



**SUMMARY OF CONTRACT AUDIT REPORT FOR
COUNTY GOVERNMENT OF KITUI FOR THE PERIOD
2018 – 2019 FINANCIAL YEAR**

NOVEMBER, 2019

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 **County Government of Kitui** was conducted from **18th November to 20th November, 2019**. The audit covered Five (**5No**) contracts signed during the period **1st July, 2018 to 30th June, 2019**. The main objective of the audit was to determine the extent to which the Procuring Entity (PE) 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 PE's management team was held on **18th November, 2019** 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 the P.Es in-ability to avail documents pertaining to the sampled procurements within the shortest time to enable the exercise to begin/end within the timelines set in the service charter.

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

It was established by the audit that County Government of Kitui (CGKTI) has decentralized its procurement activities to the various County Departments level with each department having its own Accounting Officer (AO), who is the Chief Officer (CO) of the department. The main weaknesses in its procurement processes were in the area of record management. Most of the procurement files were incomplete because the documents were scattered across different files across. The most affected records were payment records such as invoices and delivery notes which were not in the procurement files. It was also observed that there were breaches in the appointment of various committees such as tender opening committees, appointment of Inspection and Acceptance Committee (I&AC) and Contract Implementation Committee (CIC). But the overall processes were done in accordance with the provisions of the law. For instance, procurements were initiated by the users, Standard bid Documents (STD) were utilised, tender's evaluations were done according to the criteria specified in the tender documents and payments were based on inspection reports.

It was observed that the CGOKTI endeavoured to establish contractual agreements with its contractors. There were signed contracts for its procurement processes. For simple contracts arising out of procurement methods such as Request for Quotations (RFQ) Purchase orders were utilised in the place of detailed contracts. However, it was noted that the purchase orders did not carry adequate contractual details such as contractual period, terms of payment and origin/source of the supplies. However, the CGOKTI did not establish CIC as required by the law. Where this was attempted, the procedure for the appointment of the CIC was not done in accordance with the provisions of the law.

The CGOKTI does not maintain post contract audit reports. There was no evidence adduced to that effect. This could be due to the fact that there are no CIC in place for the contracts.

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 **CGKTI** has attained a compliance level of **34.49%** which is an indication the CGKTI is non-compliant and risk rating of **65.51%** which is considered high.

The PE should endeavour to improve its performance by implementing the recommendation contained in this report and put in place appropriate systems and structures to ensure that all procurement and contract management activities are undertaken within the framework of the procurement law and terms of the contracts.

The procuring entity should endeavour to improve its performance by implementing the recommendation contained in this report and put in place appropriate systems and structures to ensure that all procurement and contract management activities are undertaken within the framework of the procurement law and terms of the contracts. Detailed recommendations for addressing the weaknesses are captured in section two 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.