



PPRA

**PUBLIC PROCUREMENT
REGULATORY AUTHORITY**

**SUMMARY OF CONTRACT AUDIT REPORT FOR
NAROK COUNTY GOVERNMENT 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 Narok County Government (the Procuring Entity) was conducted on 24th to 26th February, 2020. The contract audit team sampled eight (8) contracts out of the total number of the 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 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 24th 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 County to prepare summary of procurements in advance. Delay in starting the exercise due to transport challenges experienced by the team from the Authority and time allocated to the audit exercise.

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

Institutional Arrangements

According to the draft procurement and disposal manual and a copy of the County Government Capacity Assessment and Rationalization Report of January, 2015 availed for the audit exercise, procurement function (PF) reports to the Chief Officer, Finance. The PF is headed by Assistant Director, Supply Chain Management. The current staff in-post is 22No plus additional 3No staff who are administrative and support staff. All the 22No. Staff are registered members of KISM.

Tender and quotation boxes have two (2) locks and the tender box is located on the Ground Floor of the office entrance in a well secured place. The NCG has two stores, one store is located at the procurement department while the other one is at the County Referral Hospital. A visit to the procurement stores indicated that that the stores were properly arranged, with most of them being stationeries and S11, S13 and S3 ledger cards being used. The store is fitted with shelves and pallets for pharmaceutical stock. NCG maintained reports of stock taking.

NCG had a consolidated annual procurement plan 2018-2019. The plan was prepared per department. According to the summary of the plan, recurrent expenditure was Ksh. 1,448,750,136 and Development expenditure was Ksh. 2,764,981,452. Ksh. 1,264,119,476.40 was reserved for special groups. The entity maintained a file containing the statutory reports to the PPRA. There was a market survey reports file with market survey reports documented therein. Professional opinions were maintained in respective subject procurement files. Market survey reports did not cover all the items that the NCG procures but majorly for consumables such as stationeries and furniture.

Among the weaknesses identified in the Institutional Arrangements were: The manual used not being officially adopted since 2015, there was no report on the optimal staff establishment for the NCG and out of the 22 members of staff only 8 members had their membership of KISM. the box was not labelled, which makes it impossible to establish that it is a tender box. Tender documents not in a strong room or lockable cupboard. The quotation box is not conveniently located for the comfort of bidders. The two boxes are located in different places which may confuse bidders. It could not be ascertained who keeps the two boxes keys.

Store officers did not have segregation of duties with one officer carrying out almost all the duties of receiving, storing, issuing and documentation which negates the principle of checks and balances. The hospital store was characterised with dust, incomplete documentation, use of documents that lacked audit trail such as non-serialised receiving and issue voucher cards. There was no evidence to show that assets earmarked for disposal existed and whether they were secured in a safe place. A number of items in the hospital pharmaceutical store indicates they have been on the shelves for longer periods and about to expire, while others have already expired. For instance, Megafer Iron Sucrose Complex USP expired in December 2019 while the entity issued 50 pieces on the 14th January, 2020. The stock records for the department of health did not balance i.e. the physical and on the balance cards. The CGN did not maintain an asset register procurements were not in the documented records.

Procurement and Asset Disposal Manual draft was still work in progress. This was despite the PE committing itself to establish the manual in the action plan dated 19th December, 2019. There was no evidence of the appointment/establishment of asset disposal committee in the file for the disposal neither the Disposal plan for FY 2018-2019 nor any other period despite having disposable items around. CAPP did not indicate the administration of the Preference and Reservation Scheme and was not uniform in format, some departments such as Agriculture prepared their plans in IFMIS while others were in manual. The format utilized did not align the plans to the format set out by the National Treasury and PPRA.

Procurement Processes

Narok County Government had most of the procurement planned for and user requisitions raised by respective departments. Standard tender document for works, good and services were used in most of the tenders. Tender invitations were done through the star newspaper on the open tenders sampled. The Chief Officer appointed opening and evaluation committee, The Evaluation Committee in most tenders conducted individual independent evaluation and maintained the scoresheets as required. Opening minutes and evaluation reports were prepared. Head of Procurement Function (HPF) prepared professional opinions.

Among the weaknesses identified in the procurement processes includes user requisitions being approved without works, goods or services specifications nor estimates; Use of inappropriate tender method which encumbers competition among bidders. For instance, most road tender were executed through restricted method without proper justifications. Lack of customization of the bid documents to meet users need and not including Evaluation criteria to be relied on in the bid documents. Tender invitations were not placed in the Tenders' Portal. Tender opening committee did not record the number of pages for each tender received in the tender opening minutes and the secretaries to the evaluation committees conducted evaluation contrary to Section 46 (4) of the PPADA.

Contract Management and Implementation

Contract awards and notifications to successful and unsuccessful bidders were issued simultaneously by the Chief Officers. Unsuccessful bidders were made aware of the reasons of failing and informed of the winner as well as award price. NCG entered into a contract agreement with contractors in majority of contracts fourteen (14) days after the appeal window elapsed. However, they did not indicate tender validity periods in all the tenders. The entity reported contract awards to the Authority. There were evidence that part payments had been executed in most of the contracts, although not in compliance with the terms of the contract.

Out of the eight contracts sampled only two had inspection and acceptance committee appointed while on the rest there was no evidence on appointment of Contract Implementation Committee (CIC) nor Inspection and acceptance Committee (I&AC) to oversee the performance of the contract. The PE did not publish all contract awards in its website, on the Public Procurement Information Portal (PPIP) in order to comply with both the Act and the Executive Order No. 2 of 2018. The PE did not require the successful bidder to submit Performance security (PS) despite the huge tender sums awarded and Procurement documents that deem to form part of the contract were not annexed to the contract document. There was no contract closure, certificates and final reports were not availed to guide on the projects status, Head of Procurement did not prepare monthly progress report for the Accounting Officer and did not maintain a contract file.

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 Narok County Government attained a compliance level of **53.14%** which is considered marginally compliant and a risk level of **46.86%** 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 procurement bid preparations, procurement processes 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.