



**SUMMARY OF THE CONTRACT AUDIT  
REPORT FOR MURANG'A COUNTY  
GOVERNMENT FOR THE PERIOD 2019-2020**

**September, 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 Murang'a County Government was conducted from **14<sup>th</sup> to 16<sup>th</sup> September, 2020**. The audit covered eight (8) contracts signed during the period 1<sup>st</sup> July, 2019 to 30<sup>th</sup> June, 2020. 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 14<sup>th</sup> September, 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 inadequate documents submissions of various sampled procurement files hence evidence of the procurement processes could not be adequately ascertained.

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

### ***Procurement processes***

There was an approved consolidated procurement plan pursuant to Section 53 of the PPADA, 2015. Most procurement processes were initiated vide requisitions detailing the subject procurements as provide for under section 73 and PPDR 22. Evidence of use of standard tender document was provided for in the files. However, the STD were not fully customized to suite the PE's needs. Further, in most situations, the method of procurement utilized for RFQ was not appropriate because the awarded estimations and contract prices were beyond the required 2M threshold as outlined in the Legal Notice 106 of 2013. Open tenders were being advertised in the Newspaper to interested bidders and more details were uploaded in the website PE's website [www.muranga.go.ke](http://www.muranga.go.ke) and the suppliers portal portal <http://supplier.treasury.go.ke> as required. Evaluation criteria were outlined in the blank tender documents, though the criteria were not objective and quantifiable pursuant to Section 80(3) of the PPADA, 2015. Tenders were being awarded within the validity period as indicated in the bid documents, however, performance security requirement as per the blank tender documents were not being submitted by successful bidders. Some procurements were not carried out by the expected procurement committee as

outlined in Section 48, 78, and 80 of the Act. No evidence of Market Survey was provided in the file as required in Section 106 (4) & 54(2)) of the Act. Publication of contract award as per section 138 of the Act and report of contracts awards as per PPRA Circular No.1/2016 of 16<sup>th</sup> December, 2016 was not being undertaken. There was no evidence of contract implementation team as per section 151 of the Act. Whereas the County Government maintained procurement file, the procurement file was incomplete as some of the procurement records like copies of delivery notes, invoices, goods received notes and payment vouchers were not in the procurement file. Further, the documents in the file were not filed sequentially and were not given folio numbers as envisaged by the Public Procurement Records Management Procedures Manual (2010).

#### ***Contract management of the contract(s)***

The County Government and the successful bidder entered into contract as per section 135 of the Act or by issuance of the Local Purchase Order (LPO). However, the contractual terms could not be ascertained in some procurements due to lack of proper documentation on the subject procurements. In most cases, the appointment letters for the Inspection and acceptance committees was not evident contrary to Section 48(1) and (2) of the PPADA. Procurement documents in the subject files were incomplete and not folioed contrary to Section 68 of the Act. Payments were made to the contracted suppliers however, evidence of document to support such payments such as delivery notes, invoices I&AC reports were not provided in some cases.

#### ***Post implementation audit of the contract(s)***

The Procurement Function did not prepare monthly progress report to update the Accounting Officer on the implementation of the subject as envisaged by Section 152 of the PPADA. It is imperative that Head of Procurement Function prepares monthly progress reports and submit them to the Accounting Officer in accordance with Section 152 of the PPADA and Regulation 140 of the PPDR.

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 Murang'a County Government has attained a compliance level of **50.47%** which is marginally compliant and Moderate Risk rating of **49.52%**

The procuring entity should ensure that; lists of registered suppliers, contractors and consultants in the categories of goods, works or services according to its procurement needs are maintain and updated pursuant to Section 57 of the PPADA, 2015, lists of registered suppliers, contractors and consultants in various specific categories of goods, works or services according to its procurement needs are maintain and continuously updated as stipulated in clause 71 of the PPADA, 2015, the standard tender document is fully customised and contains sufficient information to allow fairness, equitability, transparency, cost-effectiveness and competition among potential bidders pursuant to section 58 and 70 of the Act, utilization of appropriate method of procurement as per the threshold, appointment of ad hoc procurement Committees are constituted to undertake procurement various activates as outlined in Section 78,46 and 48 of the Public Procurement and Asset Disposal Act,2015, the evaluation criteria as stipulated in the tender documents and utilized in the evaluation procurement process is objective and quantifiable pursuant to Section 80(3) of the PPADA, 2015, evaluations are carried out within thirty (30) days from the date of tender opening

as outlined in Section 80 (6) of the Act, requirement of submission of the performance security requirement as per the blank tender documents to be submitted by all bidders.