



**SUMMARY OF CONTRACT AUDIT REPORT FOR
MAKUENI COUNTY GOVERNMENT 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 **Makueni County Government** was conducted from 25th to 27th November, 2019. The audit covered eight hundred and forty-three (843) 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 25th 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 inadequate preparations by the County Government for the entry meeting despite having been informed in the engagement letter that the audit will with an entry meeting to be attended by heads of departments. The audit was also constrained by the low pace at which the records that were needed to facilitate the audit were availed. Such records included contract and procurement files. Indeed, some of the records like approved establishment for the Procurement Function and organization structure were not availed.

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

Institutional Arrangements

The County Government had strengths in the Institutional Arrangements which included establishment of the Procurement function, procurement planning, and submission of mandatory reports to the Authority and maintenance of asset register. However, Institutional Arrangements had weaknesses which included lack of a procurement and asset disposal manual, failure by the Accounting Officer to establish a disposal committee and operationalize it thus leading to accumulation of disposable items, failure to maintain complete procurement files with all the procurement records and failure to demonstrate in the procurement plan that at least 30% of the procurement budget was reserved to the enterprises owned by youth, women and persons living with disability as the total procurement budget and the total value of the reserved procurements were not indicated in the procurement plan. The Procurement Function appears to be understaffed at the top.

Procurement Processes

Among the strengths identified in the procurement process were initiation of procurement process through approved purchase requisitions with the description and estimated costs of the procurements, use of standard tender documents, appointment of the tender and evaluation committees by the Accounting Officers and the functioning of the said committees, preparation of professional opinions by the head of Procurement Function and notification of all bidders at the same time. However, the procurement processes had some weaknesses which included inadequacies in the evaluation criteria, failure by the tender opening committees to adhere to some of the tender opening procedures like recording the number of pages for each tender received in the tender opening minutes and failure by some of the evaluation committees to prepare individual scores sheets to demonstrate that each member conducted evaluation independently prior to sharing his/her analysis with other members of the evaluation committees.

Contract Management

The County Government entered into written contracts with successful bidders within the tender validity period and the Accounting Officers appointed inspection and acceptance committee's/contract implementation teams. The committees conducted their functions and prepared inspection and acceptance reports prior to payments to contractors. All the sampled contracts were signed at least fourteen (14) after notification of awards pursuant to Section 135(3) of the PPADA except the contract for tender No.GMC/TR/08/2018-2019 for Proposed Construction of Boundary Wall to the Governor's Residence. Similarly, the contract for tender No.GMC/TR/09/2018-2019 for Proposed Construction of Boundary Wall to the Deputy Governor's Residence was also signed without observing the fourteen (14) days appeal window. Key documents that were deemed to form part of contract as provided in paragraphs 2 of the contracts were not annexed to the contracts.

Whereas successful bidders were required to furnish the County Government with performance bonds, in most cases no records were availed to prove that the successful bidders complied with this requirement. It was also noted that most of the sampled contracts were not completed within the contract period as evidenced by the contract for tender No. GMC/A/T/II/2018/2019 for Supply, Delivery, Installation, Testing, Commissioning & Training of Grain Cleaning, Sorting, Polishing, Grading and bagging Plant for Makueni County Integrated Grain Value Addition Program. Contract management files were not availed for review.

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 Government has attained a compliance level of **52.1%** which is marginally compliant and a moderate risk of **47.9%**.

The County Government should undertake urgent measures to ensure that the weaknesses (non-compliance issues) identified in the report are addressed. The detailed findings and recommendations for addressing the weaknesses are captured in Section II of this report. The County Government should implement the recommendations within the specified timelines and update the Authority on the same for purposes of follow up.