procedural violations, and low efficiency. The Ministry of Finance has enhanced internal control requirements via documents like the “Government Procurement Regulations” and placed emphasis on the principle of separation of powers and mutual oversight. Based on the limitation that most existing studies focus on compliance audits, this paper aims at the weak links in demand determination and performance acceptance throughout the procurement process, analyzes the current status of government procurement audits, and puts forward systematic improvement suggestions to promote the transformation of government procurement from compliance to performance and enhance the efficiency of fiscal fund utilization.

2. An overview of the entire government procurement process

The entire process of government procurement covers the entire cycle from budget preparation to file archiving, including key links such as demand determination, plan formulation, bidding and tendering, contract signing and performance acceptance. In line with the specifications of the Budget Management System and Government Procurement Rules, all units are required to meticulously formulate procurement budgets, undergo the approval processes, and define technical parameters through market research to prevent one-sided requirements. During the implementation stage, it is necessary to standardize the selection of procurement methods and the formulation of tender documents. Before signing the contract, it should undergo legal review. A mid-term inspection mechanism should be established during the performance process, and a third-party assessment should be introduced in the acceptance stage to ensure quality compliance. Although the current process has basically met the compliance requirements, there are still problems of insufficient efficiency in links such as demand argumentation and performance management. It is urgent to improve the management efficiency of the entire process by improving the internal control mechanism^[1].

3. Key Points of internal audit for government procurement

3.1. Focus on the internal control process of government procurement

Audits need to evaluate the internal control of government procurement from two dimensions: the sound-

ness of the system and the effectiveness of its implementation^[2]. At the institutional level, it is necessary to verify whether the entity has established a complete set of procurement process norms, with particular attention paid to the institutional design of key links such as market research, demand argumentation, and approval procedures. At the implementation level, it is necessary to verify through methods such as document checks and personnel interviews whether the actual procurement activities strictly follow the established systems, with a focus on identifying violations that are “regulated but not followed”.

3.2. Focus on the performance evaluation of government procurement budgets

Audits should focus on the scientific nature of budget preparation, the efficiency of fund utilization, and the subsequent management of projects. Specifically, it includes whether the argumentation of procurement requirements is sufficient, whether the use of funds has achieved the expected effect, and whether there are issues such as duplicate procurement or idle resources. At the same time, it is necessary to assess the rationality of the unit's performance indicator system and the standardization of the performance evaluation process.

3.3. Pay close attention to the policy effects of government procurement

Audits should focus on: the completion rate of budget execution and the analysis of reasons for non-completion, the compliance of changes in procurement plans, and the economy of bulk purchases. More importantly, it is necessary to assess whether the procurement project conforms to the national policy orientation, including the realization of social benefit goals such as supporting green development, small and medium-sized enterprises, and rural revitalization. For those with significant deviations, responsibility tracing should be carried out and rectification suggestions should be put forward.

4. Current situation of internal audit in government procurement

4.1. The relevant systems for government procurement are not sound

At present, most government procurement regulations are principle-based guidance and lack specific implementation details, resulting in inconsistent audit and evaluation standards. The focus of the audit is overly concentrated on financial compliance, making it difficult to quantify non-economic indicators such as social benefits and environmental benefits. The problem of the lack of policy-oriented audit standards is prominent. For instance, policies such as green procurement and poverty alleviation procurement lack operational assessment details. Furthermore, there are severe data barriers among departments, and key data such as supplier credit information have not been shared, which restricts the depth of auditing.

4.2. The scope of the audit is not comprehensive

The current auditing work has the “three major and three minor” phenomenon: emphasizing procedural compliance over substantive benefits, emphasizing formal review over result evaluation, and emphasizing post-event inspection over process supervision. The audit has not formed a full-cycle closed-loop management, especially with insufficient attention paid to the later links such as contract performance and performance evaluation. This limitation makes it difficult to detect “legal but unreasonable” procurement behaviors, affecting the efficiency of fiscal fund utilization^[3].

4.3. The professional competence of the auditors is lacking

The auditing team is confronted with dual challenges: First, the professional structure is single, lacking compound talents in fields such as engineering construction and information technology, which restricts the

depth of auditing professional procurement projects; Second, the technical means are lagging behind and there is a lack of big data analysis capabilities, making it difficult to deal with the new auditing risks brought about by electronic procurement. This professional and technical shortcoming leads to the auditing work remaining at the surface compliance check, making it difficult to detect hidden violations.

5. Optimization path for internal audit in government procurement

5.1. Establish and improve the government procurement system

In response to the issue of the imperfect government procurement system, relevant legislative departments should establish a multi-dimensional government procurement audit and evaluation index system. Based on the existing financial compliance indicators, performance dimensions such as social benefits, environmental benefits, and the degree of realization of policy functions will be added, and quantifiable assessment standards will be formulated to provide standardized operational basis for auditors. Meanwhile, the legislative department should also improve the auditing norms for policy-oriented procurement. For policy-based procurements such as green procurement, innovative procurement, and support for small and medium-sized enterprises, detailed implementation rules for special audits should be formulated.

In addition, to break down the data barriers among departments and integrate the fiscal budget system, it is necessary to build a national integrated government procurement audit data platform to achieve the interconnection and interoperability of audit information. Relevant institutions should focus on building a supplier archive database, a procurement price comparison database and an expert review behavior database. They should set up blacklists for suppliers and experts with illegal and non-compliant behaviors, and share the prohibited list nationwide. Through big data analysis technology, they should automatically warn of risk points such as bid rigging, collusion and abnormal prices, and improve the speed of audit response.

5.2. Optimize the scope and focus of auditing

The auditing department should establish a full-process tracking auditing mechanism to incorporate auditing supervision throughout the entire life cycle of government procurement. During the procurement requirements stage, the auditing department should get involved in advance to review the rationality of the procurement requirements and the scientific nature of the budget preparation. During the bidding stage, the focus is on supervising the fairness of the bidding documents and the standardization of the bid evaluation process. During the contract performance stage, a dynamic spot-check mechanism should be established to track and evaluate the performance quality of suppliers. During the acceptance and payment stage, substantive acceptance audits should be strengthened.

Secondly, the internal audit department should improve the performance audit evaluation system, break through the limitations of traditional compliance audits, and construct a performance audit framework that encompasses multiple dimensions such as economy, efficiency, effectiveness, fairness, and environmental friendliness. The efficiency of government procurement is optimized by formulating performance evaluation indicators, introducing third-party assessment institutions to conduct independent performance evaluations of major procurement projects, and linking the results of performance audits with the budget arrangements for the following year.

5.3. Optimize the professional competence of the auditing team

Strengthening the construction of the auditing team not only relies on the power of internal auditing, but also integrates social auditing resources. The auditing department should establish a professional auditing talent system, adopt a flexible employment mechanism of “professional talent pool + external experts”, integrate

social auditing resources, and form cross-professional auditing teams for major and complex projects. At the same time, “auditing as training” is adopted to enhance the comprehensive quality of auditors. Special training on government procurement auditing is jointly offered with universities, and a personnel exchange mechanism with the industry’s competent authorities is established.

Furthermore, in the context of the big data era, the auditing team should accelerate its digital transformation. We will intensify efforts to build a big data center for government procurement audits, integrate the full-process procurement data from departments such as finance, market supervision, and taxation, and establish an intelligent audit analysis platform. We will also develop algorithm models such as price anomaly early warning and supplier correlation analysis to achieve digitalization and intelligence in on-site audits.

In addition, the “top-down coordination” working mechanism should be improved. The superior auditing authorities should provide targeted support in terms of personnel and technology for key projects at the grass-roots level. At the same time, the “purchase of auditing services” model should be promoted, and professional forces such as accounting firms should be introduced to participate in auditing through government procurement. Audit authorities should also establish a unified national government procurement audit case library and knowledge sharing platform to promote the exchange of audit experience and the optimal allocation of resources.

6. Conclusion

Government procurement, as an important link in the management of fiscal funds for administrative institutions and public institutions, its compliance and efficiency are directly related to the optimal allocation of public resources. Based on the perspective of internal auditing, this paper systematically analyzes the problems existing in the entire process of current government procurement, such as incomplete systems, incomplete auditing scope and insufficient professional capabilities of auditors, and proposes optimization paths from budget preparation, demand determination to performance acceptance and other links. Research shows that establishing and improving the government procurement system, optimizing the scope and focus of auditing, and enhancing the professional capabilities of the auditing team are the keys to improving the internal control level of government procurement. In the future, it is necessary to further integrate big data technology to promote the development of government procurement auditing towards intelligence and performance, so as to maximize the efficiency of fiscal fund utilization and facilitate the high-quality operation of administrative institutions and public institutions.

References

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