



**SUMMARY OF CONTRACT AUDIT REPORT FOR  
MAKUENI COUNTY ASSEMBLY FOR THE 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 Makueni County Assembly (the Procuring Entity) was conducted on 28<sup>th</sup> to 29<sup>th</sup> November, 2019. The audit covered four (4) contracts signed during the period 1<sup>st</sup> July, 2018 to 30<sup>th</sup> June, 2019. 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 28<sup>th</sup> 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 short time available to conduct the audit exercise as well as the slow pace in records retrieval for both 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 established a Procurement Function with a staff establishment of 6 officers. Assembly had a tender box located in an easily accessible location the entrance of the procurement office. The box had two locks, it also had a secure storage facility for keeping tender documents submitted by the bidders. The Assembly had a secure storage facility for consumables with standard store records like S3 and S13 used and an asset register in place. Procurement files were maintained but they were incomplete.

Among the weaknesses identified in the Institutional Arrangements were: Procurement Function staff shortfall of six (6) from the recommended establishment of twelve (12), according to the proposed organisation structure. The Procurement Function reports to the Accounting Officer through Director Financial Services which is inconsistent with Section 2 of the PPADA. Top three (3) positions i.e. Chief procurement officer, Principal Procurement Officer and Senior Procurement Officer I are not filled. Only one person had updated membership to KISM. Lack of Procurement and Asset Disposal Manual, Disposal committee members did not have appointment letters and the secretary of the committee not being the head of the procurement function.

Procurement plan was prepared using the format provided by IFMIS and not the PPRA's format while total procurement budget and the total value of procurement reserved to youth, women and persons living with disability were not indicated. The Plan was not forwarded to the Authority. Despite MCA having a secured storage facility, it had few shelves and was poorly arranged as most of the tender documents are on the floor and yet the floor does not have pallets.

### **Procurement Processes**

The PE had most of the procurement planned for, however some had been bundled as a block figure without being broken down to a specific procurement item. as required by Section 53 of the PPADA. Purchase requisitions were raised by the user departments and appropriate procurement method used. Tender invitation was done through the standard paper on most of the procurements sampled according to the Act apart of the requirement for pagination of documents by the bidders. The Accounting Officer appointed evaluation committee, evaluation reports were prepared and signed all members pursuant to Section 80(6) of the PPADA. Head of Procurement Function (HPF) prepared professional opinions. Successful and unsuccessful bidders were notified concurrently with unsuccessful bidders being informed of the successful bidder and the price at which award was made.

Among the weaknesses identified in the procurement processes included uncertainty in determining estimated cost since most procurements in the plan had been bundled as a lot instead of being broken down. Out of the four (4) sampled contracts three (3) of them were processed through inappropriate standard documents. Evaluation criteria was in the tender documents but some requirements were ambiguous e.g. Evidence of safety culture in the organization MUST be demonstrated for all service providers; CVS and certificates of Technical staff in installation of furniture and household equipment (10 marks); proof of ownership of equipment/or ability to hire under tender no. MCA/T/4/2018-2019. Tender opening committee were appointed in two (2) procurements out of the four sampled. Tender Opening committee did not prepare the opening minutes contrary to section 78 of the PPADA 2015. The evaluation committee introduce computing criteria by combining the technical and financial scores and ranking them to determine the lowest evaluated bidder. This was not provided for in the tender document. No individual scoring was conducted in all the tenders sampled. Unsuccessful bidders were not made aware of specific reasons were they were unresponsive.

### **Contract Management and Implementation**

Majority of the contracts sampled had contract agreements in place and signed within the tender validity period. Inspection and acceptance committee were appointed and executed their mandated as required. MCA adhered to the payment terms in most of the contracts sampled. Individual contract records were maintained but were not filed.

For all the contracts audited, bidders were not required to submit performance bond, which is a risk to the entity in case of breach of contract by the contractor. Majority of the audited contracts were reported to the Authority vide letter Ref: MKN/CA/ADM/2019 (107) dated 19th November, 2019. Report was not submitted within the prescribed time since most of the tenders had been awarded close to a year earlier. No publicized in the tender notice and website.

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 Makueni County Assembly attained a compliance level of **51.3%** which is considered marginally compliant and a risk level of **48.7%** which is 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. More so on the ongoing contract administration to ensure that contract implementation and deliverables follows the spirit of the contract. 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.