



**SUMMARY OF CONTRACT AUDIT REPORT FOR
MERU COUNTY GOVERNMENT FOR THE PERIOD
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 County Government of Meru was conducted from 10th to 12th February, 2020. The audit covered six (6) 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 **10th 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 PPADA, 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 slow pace at which the documents that were required for the audit availed. This was mainly due to the failure by the County Government to maintain individual procurement and contract files for each contract as required by Regulation 34(3) of the PPDR and the Public Procurement Records Management Procedures Manual (2010). Retrieval of documents particularly on payments and contract implementation, was slow and time consuming. Time that was allocated to the audit was also constraint due to declaration of 12th February, 2020 as a public holiday.

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

Among the strengths identified in the County Government were establishment of a Procurement Function which reports to the Accounting Officer pursuant to Section 2 of the Public Procurement and Asset Disposal Act, 2015; establishment of Disposal Committee and procurement planning. Tender box and quotation are located in an easily accessible location. However, the Institutional Arrangements of the County Government had some weaknesses which included failure to submit reports on contract awards to the Authority; failure to maintain file all procurement records in the individual procurement files; 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.

With regard to procurement processes, the County Government was found to have strengths which include use of the standard tender documents, giving bidders adequate time for preparation and submission of their tenders; preparation of evaluation reports and professional opinions and notification of the bidders. The weaknesses identified in the procurement processes included failure to amend standard tender documents appropriately before issuing them to the bidders, evaluation criteria, failure by some of the evaluation committees to prepared individual scores failure to inform the unsuccessful bidders reason/s for rejection of their tenders and to disclose successful bidders to them and termination of some of the procurement proceedings without following the procedures provided by Section 63 of the PPADA.

On the issue of contract implementation, it was noted that the County Government entered into written contracts with successful bidders. Inspection and Acceptance Committee were appointed and issued inspection and acceptance certificates. Major weaknesses were noted in the contract management which included failure by contractors to complete projects within the contract period, maintenance of contract of management records and lack of monthly progress reports on contract implementation. There were also some incidences where contracts were signed before the successful bidders submitted performance bonds to the County Government.

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 County Government of Meru has attained a compliance level of **39.4%** which is non-compliant and a moderate risk of **60.6%**.

The County Government should undertake urgent remedial measures to address the non-compliance issues identified in this report. The detailed findings 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.