



**PPRA**

**PUBLIC PROCUREMENT  
REGULATORY AUTHORITY**

**SUMMARY OF CONTRACT AUDIT REPORT FOR  
MERU COUNTY ASSEMBLY FOR THE 2018-2019  
FINANCIAL YEAR**

**FEBRUARY, 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 Meru County Assembly (the Procuring Entity) was conducted on 13<sup>th</sup> to 14<sup>th</sup> February, 2020. 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 13<sup>th</sup> February, 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 failure by the Assembly to prepare summary of procurements in advance. Poor records management which led to delays in retrieving sampled contracts causing time constraint given the audit had been scheduled for two days.

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

### **Institutional Arrangements**

The County Assembly had established with three (3) officers. The Function is headed by a Principal Procurement Officer who reports to the Accounting Officer. The Assembly has tender and quotation boxes. Each box has two (2) locks each and the keys for each lock are kept by different officers as required by Regulation 44 of the PPDR. The two (2) boxes are located in an easily accessible location. The Assembly has secure storage facilities for keeping of store items. The issues/receipts are recorded in the Permanent and Expendable Stores Ledger (S2) and records were updated. The County Assembly had an approved procurement plan for the 2018-2019 financial year and some of the procurements were reserved to the enterprises owned by youth, women and persons living with disability. Out of the four sampled Procurement files, three were maintained but they were incomplete.

Among the weaknesses identified in the Institutional Arrangements were: Procurement Function staff having an updated KISM membership; approved establishment was not availed hence the difficulties in verifying whether the number of staff in-post tallied with the number of staff in

approved establishment; Lack of Procurement and Asset Disposal Manual, Disposal committee members did not have appointment letters; procurement files were incomplete and the documents in the file were not filed sequentially and were not assigned folio numbers. The plan was not prepared in the format approved by the Authority and there were no records to demonstrate that the procurement plan was submitted to the Authority. Major procurements like procurement for provision of cleaning and security services were lumped together. Thus making it difficult to verify how much budget was assigned to each of them. The total procurement budget and total value of procurements reserved to the target groups were not indicated in the plan.

The County Assembly had not been submitting reports on contract awards to the Authority. Further, contract awards were not publicized in the Assembly's website and notice board. The Assembly does not have a strong room reserved for keeping of tender documents submitted by the bidders. Tender documents are kept in the store which is meant for other common user items. Thus causing congestion the stores is congested, poorly arranged and some of the items are placed on the floor. Thus retrieval of items and cleaning of the store is difficult.

### **Procurement Processes**

The PE had most of the procurement planned for. Appropriate procurement method was used and the standard tender document with relevant information including the evaluation criteria. Tender invitations were done through the daily and star newspaper 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 opening and evaluation committee, The Evaluation Committee conducted individual independent evaluation and maintained the score sheets are required. Opening minutes and evaluation reports were prepared. Head of Procurement Function (HPF) prepared professional opinions.

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 for example procurement for provision of cleaning and security services. Procurements were not initiated through a purchase requisition as required by Section 74 of the PPADA and Regulation 22 of the PPDR. Some Evaluation criteria had weaknesses including scores for the services that were expected to be provided by the service provider for instance, it required bidders to submit a bid bond amounting to 2% of their tender sum instead of an absolute figure as required by Section 61(2) (c) of the PPADA.

Tender opening committee members of the tender opening committee did not initial each page of the minutes. They did not also record the number of pages for each tender received in the tender opening minutes. The Head of Procurement Function prepared undated professional opinions in all the sampled procurements.

### **Contract Management and Implementation**

Four contracts were sampled but only two were availed by the entity for review. The two tenders were awarded by the Accounting Officer within the tender validity period. Successful and unsuccessful bidders were notified concurrently apart from the case on security service procurement. Contract agreements were in place and signed within the tender validity period.

The communication with respect to the date signing and commencement of the contract were incorrect as they did not take into consideration the fourteen (14) days appeal window provided by Section 135(1) of the PPADA. Unsuccessful bidders were not made aware of specific reasons for not being responsive and who the winning bidder was plus the tender sum awarded. The PE required the successful bidder to submit Performance security (PS) within 30 days from the date of notification but did not ask for the same before signing the contract. Inspection and acceptance committee were not appointed. Procurement documents that deem to form part of the contract were not annexed to the contract document. The PE did not publish and publicize for the subject contract nor reported to the Authority.

A visit to nominated member of County Assembly office to confirm whether the office furniture procured by the Assembly had been delivered was conducted on the 14<sup>th</sup> February, 2020 by the auditors. Items shown to the team included an executive table, executive chair and two visitor's chair. However, it could not be verified whether the said furniture's found in the office are as per the records maintained by the Assembly since contract documents were not availed.

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 Meru County Assembly attained a compliance level of **26.29%** which is considered non-compliant and a risk level of **73.70%** which is high.

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 procurements reserved to the target groups, procurement and contract management records filing. Ensure 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.