



PPRA

**PUBLIC PROCUREMENT
REGULATORY AUTHORITY**

**SUMMARY OF CONTRACT AUDIT REPORT FOR
KENYATTA INTERNATIONAL CONVENTION
CENTRE FOR THE 2019-2020 FINANCIAL YEAR**

OCTOBER, 2020

This report is a product of Contract Audit(s) conducted by the Public Procurement Regulatory Authority (the Authority) pursuant to its mandate under the Public Procurement and Asset Disposal Act, 2015 (the Act). Part IV of the Act requires the Authority to ensure that the procurement procedures established under this Act are complied with. Specifically, Section 43 (2) of the Act bestows on the Authority the responsibility to conduct audits on contracts during tender preparation, contract execution and after contract completion.

In view of the above, contract audit of Kenyatta International Convention Centre (KICC) (the Procuring Entity) was conducted on 21st to 23rd October, 2020. The audit covered six (6) contracts signed during the period 1st July, 2019 to 30th June, 2020. The main objective of the audit was to determine the extent to which the Procuring Entity followed the procedures and rules established in the Act and the applicable regulations; circulars and directives issued by the Authority and other generally acceptable professional best practices, in conducting their procurement processes and contract management activities with reference to selected contracts. In addition, the audit helped to identify strengths and weaknesses, as well as risks inherent in the procurement and contract management system and propose measures to mitigate weaknesses and irregularities identified.

An entry meeting with the management team of the Procuring Entity was held on 21st October, 2020 to discuss the scope of the audit, the audit plan, the auditors' and PE's expectations, access to documentation and other administrative issues. The audit exercise involved examination of relevant procurement and contract management records from the selected contracts to verify their compliance with the Act, the attendant Regulations and other directives issued by the Authority and other relevant bodies from time to time. The auditors used qualitative and quantitative data collection methods including interviews, observation, confirmation, analysis and audit of records.

The audit was mainly limited / constrained by lack of summary of all procurement contracts awarded during financial year 2019-2020. Lack of individual procurement files and incomplete records leading to slow pace retrieval of the procurement and contract documents.

The summary of the key findings based on the three broad indicators were as follows:

Institutional Arrangements

The Procuring Entity had an approved organization structure with Procurement Function and an establishment of five (5) staff. Three (3) Supply Chain Management Officers (SCMOs) have professional qualifications in procurement and are members of Kenya Institute of Supplies management (KISM). According to the establishment, the department is headed by Supply Chain Manager who reports to the Accounting Officer.

Some of the weaknesses include; Procurement function is not optimally staffed as provided in the approved establishment. Out of the required five (5) SCMO only two (2) were in post thus a shortfall of three (3) staff. The position of Head of Procurement function (HPF) is currently occupied by a Senior Supply Chain Officer since the Supply Chain Manager had been on sick leave since March, 2017 while the Principal Officer file was not availed; hence it could not be ascertained if the position is vacant or filled. Further, the memberships to KISM for the SCMOs were not up to date and the Ag. Supply Chain Manager did not have a practicing license.

KICC should endeavour to fill the two key strategic positions in order to address the gaps and weaknesses emerging from procurement and contract management and as part recommendation from the Internal Audit Report dated November, 2019. This will help the entity achieve efficiency and effectiveness in the procurement department.

The entity had an approved consolidated procurement plan for FY 2019-2020 with estimated budget of KES 863,047,081.00. Specific procurements were set aside for targeted groups that are Youth, Women and Persons with Disabilities. However, an extract of the total amount reserved for the targeted groups was not tabulated to demonstrate (30%). The PE submitted the Plan to the Authority as required.

The PE had a comprehensive Procurement and Asset Disposal Manual dated June, 2019, aligned to PPADA 2015 and Repealed Regulations 2006. They also have a customized supply chain procedure manual. However, both Manuals had not been approved by the Accounting Officer. Disposal committee was appointed by the Accounting officer and comprised of heads of departments. Committee had been meeting and recommended disposal of unserviceable items however there were no records to indicate for actual disposal took place.

The PE has tender and quotation boxes located in an easily accessible place with two lockable padlocks. KICC maintained a comprehensive Asset register dated June, 2018 of capital items acquired over the years, a detailed Internal Audit report for financial year 2019-2020 highlighting procurement function operations was maintained and a list of registered/prequalified suppliers and contractors for the two-year period was maintained.

The audit team could not confirm balances on the shelves with those in stock cards and those on the ERP, the officer in charge of inventory was away on leave and no one had access to his/her computer to logins. No evidence was availed to show inventory stock take had been undertaken. Procurement and contract files were not maintained by the entity and no officer had been assigned the responsibility of maintaining the procurement records.

Procurement Processes

The sampled contracts had been planned for; however, they had been bundled as a block figure without being broken down to a specific procurement item as required by Section 53 of the Public Procurement and Asset Disposal Act, 2015 (the Act). Most of the tenders were initiated through purchase requisitions. Tender invitation for open tender was done through the Government Advertising Agent. The Accounting Officer appointed evaluation committee for open tenders; evaluation reports were prepared and signed by members pursuant to Section 80(6) of the PPADA. Tender documents are kept in the store and were arranged in the shelves, however a number of bid documents were scattered on the floor.

Among the weaknesses identified in the procurement processes included uncertainty in determining estimated costs of each of the sampled procurement since most procurement in the plan had been lumped as a lot instead of being broken down. There was no documentary evidence on how bidders were invited, how opening of tenders were conducted and evaluated. Professional opinions were not prepared on tenders processed through other procurement methods. i.e. RFQ and framework agreements. Unsuccessful bidders were not informed of the winning bidder and tender sum awarded.

Contract Management and Implementation

KICC issued LPO and LSO to the contractors on majority of the contracts sampled, inspections and acceptance committee comprising of Supply chain, security and user department member were appointed by the CEO and they conducted inspections as required. Payments were made on time apart from the contract on provision of hard wall temporary tents, ALU Hall Tents, Contour Fabric Tents, ALU hall high peak tents & Banqueting seats where contractor was paid seven months later.

Publication and reporting of contract awards were not done which was inconsistent with Section 138 of the Act and PPRA Circular No.1/2016 of 16th December 2016. The PE did not require bidders to provide performance security in most tenders despite the huge tender sum involved. Contract closure and Issuance of Certificate by head of Procurement Function/Technical Department confirming delivery and acceptance of goods, works or services were not done which is contrary to Section 154 of the Act. Contract records were maintained but not filed as required.

Upon conclusion of the audit the overall compliance and risk rating of the PE's procurement and contract management system was determined based on compliance and risk rating criteria defined in the Authority's Compliance Monitoring Manual. To this end KICC attained a compliance level of **56.37%** which is considered marginally compliant and a risk level of **43.63%** which is considered moderate.

The Procuring Entity should undertake urgent actions to address the numerous non-compliance issues identified in the institutional arrangements, procurement and contract management system as highlighted in this report. The detailed finding and recommendations for addressing the weaknesses are captured in Section II of this report. The procuring entity should implement the recommendations within the specified timelines and update the Authority on the same for purposes of follow up.