

PUBLIC PROCUREMENT AND DISPOSAL OF PUBLIC ASSETS AUTHORITY (PPDA)

REPORT FOR PROCUREMENT AND DISPOSAL AUDIT OF MULAGO NATIONAL REFERRAL HOSPITAL

FOR FINANCIAL YEARS 2002/03 AND 2003/04

CONDUCTED BY

PROCUREMENT AUDIT, INSPECTION AND INVESTIGATIONS DEPARTMENT OF THE PPDA

JANUARY 2005

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ACRONYMS

AO Accounting Officer

CC Contracts Committee

Co. Company

GRN Goods Received Note

JMS Joint Medical Stores

LPO Local Purchase Order

MHCC Mulago Hospital Contracts Committee

NACME National Advisory Committee on Medical Equipment

NMS National Medical Stores

PDE Procuring and Disposing Entity

PDU Procurement and Disposal Unit

PPDA Public Procurement and Disposal of Public Assets Authority

PPO Principal Procurement Officer

PSO Principal Supplies Officer

SPO Senior Procurement Officer

UDs User Departments

1 EXECUTIVE SUMMARY

1.1 Introduction

The Government of Uganda has reformed its procurement and disposal system. It strongly believes, and has committed itself in action, in a most transparent manner that the reforms in public procurement are one of the several activities of the Government in promoting good governance and overall poverty eradication.

The Government therefore established Public Procurement and Disposal of Public Assets Authority (PPDA), vested it with the full responsibility of executing the activities and outputs necessary to carry out the reforms.

The objectives of the Authority, among others, include to:

- I. Ensure the application of fair, competitive, transparent, nondiscriminatory and value for money procurement and disposal standards and practices;
- II. Harmonize the procurement and disposal policies, systems and practices of the Central Government, Local Governments and Statutory bodies:
- III. Set standards for the public procurement and disposal systems in Uganda;
- IV. Monitor compliance of procuring and disposing entities; and
- V. Build procurement and disposal capacity in Uganda.

The functions of the Authority among others include instituting:

- Procurement or disposal audits during the bid preparatory process;
- (ii) Contract audits in the course of the execution of an awarded bid;
- (iii) Performance audit after the completion of the contract in respect of any procurement or disposal.

The creation of the Authority was therefore to foster more transparency, nondiscrimination, fairness, competition, accountability, economy and effectiveness in the procurement and disposal processes and to strengthen the public sector management aspects.

1.2 Procurement audit objectives

The department of Procurement Audit, Inspection and Investigations conducted a procurement audit of Mulago National Referral Hospital for the period 1st July 2002 to 30th June 2004. Specifically this assignment aimed at achieving the following objectives:

 To audit the whole procurement process of all the sampled procurement activities carried out, right from the point of procurement planning to the end of the contract and determine whether the procurement and disposal process is in line with the PPDA Act and Regulations;



- To determine whether the awarding of the contracts was fair, competitive, equitable and cost effective; and whether they were properly authorized and approved;
- To assess the documentation of the procurement process and the entity's records management system;
- To review reporting system at the PDE as compared to the requirements of the Authority and;
- To assess the operational systems and structures of the PDE;
- To make recommendations to improve procurement and disposal practices at Mulago National Referral Hospital.

1.3 Audit Scope

The audit of Mulago Hospital Complex covered the whole procurement process of activities right from planning through initiation; execution; contract award, signing, delivery and payments for sampled procurements. It also involved carrying out the review of the entire procurement practices in the years under consideration, 2002/2003 and 2003/2004. The procurements were conducted following the Public Finance (Procurement) Regulations, 2000 and Public Procurement and Disposal of Public Assets Act and Regulations (2003).

The audit covered 70 procurements distributed through International competitive bidding, direct procurement, RFQ/RFP, micro-procurement and cash transactions based on the list submitted by the entity to PPDA. The factors below were used for selection of the procurements for audit. To ensure completeness of the lists, the auditors also made reference to the minutes of the Contracts Committee meetings. The selection of a sample to be audited was based on the following:

- Size of procurement i.e. to ensure there was coverage of both large and small procurements;
- Coverage in terms of method of procurements to ensure that all methods were selected;
- Coverage in terms of goods (medical and non medical), services and works to ensure that all types are fairly covered;
- Having a fair distribution among the procuring departments in the hospital;
- Selection of contracts where there is frequent selection of specific contractors/suppliers;
- · Analysed all repeat orders.

The samples were selected on a case-by-case basis using the above criteria from the list provided by Mulago and agreed upon by the PPDA management before the auditors were dispatched to the field.

Limitation of scope

The audited scope was limited by the unavailability/ incompleteness of documentation relating to the procurements selected. Where information was available, some of it was received after conclusion of the fieldwork, which prolonged the duration of the audit exercise. Because of these limitations in

the audit scope, it was not possible to determine the accuracy/ completeness of the lists provided to PPDA especially as per the procurement methods used. The Entity did not provide receipts on cash transactions other than the goods received notes. The scope intended to cover disposals, but no disposal activities were submitted to PPDA for audit as was required.

1.4 Audit methodology

Meetings

The auditors held meetings with the hospital officials. In the meetings, the team discussed the audit scope, implementation of the audit with respect to expected output, types of documents to be provided, office accommodation for auditors, identification of the contact person and the schedule for implementation of the audit. The auditors also obtained background information on the procurement activities and organisational set up of the entity.

Review of Documents

The documents were reviewed to examine and evaluate procurement information. The audit team reviewed the procurements on case-by-case basis. The key action files were organised by the Principal Procurement Officer and reviewed at the entity's premises.

The general analysis covered the following areas:

- Procurement planning;
- · Institutional framework and legal framework;
- Monitoring system;
- Procurement process including methods and principles;
- Reporting;
- · Contracting; and
- Compliance with regulations.

1.5 Reporting

This report presents audit findings, implications and recommendations on the procurement audit of the hospital for the 24-month period ending 30th June 2004 in accordance with the terms of reference. During the course of this procurement audit, the auditors reviewed a number of contracts with varied levels of performance. The report has been set out in a format, which summarises the nature of the findings, identifies the risks and their implications, to which the hospital may be exposed, as well as the recommendations for improvement. The procurements have been rated according to the weaknesses identified as follows:

	Weaknesses	Description
	HIGH RISK	High-risk categorisation means that the procurement has significant deviations from established policies, principles and best practices in procurement and disposal of public assets. The significant deviation has weakness that could have caused financial and material losses;
L		The treatment that could have caused interior and material record,



	loss in utilisation value, and reputation. The nature of the deviation requires immediate attention of entity's top management and PPDA in enforcing compliance and relevant control systems. This included lack of relevant documents.
MEDIUM RISK	Procurements with weaknesses which, although less likely to lead to material, financial, regulatory or reputational risk, warrant timely management action using the existing management framework to ensure a formal and effective system of management controls in the hospital. The absence of key controls in an area of the hospital would normally be graded "medium" provided there is sufficient evidence of "hands on management control and oversight" at an appropriate level of seniority.
LOW RISK	Procurements with weaknesses where resolution within the normal management framework is considered desirable to improve efficiency or ensure that the business matches current market best practice.

1.6 Findings, conclusions and recommendations

1.6.1 Overall comments and conclusions

For the procurements reviewed, significant weaknesses were noted in most of the phases of the procurement process right from planning through contracting, to monitoring and contract performance. Throughout the report, recommendations are offered on how improvements could be made to similar procurements in future.

The general findings relating to the systems and structures in the hospital are provided below:

Area	Findings
Planning	• The Hospital does not have a procurement plan and most of the procurements are adhoc and are treated as emergencies. The procurement plan should be linked to the PDE's annual budget and work plan and should form the basis of monitoring procurements. The PDU should coordinate the preparation of an annual procurement plan by the UDs detailing all the items to be procured during the year, when they will be required, the quantity and costs and the method of procurement to be used.
Pre- qualification	While pre-qualification was carried out, it was not put in good use. The Contracts Committee approves unit prices for the various goods to be procured. This has encouraged and promoted use of direct procurement method at fixed prices. The routine sourcing (repeat orders) from the same

Area	Findings
	providers were not backed by any framework contracts but letters of authority from the CC. Such letters of authorities of the CC are not provided for in the procurement law and regulations of Uganda. Use of framework contracts should be sought about by Mulago Hospital.
Capacity of the Contracts Committee	The Committee comprised Hospital staff, most of whom have a medical background. The committee is amorphous with fourteen members and this is contravention of the PPDA Act, 2003. The AO nominated members to the PS/ST that would conform to the regulations, but these are not yet approved, hence CC is illegal. However, the committee meets regularly and performs the Contracts Committee functions. The committee members have obtained procurement experience through the procurements handled in the past as well as undertaking training courses. The AO should follow up the approval of the CC members.
Complaints handling	While the auditors were informed that the system of complaints handling exists in the Hospital, there was no documentary evidence to confirm this. The Accounting Officer should ensure that there is a complaints review mechanism and records should be kept evidencing the receipt, handling and disposal of each complaint. The AO should ensure that interested parties within the PDE do not take part in the investigation of such cases, to avoid conflict of interest.
Procurement system and monitoring	 The auditors noted the following areas in the entity's systems that could result into inefficiencies and ineffectiveness in the overall procurement process: The information for the procurement process was scattered across the key players in the process thus making the retrieval difficult; A proper filing system was not in place in the Hospital to ensure a complete audit trail of each procurement and only very scanty information is attached to the procurement files, most times only the Goods Received Notes and Contracts Committee approvals were attached to the files. A proper filing system should be kept by the PDU that records the trail of each procurement from planning to contract implementation. The requirement in the law for safe keeping of procurement records should be adhered to by the PDU and all persons directly involved in the procurement/disposal process should comply with the PPDA Act and Regulations.

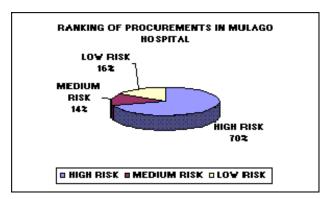


Area Findings	
	 The system did not have provisions for the comparison of procurement performance against the plan, budget, contracts and procedures; The system did not highlight key procurement issues that required the immediate attention as they arose; There is no system used in recording the Hospital's past experience with service providers for future reference.
Contracting	 A review of some of the signed contracts revealed that the hospital did not adhere to what was specified in the contracts e.g. contract extensions are evident and done beyond the allowable mandate of the hospital organs. This also applies to repetitive orders to the same providers without subjecting the new contracts to competition.
Monitoring	The monitoring of the procurement process in the Hospital is not documented and the auditors could not assess if it was effective to support the process. The Supplies department represents most of the user departments in making requisitions, and witnesses deliveries at the stores. There was no committee in charge of verifying deliveries. Deliveries to the stores and distribution of the supplies from the stores need to be closely monitored; hence a verification committee should be established to exclude those who are involved in making the requisitions.
Reporting	The auditors reviewed the reports that had been prepared in the past and the system in place to prepare these reports. The auditors noted that the reports are extracted from the minutes of the Contracts Committee. The reports produced contained a record of the tender name, method of procurement, user department, date of award, approved unit prices, approved suppliers and amounts involved. The reports are regularly submitted to the PPDA by the PDU.
Compliance with the regulations	Generally, the hospital followed the procurement procedures as laid down by the Act and Regulations. The two main exceptions noted were the non-usage of the required forms and improper filing system of procurement documents.

1.6.2 Findings of case-by-case procurements

PERFORMANCE OF MULAGO REFERRAL HOSPITAL COMPLEX

RANKING OF CONTRACT	NUMBER OF CONTRACTS	PERCENTAGE
HIGH RISK	49	70
MEDIUM RISK	10	14
LOW RISK	11	16
TOTAL	70	100



Below is a summary of the procurements that have been assessed as being high risk along with the reasons for this assessment:

	Contract Name	Findings
1	SUPPLY OF ULTRA SOUND EQUIPMENT TO THE DEPARTMENT OF RADIOLOGY	The contract was awarded to M/s GEEST OVERSEAS LTD/MARTIN JAMES MEDICAL LTD at US \$ 345,087. This was after alleging that the Contracts Committee revised the preliminary evaluation results, which had only passed M/s SIMED International for the technical evaluations as the only compliant firm. Contracts Committee decision to bring other non-compliant firms for technical evaluation was not availed to the audit team hence it was not clear whether this was a decision of the Chairman, evaluation committee.
2	PROCUREMENT OF CLEANING SERVICES	This contract was awarded to M/s Norema Services (U) Ltd for three (3) years signed on 16/07/2000 and was due to expire on 15/07/2003. This contract has since been extended several times without PPDA's waiver. There was an accumulated extension of 47% between August 2003 – December 2004; the last extension being on 9 th September 2004. This extended the contract from 1 st August 2003 to 31 st December 2004. Most of the extensions were done retrospectively.
		Pre-qualified providers for cleaning services for financial year 2003/2004 were: A & M Executive Cleaning Services Co. Ltd, Guardian Services (U) Ltd, Norema Services (U) Ltd, NEC Services Construction Works and Engineering Ltd and Safi Cleaning Services. All the five (5) were invited to participate in the bidding exercise. The process began on 14/11/2003 and the contract was not yet awarded to-date (29/10/2004), yet there was no reason for the delay. However, the evaluation committee had recommended Ms Safi for the award. As a result of these extensions, the Government was

	Contract Name	Findings
		spending Ug Shs 24,139,914 per month instead of Ug shs.21, 408,030 if the contract was given to the best-evaluated bidder. This has resulted into a loss of Ug shs.30, 050,724 to the government from 1 st February 2004 to 31st Dec. 2004 if the best-evaluated bidder had taken over the contract.
3	PROCUREMENT OF I.V GIVING SETS	This contract was awarded to M/s. Mugambe trading company at a contract price of Ug.shs.24, 000,000 through direct procurement. At submission of the list to audit, Mulago indicated that RFQ was used for this procurement, which is not true since no providers were invited to compete and none submitted proforma invoices.
		The authority from the Contracts Committee to procure was granted on 27/11/2003; after the goods had been received on 30/10/2003. Retrospective authority is illegal. The authority from the Contracts Committee to procure was granted on 27/11/2003; after the goods had been received on 30/10/2003. Retrospective authority is illegal.
4	PROCUREMENT OF IV CANNULAR	This contract was awarded to M/s. Reddy's Pharmaceuticals Ltd at a contract sum of 47,500,000 split into shs.22, 500,000 and Shs. 25,000,000 for children and adults respectively.
		Despite being split procurement, there was a big variance between the Joint Medical Stores price estimates given by the user department and M/s. Reddy's Pharmaceuticals Ltd price list at which the entity bought the goods.
		There is no indication that Joint Medical Stores (JMS) or National Medical Stores (NMS) were contacted to supply the above goods and they were unable. A Certificate of non-availability of drugs from NMS is not available to justify procuring from a more expensive source. This improper planning and lack of focus on more competitive sources caused loss to government worth. Shs. 27,232,000 on this single procurement.
5	PURCHASE OF SURGICAL AND EXAMINATION	 The Contracts Committee at its 16th meeting held on 11/04/2003 awarded this contract direct to M/s Reddy's Pharmaceuticals Ltd, without any competition.
	GLOVES	• The authority to purchase surgical and examination gloves worth Shs. 44,607,000 was given on 11/4/2003, after delivery of the same goods on 7/4/2003;
		This was a retrospective approval of the authority to procure surgical and examination gloves;
		The basis was that M/s Reddy's Pharmaceuticals Ltd was the only provider because their price was revalidated for 2002/03 cannot be accepted since during the same period (on 12/12/2002 and 20/1/2003), M/s. Pharmacy Health Ltd supplied examination gloves to Mulago Hospital worth Shs. 23,640,000. M/s.

	Contract Name	Findings
		Pharmaceutical Health Ltd was a pre-qualified supplier of blood giving sets. This implies that the knowledge of the entity that other suppliers existed should have subjected this procurement to competition.
6	PROCUREMENT OF SURGICAL GLOVES	This contract was awarded to M/s. Reddy's Pharmaceuticals Ltd worth .Shs 23,030,000. The proforma invoices were submitted on 4/12/2003, the same day the Contracts Committee awarded the contract to M/s. Reddy's Pharmaceuticals Ltd and goods were received on 23/04/2004 after five months.
		 The LPOs given were based on the proforma invoices of another contract to Ms Reddy's Pharmaceuticals Ltd dated 15/12/03.
		 There is no indication that the goods were required by the User Department. The origin of the procurement could not be established since there were no documents available;
		 The proforma invoices attached had earlier been used for a different procurement awarded to the same provider on 15/12/03 (Number 89&90). So, the method of procurement was sole sourcing.
7	PROCUREMENT OF SILK SUTURES	 This contract was awarded to M/s. Sino Africa Medicines Health Ltd worth Ug.shs.23, 980,000. M/s. Sino Africa Medicines Limited, which was awarded the contract, seems to have been in prior contact with the entity. This contract was evaluated based on Ms Sino Africa's letter to the entity dated 8/4/2004. The proforma invoices were received from other two providers on 22/4/2004. When the Contracts Committee held the meeting and approved award. It was just a formality.
		• The LPO number A 01219259 is suspicious considering that it has a stamp dated 17/3/2004 (of the PPO) written before the dates on the proforma invoices and not signed by the PPO like the other LPOs. The stamp date of the Director is 17/5/2004, two months after.
		• The LPO amount is Shs. 24,992,000 with a duplicate 2/0 worth. Shs. 3,982,000 which was never delivered, as per goods received note of 18/5/2004 number 37114.
		We were unable to verify how much was paid to the provider since the payment voucher was never provided.

	Contract Name		Findings
8 I.V CANNULAR			 This contract was awarded to M/s Mbogo Empire Ltd at a contract price of. Shs. 25,000,000. The Contracts Committee compared three pre-qualified providers' unit prices for a number of medical sundries i.e. M/s. Reddy's pharmaceuticals Ltd, M/s. Luxam pharmaceuticals Ltd and M/s. Meta products (U) Ltd; For all the items, M/s. Reddy's Pharmaceuticals Ltd was
			the lowest. However, this particular procurement was awarded to M/s. Mbogo Empire Ltd, whose quoted price was fixed by the Contracts Committee;
			 The auditors could not establish how M/s. Mbogo Empire Ltd was contacted to quote for the IV Cannulars at Ms Reddy's unit price since it had not initially submitted any quotation.
			 Ms Mbogo was given the tender of this amount directly without any competition.
9	PROCUREMENT LABORATORY MATERIALS	OF	At its meeting held on 5/02/04, MHCC approved authority for purchase of the laboratory consumables to Ms Hass Scientific and Medical Supplies Ltd. However, the proforma invoice from Hass is dated 15/4/04. MHCC approved Ms Hass without subjecting it to competition and the rates were fixed by the CC at which Hass was to supply. • The reason that there was no competent provider in Kampala, to guarantee use of direct procurement method, is not convincing since there are other four (4) firms pre-qualified under chemicals and laboratory goods.
			 The procurement was split into Shs. 13,370,840 and Shs. 13,324,000 (No 178 &179 (as per the list of submission) and award given to M/s. Hass Scientific & Medical Supplies Ltd.
10	PROCUREMENT DISPOSABLE SYRINGES	OF	 This contract was awarded to M/s Orient Pharmaceuticals Ltd. However the circumstances of this award are not clear given that; The LPO that was given was worth Shs. 18,925,500 but the amount paid was only Shs. 17,003,500. The reason for paying a different amount as per the LPO is not explained;
			 There was retrospective authority from Mulago Hospital Contracts Committee to procure these goods (syringes) from M/s. Orient Pharmaceuticals Ltd;
			 There is no evidence that RFQ method of procurement was used to decide on the best-evaluated provider. M/s. Orient Pharmaceuticals Ltd was solely sourced for this

	Contract Name	Findings
		procurement. There is no indication either, that the prices quoted originated from the provider since no proforma invoice was seen on file. There could be a possibility of inflated prices.
11	PROCUREMENT OF ABSORBENT GAUZE	 This contract was awarded to M/s Meta Products (U) Ltd at Shs 20,597,500. This was acquired through direct procurement. However, there was no documentary evidence that the Contracts Committee approved the request from the Principal Supplies Officer to procure directly. The reason given for use of direct procurement was lack of stock in the hospital but given the period of 5 months it took to deliver, a more competitive method would have been used.

Note: There were two contracts with the amounts above Shs 200 million, as per the list that was submitted by Mulago Hospital, and the auditors did not find any other contract above Shs 200 million.

Procurements below did not have documents whatsoever and were therefore categorised as high risk.

- 1. All the sampled **28** procurements that paid cash (one day cash transactions made on 13.08.2002);
- 2. Procurement of end tracheal tubes from Hangs General Supplies worth Ushs 26,600,000 of 7.11.2003;
- 3. Procurement of surgical blades from Hangs General Supplies worth Ushs 24,800,000 of 18.11.2003;
- 4. Procurement of laboratory materials from Hass scientific &Medical Supplies worth Ushs 16,703,000 of 15.12.2003; (Only a GRN of value Shs 10,339.000 dated 12/12/03 and letter of authority dated 5/2/04 were presented though they seem to be of a different procurement.);
- 5. Procurement of electrical materials from Wilken Telecommunications worth Ushs 4,078,620 of 15.12.2003 (only a GRN was available);
- 6. Procurement of I.V Cannular from Mbogo Enterprises was submitted and listed for auditing, but discovered during the fieldwork that it does not exist.

1.7 Other findings for consideration

The Hospital has raised the following concerns that it wishes to bring to the attention of the PPDA:

- The Procurement Unit is understaffed due to transfers of staff, the appointing authority should be contacted to always effect coordinated transfers:
- The Authority needs to raise awareness on the procurement Act and Regulations among the service providers and user departments to ease the work of the committees. The Training and Capacity building department of PPDA will be in charge of implementing this recommendation.

The audit team identified the gaps below and PPDA may need to consider them when reviewing the regulations:

- The Request For Quotations (RFQ) method of procurement does not require that the recipients must acknowledge receipt for the RFQ as confirmation that the firm received the RFQ. This implies that it is difficult to determine whether all bidders were invited at the same time and therefore had the same amount of time and information. The RFQs are also not opened in the presence of the invited firms. As a result, any suppliers that may be connected to the members of the procurement unit/user department/Contracts Committee may have access to privileged information that may influence the outcome of the procurement process;
- The supplies department is currently raising requisitions on behalf of user departments. The requisitions are thereafter submitted to the Procurement and Unit. The involvement of the supplies department in the procurement cycle not defined in the Regulations.
- While the 2003 Regulations require user departments to send all the post contract information to the PDU, there is no information being sent to the PDU.

2.0 AUDIT FINDINGS

2.1 Background

Mulago National Referral Hospital's mandate is to provide specialized tertiary health care, train health workers and conduct research in line with the requirements of the Ministry of Health. Additionally the hospital aspires to be Uganda's leading provider of highly specialized tertiary health care services to referred patients in order to enhance quality of life.

The main core functions of the hospital are:

- To provide prompt attention and professional care to the patients
- · To save life with diligence
- To offer comfort and hope to patients in pain and suffering
- To observe the highest ethical standards in health care delivery
- To maintain highest levels of confidentiality about patients' information
- To carry out its duties in a transparent and accountable manner to the patient, government as well as the public.
- To uphold human dignity for all patients irrespective of their socialeconomic status, religion and colour.
- To develop staff to the highest professional potential

Management and Structure of the Hospital

Mulago Hospital is financially self accounting but accountable to Ministry of Health on matters of implementing Health Policy. The Hospital is managed on a tripartite basis with the Director as head of the Institution and Accounting Officer, Deputy Director responsible for clinical services, Assistant Director responsible for support services and Senior Principal Nursing Officer for nursing services. Most Heads of Clinical departments are members of Makerere University Medical School directly accountable to the Dean and the Director in an undocumented traditional manner.

Directorates

In the effort to decentralize financial management, directorates were developed as vote centers to collectively plan for their requirements and determine their priorities. Each directorate is comprised of departments, which have similar functions and tools of operations. These directorates include;

- Directorate of Medical Services
- Directorate of Surgical Services
- Directorate of Pediatrics Services
- · Directorate of Obstetrics and Gynecology Services
- Directorate of Diagnostics and Therapeutics Services
- Directorate of Nursing Services
- Directorate of Administration Services

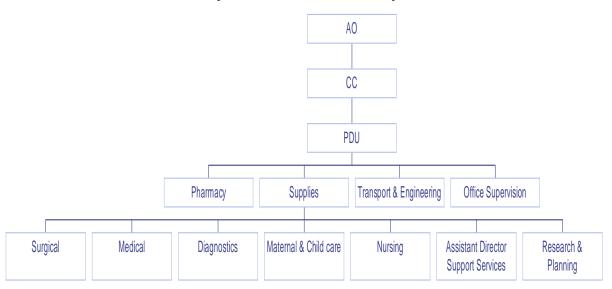
Financial Management

The budget has been decentralized to directorates for 3 years now. This was meant to share responsibility and decision-making and to permit those directorates and departments to determine their spending priorities. It has enabled the directorates to initiate the purchases, which has improved value for money. However this has overstretched their clinical responsibilities, teaching and financial management.

Procurement Management

The Procurement and Disposal Unit is slowly getting integrated into Mulago Hospital community. The goods procured in the hospital are critical in sustaining peoples' lives. Most of the requirements from user departments are always presented as emergencies and this has resulted into a lot of "rush and buy".

Relationship between PDU and User Departments at Mulago Hospital in Procurement process



Note: There is an internal arrangement that the Directorates of Surgical, Medical, Diagnostics, Maternal and Childcare, Nursing, Support Services, Research and Planning pass all their procurement requisitions through the Directorate of Supplies.

2.2 Introduction

The Public Procurement and disposal of Public Assets Authority (PPDA) is established under Act 1 of 2003 to formulate policies and regulate practices in respect of public procurement and disposal activities.

The Public Procurement and Disposal of Public Assets Authority (PPDA) is the oversight agency that advises Government on matters of public procurement and disposal of public assets. The Authority is mandated among others to conduct procurement Audits, inspections and investigations.

The objectives and functions of PPDA are to foster more transparency, non-discrimination, fairness, competition, accountability, economy and effectiveness in the procurement and disposal procedures and to strengthen the public sector management aspects. This is achieved through providing policy regulation, co-ordination, supervision and control so as to achieve value for money in procurement and disposal by Government ministries, statutory bodies and Commissions.

PPDA through its department of Procurement Audit, Inspection and Investigations conducts contract and performance audits of the records and proceedings of the procuring and disposing entities to ensure full and correct application of the Act, Regulations and Guidelines.

2.2.1 Audit objectives

The department of Procurement Audit, Inspection and Investigations conducted a procurement audit in Mulago National Referral Hospital for the period between 1st July 2002-30th June 2004.

Specifically this assignment covered the following areas:

- audit the whole procurement process of all the sampled activities carried out, right from the point of procurement planning to the end of the contract;
- assess documentation of the procurement process and the entity's filing system
- assess whether the PDE has prepared any reports, regarding all procurements and disposal of assets;
- review reporting system at the PDE as compared to the requirements of the Authority and;
- assess the operational systems and structures of the PDE

2.2.2 Audit Scope

The audit of Mulago hospital complex covered the whole procurement process of activities right from planning through initiation; execution; contract award, signing, delivery and payments for sampled procurements. It also involved carrying out the review of the entire procurement practices in the years under consideration 2002/2003 and 2003/2004. The procurements were

conducted following the Public Finance (Procurement) Regulations, 2000 and Public procurement and disposal of public assets regulations (2003).

The audit covered 9% of the total procurements distributed through open bidding, direct procurement, RFQ/RFP, micro-procurement and cash transactions based on the list submitted by the entity to PPDA. During inception of the audit, the sample was selected from the list covering 70 procurements out of 788 procurements. To ensure completeness of the lists, we also made reference to the minutes of the Contracts Committee meetings. The selection of a sample to be audited was based on the following:

- Size of procurement i.e. ensuring that we had a coverage of both large and small procurements;
- Coverage in terms of method of procurements to ensure that all methods were selected;
- Coverage in terms of goods (medical and non medical), services and works to ensure that all are fairly covered;
- Having a fair distribution among the procuring departments in the hospital;
- Selection of contracts where there was frequent selection of specific contractors/suppliers;
- Analysed all repeat orders.

The samples were selected on a case-by-case basis using the above criteria from the list provided by Mulago and agreed upon by the PPDA management before the auditors were dispatched to the field.

Under the terms of reference, we were required to cover 70 contracts of the procurements and disposals undertaken in the period under review in the following areas:

- Planning for procurement;
- Systems and monitoring:
- Procurement process and actual procurement;
- · Compliance with regulations;
- · Contracting; and
- · Reporting.

Below is the summary table of the Audit scope:

Mulago Procurements/Disposals and Selected Sample, 2002/03 & 2003/04

Category	RFQ/P		ICB		DIRECT		MICRO		CASH	
	Total	Sample	Total	Sample	Total	Sample	Total	Sample	Total	Sample
Works	0	0	0	0	1	1	0	0	88	25
Goods	295	24	3	3	45	7	327	6	28	3
Services	1	1		0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0	0	0
Total	296	25	3	3	46	8	327	6	116	28

2.3 Procurement process within the Hospital structure

2.3.1 Structure and role of key players in the procurement process

The main stakeholders in the procurement process in the Hospital are the Contracts Committee, Procurement and Disposal Unit (Secretariat) and the User Departments. The user departments in the Hospital are mainly the directorates and most of them are represented by the supplies department to perform their required procurement functions. These are Surgical, Medical, Diagnostics, Maternal and Childcare, Nursing, Support Services and Research and Planning.

Following the implementation of the Public Finance (Procurement) Regulations 2000, the Director of medical services appointed the Contracts Committee of 15 members. The Contracts Committee is not yet re-organised to conform to the PPDA regulations, 2003 that require a maximum of five members. The role of the Contracts Committee in the procurement process has mainly been approval and authorisation of unit prices, suppliers and procedures, requisitions, tender documents, evaluation reports, and contracts.

2.3.2 Environment within which the procurement process occurred

In executing the audit, we sought to understand the legal, institutional and physical environment within which the procurement process occurred. We highlight this environment in the following paragraphs in order to give context to this report.

Composition of the Contracts Committee

The Contracts Committee is manned by staff from different departments. This is advantageous in that it brings varied experiences and skills from different departments together that can be useful in better understanding the user departments from which requests come. On the other hand, in addition to their normal work schedules, the Committee has been meeting twice a month and more frequently when the need arises. They have to prepare in advance for each of these meetings by reading documents relating to the procurements that they will be looking at.

However, most of the staff that were appointed to this committee are medical professionals without the requisite training nor experience in the field of procurement. They have learnt on the job.

Establishment of the Procurement and Disposal Unit

The Procurement and Disposal Unit is the secretariat of the Contracts Committee. While the Public Finance (Procurement) Regulations 2000 allowed for the establishment of the Unit, this was not possible because the authority by the Ministry of Public Service to get staff for the Unit had not been received and the budgets did not provide for these extra staff levels. The Unit was established much later and got staffing in September 2003 implying that the Contracts Committee had to operate for some time without a secretariat. As a result, the duties of the Unit were shared between the supplies department and the Contracts Committee.

Facilitation

The PDU is well housed in its own building which is spacious. The staff are provided with computer and communication services. However the auditors noted that the unit is constrained by means of transport.

Volume of the transactions

Given the size and structure of the Hospital, the Committee has been overwhelmed by the volume of work it has had to undertake in executing its mandate. The work that the Committee handles is from across the directorates, units, and departments of the Hospital.

Sensitisation of user departments and service providers

This committee feels that the sensitisation of the public in the area of public procurement is still inadequate. The user departments and the service providers have not embraced these changes to their full advantage as user departments are not raising their requirements to the PDU and RFQs are only extended to a few preferred suppliers.

2.4 Findings and recommendations relating to the systems and procedures in place

2.4.1 Procurement Planning

We noted that procurement plans were not drawn up at all. This is crippling the coordination of the procurement process, timely procurement and delivery of Hospital goods. User departments don't produce procurement plans, and accordingly the PDU has not produced the entity's plan.

The implications of not preparing procurement plans are:



- There is no link between procurements and the work plans prepared and approved budgets for the year. This has resulted in contracts that are referred to as "urgent" being forwarded to the contracts committee for approval where this would not have been the case had proper procurement plans been drawn up at the beginning of the year;
- There was no link between the budgeting/ planning process and the actual
 procurement process thus making the monitoring of the procurement
 process by the procurement unit inadequate. As a result, the procurement
 unit has not been in a position to ascertain deviations from budget and/or
 plan in regard to procurement, obtain explanations from the parties
 concerned and seek ways of mitigating these concerns;
- There was a failure to coordinate all similar procurements in order to purchase in bulk from the same source and thus reap economies of scale;
- The plan could have been used for better cash flow forecasting, better coordination and control of funds utilisation.

Recommendation

A procurement plan should be drawn up as per regulation 96 each year with the objective of coordinating the procurement process, ensuring timely procurement and delivery of programme inputs to enable speedy implementation. The procurement plan should detail the items to be procured during the year, when the items would be required, the numbers and costs involved, type of procurement method that will be used e.g. selective bidding, international bidding etc. The procurement plan should tie into the overall programme budget and work plans. It should be the basis of monitoring procurement.

2.4.2 Pre-qualification

Annually, the Hospital pre-qualifies supplies and service providers for the following:

- Pharmaceuticals and Medical sundries
- Chemicals and laboratory reagents
- Orthopaedic and dental materials, surgical implants and miscellaneous items
- General Engineering materials
- Manufactured Goods/ linen/ Uniforms
- Stationery/ printed materials/printed medical forms and computer consumables;
- Security services
- Parking services
- Catering/canteen services
- Printing services;
- Office furniture and equipment;
- Repair and servicing of computers and office equipments;
- Repairs and servicing of vehicles;



- Cleaning services for all departments and directorates;
- · General painting and fumigation services;
- Supply of tyres, tubes and batteries;

Advertisements are placed in the media and prospective suppliers and service providers submit their bids. A listing of pre-qualified suppliers and service providers is compiled and used as a basis for selecting suppliers and service providers during the financial year for the above categories. The application for pre-qualification is evaluated by the procurement unit and a listing of service providers issued to all departments.

The practice of pre-qualification is recognized worldwide and encouraged especially for procurements that involve large sums of money. However the auditors noted the following exceptions:

- a) The Hospital does not conduct periodic pre-qualification of consultants and contractors despite the fact that these two fields tend to involve large sums of money. In instances where the request for quotation/proposals or selective bidding method is used, the Contracts Committee approved unit prices and authorised providers and authority was given to procure from these approved providers. The basis of selection of particular service providers could not be established and the system could not therefore be seen to be transparent;
- b) The pre-qualification list is not managed effectively to ensure that all factors/ criteria remain relevant to the ever-changing environment. The majority of the RFQ are not subjected to competition. Invitation of at least three providers to respond to the RFQ is not the norm. In light of this, the PDU should always use a minimum of three providers when procuring goods/services using the Request for Quotation method.

Implication

The inability to have an up to date listing of pre-qualified consultants and contractors has the following implications:

- It is difficult to determine the basis of selection of the Providers/contractors and consultants where request for quotation/proposal or selective bidding is used;
- Since the Hospital has to sometimes respond to emergency situations that require quick response, the Hospital should be knowledgeable of what firms have what capacity. The pre-qualification of Providers/consultants/ contractors can remove subjectivity from the process and ensure more transparency;
- Incompetent Providers/contractors/consultants may be contracted leading to shoddy work and loss of value for money. This may be due to Providers/contractors/consultants selected not having the capacity and competence to handle the size of the contract. As an example, the auditors came across contracts that had partial deliveries within the same period, an indication of limited capacity of the providers; and decisions may be based on outdated information. The entity should consider postevaluation of the providers before they are finally short-listed.

 Cash transactions in the department of Engineering is common and is not backed with support documents.

Recommendation

The Hospital should make use of the pre-qualified lists by rotating providers as a way of maximising value for money and avoiding monopolies of using approved unit prices and single authorised providers for particular items. The entity should always use a minimum of three pre-qualified providers whenever request for proposals and restricted bidding methods are used.

2.4.3 Monitoring System

During the audit of a sample of procurements, the auditors carried out a review of the procurement system specifically focusing the monitoring mechanism.

The monitoring of the procurement process in the Hospital is not documented and we could not assess if it is effective to support the process. The Supplies department that represents most of the user departments in making requisitions, at the same time witnesses deliveries at the stores. There is no committee in charge of verifying deliveries. Deliveries to the stores and distribution of the supplies from the stores need to be closely monitored; hence a verification committee should be established.



2.5 Detailed findings arising from the audit of the sampled procurement

A sample of 70 procurements (9%) was selected from a total of 788 procurements of Mulago Regional Hospital for the years 2002/03 and 2003/04. Below are the audit findings categorised as high risk, medium risk and low risk for each procurement.

HIGH RISK CASES

2.5.1 Re-equipment of Mulago X-ray department

	Department	Radiology department
	Contract no/	M/RAD/03/04/00002
HIGH	Ref:	
RISK	Contractor	M/s. GEEST OVERSEAS LTD / MARTIN
		JAMES MEDICAL LTD
	Contract sum	US \$ 345,087
	Date of award	August 27 2003

Background to the contract

The Ministry of Health, through Mulago Hospital, received a grant from the Japanese Government towards the cost of re-equipping the Radiology department at Mulago Hospital Complex and applied part of the proceeds of the grant towards the procurement of ultra sound equipment under lot 2 at a cost of US \$ 345,087.

Documents available

- Advert for invitation of bids from the Monitor Publications Newspaper dated 7/1/2002;
- ♦ Bid Document:
- List of companies that purchased the bid document;
- List of companies that submitted the bids;
- Minutes of the public bid opening of x-ray bids of 13/2/2003;
- ◆ Evaluation reports for both preliminary and technical evaluations submitted to the Contracts Committee;
- ♦ Addendum No. II dated 6/2/2003 to all bidders:
- ◆ A letter by the Contracts Committee authorizing payment for consultancy services for re-equipping of Radiology department to the National Advertising Committee on Medical Equipment (NACME) totalling to 10,496,500;
- ◆ A letter of Contract Award for lot 2 supply, installation and commissioning of Ultra sound equipment;



Findings

The hospital followed the right procedures at the initial stage of the procurement process by selecting the correct method of procurement of open international bidding, advertising in the three media of the Monitor Publications, New Vision and the East African Newspapers. Good quality bid document was prepared and allowed in competition.

However, the following exceptions were noted:

Evaluation

The audit team was not availed with the Contracts Committees' approval of the preliminary evaluation report. At the preliminary evaluation stage, only one firm passed for lot 2, which was M/s. SIMED International. However, evaluation team resolved that, for purposes of increasing competition, the Evaluation Committee compiles the preliminary evaluation report to be presented to the Contracts Committee to advise on the way forward. The Chairman, Evaluation Committee, informed members of the evaluation committee that during their meeting of 1st March 2002 between himself, the Chairman Contracts Committee and Secretary NACME, it was recommended that the Evaluation Committee revisits the evaluation criteria with a view of widening competition.

Basing on this recommendation, two (2) more firms M/s. GEEST Overseas Ltd/Martin James Medical Ltd and Meditec (U) Ltd qualified for detailed evaluation.

The findings related to this evaluation process is here below summarized:

- The approval of the Contracts Committee on the preliminary evaluation report advising that the set evaluation criteria in the bid document be re-adjusted to accommodate wider competition was not availed;
- Minutes of the meeting held on 1st March 2002 authorizing the Evaluation Committee to revisit the evaluation criteria were not submitted to the audit team. Therefore, it was hard to verify whether the Chairman, Evaluation Committee did not impose his personal interests to the Evaluation Committee, since there were no documents on file in regard to the meeting.

Contracting and post contract activities

The contract for supply, installation and commissioning of ultra sound equipment was signed on 27th August 2003. The audit team was availed with a letter of credit totalling to 692,696,000/= equivalent to US \$ 345,087 drawn in the names of M/s. GEEST OVERSEAS Ltd/ M/s. James Martin Medical Ltd dated 19th September 2003.

 During the audit exercise, we did not access any documentation to show the Solicitor General's approval; as a requirement of contracts



above Shs 50 million. However, the letter of approval of the draft agreements were submitted to PPDA and ascertained that the Solicitor General approved the contract on 18th August 2003. This is a constitutional requirement under Article 119(5) that require the legal advice of the Attorney General. This requirement was further streamlined in the guidelines on negotiations and execution of government contracts (June 23,1999). These guidelines apply to both donor-funded and government-funded contracts whose total value exceeds 50 million shillings.

◆ There were also no delivery documents and any post contract activities documented. The comments (annex 1) on the report from the entity did not provide support documents on alteration of the evaluation criteria.

Recommendation

- The Accounting Officer should put in place a monitoring mechanism of procurements conducted under project funding within the PDE.
- 2. The Chairman Evaluation Committee should be cautioned by the AO for influencing the preliminary evaluation report.
- 3. The Chairman, Contracts Committee should be cautioned by the AO for changing the evaluation criteria that had not been given to the bidders in the bid document.

2.5.2 Procurement of Cleaning Services

	Department	Administration				
4	Contract no/ Ref:	TB/192/193				
HIGH	Contractor	Ms Norema Services (U) Ltd				
RISK	Contract sum	Ug. Shs 24, 139,914/= per month				
	Date of award	July 16 2000				

Background to the contract

The contract for provision of cleaning services between the Government of Uganda (Mulago hospital) and Norema (U) Ltd was signed on 16th July 2000 for three (3) years. The total contract price for the 3 years was Ug. Shs 869,036,904. The contract was due to expire on 15th July 2003.

This contract has since been extended several times without PPDA's authority. There was an accumulative extension of 47% of total contract price i.e. August 2003 to December 2004. The Contracts Committee made the last extension approval on 9th September 2004. This extended the contract from 1st August 2003 to 31st December 2004. Most of the extensions were done retrospectively.



Pre-qualified providers for Cleaning Services for Financial Year 2003/2004 were: A & M Executive Cleaning Services Co. Ltd, Guardian Services (U) Ltd, Norema Services (U) Ltd, NEC Services Construction Works and Engineering Ltd and Safi Cleaning Services. All the five (5) were invited to participate in the bidding exercise. The process began on 14/11/2003 and the contract is not awarded to-date (29/12/2004).

Available Documents

- Record of issue of solicitation document dated 14/11/2003.
- Record of pre-bid meeting.
- ♦ Record of bid opening; 5/12/2003.
- Correct forms were used to record the procurement process
- ◆ Evaluation report dated 21/1/2004 (covering preliminary, technical and financial).
- Minutes of Contracts Committee dated 15/04/04 approving M/s. Norema Cleaning Services, retrospectively; The M/s. Norema contract had expired on 30/1/2004. Retrospective authority extended the contract from 1st February 31st March 2004, and prospective authority up to end of June 2004 at Ushs. 24,139,914 per month.

Findings

- ◆ The Contracts Committee extended M/s. Norema contract retrospectively from 1st February 2004 to 31st March 2004, and prospectively up to 30/06/2004:
- ◆ The extension of M/s. Norema contract went beyond the stipulated time (30th June 2004) and it is still running to-date 18/10/2004. However on 9th September 2004, the Contracts Committee extended it to 31st December 2004.
- ◆ The cumulative extension of seventeen (17) months, which is 47% of the initial contract of 3 years, is unacceptable without any approval from PPDA. The three years contract value was Ug. Shs 869,036,904 but the 17 months cumulative extension has earned the contractor Ug. Shs 410,378,538 without any competition.
- ◆ The audit team analysed the evaluation report and found it satisfactory. M/s. Safi Cleaning Services had won the tender with 91.96% total score, and M/s. Norema came second with 80.56% on 21/1/2004. The award should have been given to M/s. Safi before M/s. Norema's 1st extension of the contract expired on 1st February 2004. There was no need of extending the contract to Norema
- The Contracts Committee contested the results of the evaluation committee. The CC recommended re-evaluation of the bids but it has taken almost a year to re- valuate the bids. Meanwhile, Ms Norema who also participated in the bidding exercise is benefiting from the



extensions since this firm was the incumbent was defeated in the new bid under review.

 M/s. Norema Services' bid price was Ushs. 25,331,190 and M/s Safi Cleaning Services bid price was Ushs. 21,408,030, with a difference of Ushs. 3,923,160.

Implications

- Government is spending Ushs. 24,139,914 per month on cleaning Mulago Hospital instead of Ushs. 21,408,030 per month, an excess of 2,731,884 per month, if the contract was given to the best evaluated bidder, instead of unjustifiably extending the contract to M/s. Norema who had not qualified as the best bidder. The entity has lost a total of Shs 30,050,724 from February 2004 when the new contractor would have been recruited to 31 December 2004.
- ◆ The contract extensions is contrary to regulation 262(6) of PPDA Regulations, 2003, that states that where a contract is amended more than once, cumulative value of all contract amendments shall not increase the total contract price by more than 25% of the original contract price.

Recommendations

- 1. The Accounting Officer should effect the recommendations of the evaluation report immediately, to save the entity further financial loss, if re-evaluation has failed.
- 2. The Accounting Officer should be made to compensate government for the financial loss for the period of contract extensions beyond 25% of the legally allowed cost above the initial contract price.
- 3. The Contracts Committee should be cautioned for flouting regulation 262 (6) i.e. extending the contract to Ms Norema beyond their allowable powers. The Accounting Officer should effect this recommendation and inform PPDA accordingly within three months of this report.

2.5.3 Procurement of I.V Giving sets

	Department	Surgical
	Contract no/ Ref:	MHCC/ADM/16/157/04
HIGH	Contractor	M/s. Mugambe Trading Company
RISK	Contract sum	Ug. Shs. 24,000,000
	Date of award	October 21 2003

Background to the contract

The Contracts Committee at its meeting held on 27th November 2003 gave authority retrospectively, to purchase I.V Giving sets from M/s Mugambe Co. Ltd. At this meeting various items that were purchased without authority of the CC were presented by the Principal Supplies Officer, totalling Shs 295,834,080 for approval. This particular procurement was approved at that meeting and subsequently, the Contracts Committee wrote a letter to the AO as authority of approval. But these were to formalise an accomplished procurement.

Available documents

The following documents were available for review.:

- Retrospective authority by the Contracts Committee dated 27/11/2003 approving the procurement;
- LPO to Mugambe Trading Company;
- Invoice from the supplier;
- Delivery Note from the supplier;
- ♦ Goods Received Note, number 24284 dated 30/10/2003;
- Payment Voucher to verify who was paid for this procurement.

Findings

The following documents could not be traced for verification:

- Requisition by user department;
- Solicitation letter to the Provider/s
- Proforma Invoices from eligible providers;
- Evaluation report;

The list of the procurements that was submitted by Mulago for auditing indicated the method used as RFQ. This claim that the request for quotation was used is incorrect, since there was no indication that providers were invited to quote. Even the solicitation of Mugambe is not on file and how it was invited is not clear.

Among the documents availed to us, the PSO indicated the procurement as an emergency ('extremely urgent requirements'). Neither M/s Mugambe Trading Company nor any other supplier submitted any proforma invoice.

The authority from the Contracts Committee to procure was granted on 27/11/2003 after the goods had been received on 30/10/2003 (as per the GRN). Retrospective authority was also sought by the Principle Supplies Officer and granted by the Contacts Committee. On the same date, items worth Ushs. 295,834,080 were granted authority by the CC and were procured in about one week, between 21/10/2003 – 29/10/2003. This procurement under review worth Shs 24 million was among the items approved. The Principle Supplies Officer abused the weakness in the organisational approval system and procured without any authority of the Contracts Committee and committed the entity by procuring goods of such a magnitude.

Recommendations

- 1. The Contracts Committee should desist from retrospective approvals;
- 2. The Principle Supplies Officer should be cautioned by the Accounting Officer to stop committing the entity without authority and for favouring Ms Mugambe in this procurement.

2.5.4 Procurement of IV Cannular

	Department	Surgical		
4	Contract no/ Ref:	MHCC/ADM/17/170/04		
HIGH	Contractor	M/s. Reddy's Pharmaceuticals Ltd		
RISK	Contract sum	Ug. Shs. 47,500,000		
RIDK		Split into Ushs. 22,500,000 & Ushs. 25,000,000		
	Date of award	December 12 2003		

Background to the contract

The Contracts Committee approved purchase of assorted medical sundries at its meeting held on 4th December 2003. The approval was extended to M/s Reddy's Pharma Ltd and other credible suppliers on Mulago shortlist. The contracts committee also approved unit prices at which Mulago should purchase various items including I.V. Cannulars (at Shs 1,250 a piece). The list of procurements that was submitted by Mulago to form the sample selection indicated procurement of I.V. Cannulars worth Shs 22,500,000 as a separate procurement from I.V. Cannulars worth Shs 25,000,000. But the proforma invoices and the file show that this was one procurement, just split.

Available documents

- Proforma invoices from M/s. Luxam Pharmaceuticals Ltd of 3/12/2003, M/s. Reddy's pharmaceuticals Ltd of 4/12/2003 and M/s. Meta Products (U) Ltd of 4/12/2003;
- Approval by the Contracts Committee to buy assorted medical sundries of 4/12/2003 from M/s. Reddy's Pharmaceuticals Ltd;
- ◆ Minutes of the Contracts Committee dated 4/12/2003 approving the evaluation of quotes;
- LPOs 0178864 and 0178865 to Ms Reddy's Pharmaceuticals Ltd
- ♦ Invoice from M/s. Reddy's pharmaceuticals;
- Delivery note from M/s. Reddy's Pharmaceuticals;
- Goods received note 24631 and 24632 of 12/12/2003.

Missing documents

- ◆ Call/ invitation for quotation
- Evaluation report

Findings

- Quotations were received from three pre-qualified suppliers, but no evaluation report was seen on file, though the lowest quotation was selected. Two LPOs were offered to Ms Reddy's Pharmaceuticals Ltd written the same day.
- There was a big variance between the Joint Medical Stores price estimates given by the User department and M/s. Reddy's Pharmacy price at which the entity bought the goods. The following table is useful for comparison:

Item Description	Unit Price		Quantity	Total value (U shs)		Total Variance
	JMS**	M/s. Reddy's	Purchased	JMS	M/S. Reddy's	(U. Shs)
I.V Cannulars S.16	534/=	1250/=	6,000	3.204M	7.5M	4.295M
I.V Cannulars S.18	532/=	1250/=	6,000	3.192M	7.5M	4.308M
I.V Cannulars S.20	532/=	1250/=	6,000	3.192M	7.5M	4.308M
I.V Cannulars S.22	534/=	1250/=	10,000	5.34M	12.5M	7.16M
I.V Cannulars S.24	534/=	1250/=	10,000	5.34M	12.5M	7.16M
Subtotal	I					27.232M

^{**}JMS –Joint Medical Stores

 There is no indication that Joint Medical Stores (JMS) or National Medical Stores (NMS) were contacted to supply the above goods and they were unable. Certificate of non-availability of drugs from NMS



was not available to justify procuring from a more expensive source. This improper planning limited the entity to procure from more competitive sources. This caused loss to Government worth Ug. Shs. 27,232,000 on this single procurement;

- ◆ The requisition was one, filled by the PSO dated 3/12/2003 and approved accordingly by responsible persons but LPO was split to No. 0178864 and No.0178865 issued to the same provider;
- ♦ Goods were received on 12/12/203:
- ◆ Confirmation of funds for this procurement was signed on 30/4/2004; four months after goods were delivered, and payment was effected in May 2004.
- ◆ The proforma invoices were submitted on 4/12/2003, the Contracts Committee sat the same day and the contract award given to M/s. Reddy's Pharmaceuticals Ltd and goods received on 12/12/2003. The auditors noted with concern the speed at which procurement was effected;
- ◆ The procurement was spilt to fall within the allowable threshold of Shs 30 million under the RFQ. This procurement was all about I.V Canulars split into Ushs. 22,500,000 and Ushs.25,000,000 done under LPO Nos.0178864 and 0178865 respectively and processed at the same time.
- ♦ This procurement should have used open bidding since the amount was above what is allowable under RFQ.
- ◆ The Contracts Committee approved just unit prices without knowing the quantities that would be purchased from M/s Reddy's Pharmaceuticals Ltd. The CC did not approve this procurement, contrary to regulation 48 of the PPDA Regulations, 2003.
- ◆ The split was through giving out different LPOs to defeat the method of procurement.
- ♦ Generally, on 15/12/2003 M/s. Reddy's Pharmaceuticals was given procurement of:
 - Surgical Gloves worth Ushs. 23,030,000; (No 92 on the list submitted to PPDA)
 - I.V Cannulars worth Ushs. 25,000,000; (NO 89 on the list submitted to PPDA)
 - I.V Cannulars worth Ushs. 22,500,000; (No 90 on the list submitted to PPDA)

These were split procurements totalling to Shs 70,530,000 awarded to Ms Reddy's Pharmaceuticals on 15/12/2003 according to the list submitted to PPDA for audit.



Recommendations

- Spilt procurements should be avoided by all means all the time.
 The Accounting Officer should investigate this procurement focussing on split procurement, variances in prices and why they are different (inflated) from the approved requisition form and the hasty in this procurement. The investigation report should be forwarded to PPDA within three months of this report.
- 2. The Contracts Committee should always analyse the requisitions from User Departments and insist on having an evaluation report which they must approve as per regulation 48 c (i).

2.5.5 Purchase of Surgical and Examination gloves

	Department	Surgical
	Contract no/ Ref:	MHCC/ADM/17/216(j)/03
HIGH	Contractor	M/s Reddy's Pharmacy Ltd
RISK		
	Contract sum	Ug. Shs. 44,607,000
	Date of award	April 07 2003

Background to the contract

M/s. Reddy's Pharmaceuticals was given authority as one of the providers of surgical and examination gloves by the Contracts Committee at its 16^{th} meeting held on 11/4/2003. The providers were requested to confirm the validity of their prices for a period – 1/07/2002 - 30/6/2003, but others did not revalidate their price lists.

Documents available

- Authority by the Contracts Committee to purchase surgical gloves and examination gloves from M/. Reddy's Pharmaceuticals on 11/4/2003 retrospectively;
- Minutes of the Contracts Committee for re-validation of authorities for Financial Year 2003/2004;
- ♦ Request from the Principal Supplies Officer to Secretary, Contracts Committee requesting for re-validation authority.
- ♦ Good Received Note dated 7/4/2003:

Missing documents

- Procurement requisition from User Department;
- Proforma Invoices;



- ◆ LPO;
- Invoices;
- Delivery Note;
- Payment Vouchers.

Findings

- ◆ There is no indication that the RFQ method was used, that eventually resulted into awarding M/s. Reddy's Pharmacy Ltd;
- ◆ The authority to purchase surgical and examination gloves worth Ushs. 44,607,000 was given on 11/4/2003, after delivery of the same goods on 7/4/2003;
- ◆ This was a retrospective approval of the authority to procure surgical and examination gloves;
- ◆ The entity by saying that M/s Reddy's Pharmaceuticals Ltd was the only provider because their price was re-validated cannot be accepted since during the same period, M/s. Pharmacy Health Ltd supplied examination gloves on 12/12/2002 and 20/1/2003 to Mulago Hospital worth Ushs. 23,640,000. M/s. Pharmaceutical Health Ltd was a qualified supplier of blood giving sets. This implies that the knowledge of the entity that other suppliers exist should have subjected this procurement to competition;
- ◆ The split was intended for the entity to believe that they are in the allowable threshold for RFQ. But delivery of goods was at the same time and all other seen documents for this procurement were processed at the same time for the same company.
- Though the entity thinks that they used the RFQ method, the auditors believe this was direct procurement, and worse still, of such magnitude (value). There is no indication that other providers were invited or participated in this procurement.

Implications

The basic principles of procurement that allow effective competition were violated, contravening section 46 of the PPDA Act 2003.

Recommendation

The Accounting Officer is cautioned for allowing split procurements and for favouritism to M/s. Reddy's Pharmaceuticals Ltd.



2.5.6 Procurement of surgical gloves

	Department	Surgical
		MHCC/ADM/17/170)/04
HIGH	Ref:	
RISK	Contractor	M/s. Reddy's Pharmaceuticals Ltd
	Contract sum	Ug. Shs. 23,030,000
	Date of award	December 12 2003

Background to the contract

Available documents

- Proforma invoices from M/s. Luxam Pharmaceuticals Ltd of 3/12/2004, M/s. Reddy's pharmaceuticals Ltd of 4/12/2004 and M/s. Meta Products (U) Ltd of 4/12/2004 are duplicates for procurement number 2.5.4. The attached proforma invoices were used before for another procurement.
- ◆ Approval authority was given on 4/12/2003 by the contracts committee to buy assorted medical sundries from M/s. Reddy's Pharmaceuticals Ltd;
- ◆ Minutes of the Contracts Committee dated 4/12/2003 approving the evaluation of quotations;
- Requisition form from User department;
- ◆ LPO number 0219007 dated 19th April 2004
- ◆ Goods received note 37347 of 23/04/2004.
- ◆ Payment voucher dated 07/06/04
- Invoice from M/s. Reddy's pharmaceuticals;
- ◆ Delivery note from M/s. Reddy's Pharmaceuticals;

Findings

- The proforma invoices were submitted on 4/12/2003, the Contract Committee sat the same day and the contract award given to M/s. Reddy's Pharmaceuticals Ltd and goods received on 23/04/2004, after five months
- ◆ The LPOs were given based on the proforma invoices of another contract to Ms Reddy dated 15/12/03.
- It's incorrect that RFQ was a method of procurement used. The proforma invoices attached were earlier used for a different procurement awarded to the same provider on 15/12/03. So, the method was sole sourcing.



- ◆ The Contracts Committee approved unit cost without knowing how much quantities will be purchased from M/s Reddy's Pharmaceuticals Ltd.
- Most of the documents used under this procurement are a duplicate of the procurement number 89/90 to Ms Reddy's Pharmaceuticals awarded on 15/12/03.
- ◆ This duplication of earlier -on -used documents (proforma invoices) is an indication that this procurement was flouted.

Recommendation

- 1. The Contracts Committee should desist from authorizing methods of procurements that are against the PPDA Act and Regulations;
- 2. The Contracts Committee should always look at the requisitions from User Departments to determine what they are approving and giving authority for, to avoid flouting the regulations.

2.5.7 Procurement of Silk Sutures

	Department	Surgical
HIGH	Contract no/ Ref:	MHCC/ADM/29/355/04
RISK	Contractor	M/s. Sino Africa Medicines Ltd.
	Contract sum	Ug. Shs. 23,980,000
	Date of award	May 18 2004

Background to the contract

Proforma invoices were received from the pre-qualified firms as follows:

- ♦ Hexa Pharma dated 22/4/2004:
- ♦ Nector Pharma dated 22/4/2004.

The third firm M/s. Sino Africa Medicines Health Ltd in its letter dated 8/4/2004, communicated to the entity of the reduction in its prices. The Contracts Committee awarded the contract to M/s. Sino Africa Medicines Ltd on 22/04/2004.

Available documents

- Proforma invoices from two firms;
- Letter of authority to award (by Contracts Committee);
- Goods Received Note.



- ◆ There is no requisition from the User Department and Request for Quotations to the three providers as evidence of contact to all the firms;
- There is no evaluation report of the quotations;
- ◆ The are no minutes of the Contracts Committee approving the procurement;
- ♦ M/s. Sino Africa Medicines Limited, which was awarded the contract, was in prior contact with the entity. This contract was evaluated based on Ms Sino Africa's letter to the entity dated 8/4/2004. The proforma invoices received on 22/4/2004 from the other two providers, when the Contracts Committee held the meeting and approved award were just for formality;
- ◆ The LPO No. A 01219259 is suspicious considering that it has a stamp dated 17/3/2004 (of the PPO) written before the dates on the proforma invoices and not signed by the PPO like the other LPOs. The stamp date of the Director is 17/5/2004, two months after.
- ♦ The LPO amount is Ushs. 24,992,000 with a duplicate order of silk sutures number 2/0 worth Ushs. 3,982,000 which was never delivered, as per goods received note of 18/5/2004 number 37114.
- Similar misnomers of duplicated orders were noted on: LPO number A0219258 of 17th May 2004, with a duplicated order of 189 Doz nylon sutures 150CM No.2/0 worth Ushs. 4,158,000, to the same company M/s Sino Africa. – LPO A219260 of 17th May 2004 with a duplicated order of 226 Doz Chronic Catgut 150 cm No.2 worth Ushs. 4,158,000 to the same company M/s. Sino Africa.
- ◆ The total value of procurement on 18/05/04 to Sino Africa was worth Shs 92, 859,200/= split and distributed to suit the request for quotation thresholds.

Implication

♦ It is probable that government lost money worth Ushs 12, 298,000 through undelivered goods on 18th May 2004, paid to Ms Sino Africa medicines. The payment vouchers were not on file for verification.

Recommendation

M/s Sino Africa Medicines of P.O Box 7321 Kampala and the officer involved should be investigated by PPDA to establish the truth behind the duplicated orders that were never delivered and appropriate recommendations implemented.

2.5.8 Procurement of I.V Cannular

	Department	Paediatric & Child Health
HIGH	Contract no/ Ref:	MHCC/ADM/17/170/04
RISK	Contractor	M/s. Mbogo Empire Ltd
	Contract sum	Ug. Shs. 25,000,000
	Date of award	May 14 2004

Background to the contract

At its meeting held on 4th December 2003, the Mulago Contracts Committee gave authority to purchase assorted medical sundries from Ms Reddy's Pharrma and other credible short listed suppliers. Mulago Hospital used authority to other suppliers to include Mbogo Empire Ltd for this procurement.

Available documents

- Minutes of the contracts committee dated 4/12/2003 approving credible short-listed suppliers and unit prices for assorted medical sundries;
- ◆ Authority to purchase medical sundries, dated 4/12/2004
- ◆ Commitment requisition form no. 2063 dated 30/3/2004, approved on 21/4/2004.
- ◆ LPO No. 0219202 dated 14/5/2004 to M/s. Mbogo Empire Ltd;
- Invoice No. 006 dated 19/5/2004 from M/s. Mbogo Empire Ltd;
- ◆ Delivery Note No. 154 dated 19/5/2004 from M/s. Mbogo Empire Ltd;
- ◆ Goods Received Note No. 37119 dated 19/5/2004 from M/s. Mbogo Empire Ltd;
- ◆ Payment Voucher dated 08/6/2004;

Findings

- The Contracts Committee compared three pre-qualified providers' unit prices for a number of medical sundries i.e. M/s. Reddy's pharmaceuticals Ltd, M/s. Luxam pharmaceuticals Ltd and M/s. Meta products (u) Ltd;
- ◆ For all the items, M/s. Reddy's Pharmaceuticals Ltd was the lowest. However, this particular procurement was awarded to M/s. Mbogo Empire Ltd, whose quote price was determined by the Contracts Committee based on Ms Reddy's quotation. M/s Mbogo had not quoted for the supplies.
- ◆ There is no evidence that the three firms were invited to compete for this procurement since neither the invitation letter nor the proforma invoices were seen.



- The independent cost price of IV Cannulars by M/s. Mbongo Empire Ltd could not be established since what they used was provided for by the Contracts Committee (Min. 170/2004 of 4/12/2003);
- We could not establish how M/s. Mbogo Empire Ltd was contacted to participate in this procurement and how the firms whose prices were compared dropped out.

Implications

- M/s. Mbogo Empire was favoured for this procurement against M/s. Reddy Pharmaceuticals Ltd whose unit cost was evaluated. On the other hand, since M/s. Mbogo Empire Ltd unit cost is not shown, it could have been lower but requested to quote at Ms Reddy's price, hence the value for money principle/ element in procurement was lost.
- Lack of competition among the providers is against the principles of procurement and regulation 85 of PPDA Regulations;
- ♦ The use of direct method is far beyond the circumstances that are allowable under direct procurement method.

Recommendations

- 1. The Contracts Committee should desist from fixing suppliers' prices;
- 2. At least three providers should always be contacted independently to compete as per Regulation 117(3) of the PPDA Regulations, 2003.

2.5.9 Procurement of Laboratory Materials

	Department	Diagnostics
HIGH	Contract no/ Ref:	No reference number
RISK	Contractor	M/s. Hass Scientific and Medical Supplies Ltd.
	Contract sum	Ug. Shs. 26,694,840 (13,324,000 & 13,370,780)
	Date of award	June 16 2004

Background to the contract

Ms Hass Scientific and Medical Supplies Ltd had a contract with Mulago for servicing of laboratory equipment signed on 1/10/01, which expired on 30/09/02. On expiry, this contract was extended for 3 years and increased the annual servicing times from 2 to 3 times. This resulted into an increase of 50% of the contract value, from 8,340,000 to 12,510,000.

Public Procurement and Disposal of Public Assets Authority

On the 1st of October 02, Hass Scientific requested for the renewal of the contract for **one** year and suggested an increase in the number of preventive maintenance inspections from 2 to 3 times at Shs 11,120,000 annually.

However, at its meeting of 12/12/2003 the MHCC renewed the contract for 3 years at an annual cost of Shs 12,510,000 with Shs 1,390,000 above the provider's quotation! The terms offered by the CC were contrary in favour and above the provider's request.

Hass scientific has a service contract for laboratory equipment. This was for maintenance, servicing and repair of equipment three times a year, but not for the supply of laboratory materials, reagents and consumables.

The procurement of laboratory materials included sample cups, cuvette magazine kit water body fluids, and air filter; probe tips assembly, digital diluter and humidifier rings at a cost of Ushs. 13,379,840. There was another procurement on the same date to the same firm worth Ushs. 13,324,000 of laboratory materials.

Findings

- The reasons to use the direct procurement method is not convincing since there were five (5) firms pre-qualified under chemicals and laboratory goods;
- ◆ At its meeting held on 5/02/04, MHCC approved authority for purchase of the laboratory consumables to Ms Hass Scientific and Medical supplies Ltd. However, the proforma invoice from Hass is dated 15/4/04. It was not clear on what basis the Contracts Committee approved the provider, even before they assessed the provider's proforma invoice. MHCC approved Ms Hass without subjecting it to competition and the rates were fixed by the CC at which Hass was to supply.
- ◆ The procurement was split into Ushs. 13,370,840 and Ushs. 13,324,000 (No 178 &179 as per the list of submission) and award given to M/s. Hass Scientific & Medical Supplies Ltd.

Implications

- There was favouritism to M/s. Hass Scientific & Medical Supplies and discrimination to other pre-qualified providers. Since no competition was practiced in this procurement, there could have been better offers and with lower prices.
- ◆ The purpose of splitting cannot be explained and reasons are not justified since the procurement was all about laboratory equipment, and from the same provider.



Recommendation

- 1. The Principle Laboratory Technologist should account for the procurements made on 16/6/2004 worth Ug. Shs. 26,694,840 to M/s. Hass Scientific & Medical Supplies Ltd and he/she should be cautioned against using direct procurement to this magnitude.
- 2. The Contracts Committee should be cautioned by the AO for allowing direct procurement and favouritism to Hass Scientific and Medical Supplies Ltd wherever laboratory materials are required.

2.5.10 Procurement of disposable syringes

	Department	Supplies
IIICII	Contract no/ Ref:	MHCC/ADM/03/21(iv) 04
HIGH RISK	Contractor	M/s. Orient Pharmaceuticals.
	Contract sum	Ug. Shs. 9,981,200 +7,022,300
	Date of award	July 30 2003

Background to the contract

The Contracts Committee approved purchase of various sizes of syringes and needles from M/s. Orient Pharmaceuticals on 17/4/2003.

Available Documents

- ◆ Commitment requisition No. 160 dated 16/7/2003. The requisition has items with total worth Shs. 18,925,500;
- ◆ LPO No. 0177725 dated August 2003 worth 18,925,500 to M/S. Orient Pharmacy;
- ◆ Delivery note No. 108 dated 30/7/2003;
- ◆ Goods received note No. 23693 dated 30/7/2003 worth Shs. 9,981,2000;
- ♦ Second goods received note number 23967 dated 18/08/03
- Authority from Mulago Hospital Contracts Committee dated 14/8/2003 for purchase of disposable syringes from M/S. Orient Pharmacy Ltd (retrospective authority);
- Mulago Hospital Contracts Committee minutes of 1/12/2003;
- Payment voucher;

Findings

The following findings were noted:

Public Procurement and Disposal of Public Assets Authority



- The commitment requisition form contains items below: (different from what is on GRN):
 - 50,000 pcs of disposable syringes 2mls;
 - 50,000 pcs of disposable syringes 5mls
 - 29,998 pcs of disposable syringes 10mls;
 - 10,485 pcs of disposable syringes 20mls.
- ◆ The above items were all worth UShs. 18,925,500;
- The LPO that was given was worth UShs. 18,925,500 but the amount paid was only UShs. 17,003,500 including withholding tax. The reason for paying a different amount as was per the LPO is not explained. The LPO was given after the goods had been received;
- ◆ The goods were delivered in two batches worth Shs 9,981,200 and Shs 7,022,300, but payment done in one release.
- ◆ The delivered items were less than what was ordered, without any reasons on file.
- ◆ There was retrospective authority from Mulago Hospital Contracts Committee to procure these goods (syringes) from M/s. Orient Pharmacy Ltd;
- ♦ There is no evidence that RFQ method of procurement was used to decide on the best-evaluated provider. M/s. Orient Pharmacy was solely sourced for this procurement. There is no indication either, that the prices quoted originated from the provider since no proforma invoice was seen on file.

Implication

- ◆ The procurement method was flouted to favour one provider who never performed to the requirements of the entity.
- ◆ The retrospective authority/approval of any procurement by the Contracts Committee is against the rules and procedures of procurement.

Recommendations

1. The Contracts Committee should always allow fair competition if Government is to attain value for money procurements and avoid retrospective approvals in order to assert the authority entrusted by the PPDA Act, 2003.



2.5.11 Procurement of Onyx Services Kit

	Department	Supplies
	Contract no/	MHCC/ADM/10/105/ 04
HIGH	Ref:	
RISK	Contractor	M/s. Hass Scientific & Medical Supplies Ltd
	Contract sum	Ug. Shs. 3,300,000
	Date of award	July 15 2003

Background to the contract

At its meeting held on 17/10/2003, Mulago Hospital Contracts Committee gave authority retrospectively to procure spare parts for the repair of coulter onyx to M/s. Hass Scientific & Medical Supplies Ltd at Ushs. 3,300,000

Available Documents

- Proforma invoice from only Hass Scientific number MM012/07 dated 7/7/03;
- Commitment requisition dated 07/10/03 to Ms Hass Scientific;
- ◆ A letter from Hospital Engineer seeking retrospective authority dated 17/10/03;
- Mulago Hospital Contracts Committee minutes of 17/10/2003;
- ♦ Authority of Mulago Hospital Contracts Committee of 17/10/2003;
- ◆ LPO number 219416 dated 10/06/2004;
- Delivery note 1130 dated 15/07/03;
- ◆ Goods received note No. 23666 OF 15/7/2003;
- Invoice number 1516 dated 15/07/03;
- Payment voucher dated 30/06/2004.

Findings

- ◆ The commitment requisition was written on 7/10/03 far after the goods had been received and even paid.
- ◆ The proforma invoice was from one provider and far dated 7/7/03 before authority to procure was granted. There was no competition.
- ◆ Goods were received on 15/07/03 before the authority to procure was given by MHCC on 17/10/2003. This was a retrospective approval.
- ◆ The purpose of issuing an LPO on 10/6/2004, almost one year after goods had been delivered could not be explained to the auditors. It seemed this was intended to support payment.

Implication

This procurement was mismanaged and it's not clear, on the payment voucher, whether the one-year-old invoice number 1516 of 15/07/03 was the one being cleared/ paid.

Recommendation

The Mulago Hospital Contracts Committee should always desist from approving procurements retrospectively and should always follow the established PPDA rules and regulations.

2.5.12 Supply of Hospital furniture and equipment

		Department	Radiology
	\checkmark	Contract no/ Ref:	M/RAD/03/04/0003
HIGH		Contractor	M/s. GEEST Overseas Ltd/Martin
RISK			James Medical Ltd
		Contract sum	US \$ 8,214.69
		Date of award	August 27 2003

Background to the contract

The Ministry of Health, through Mulago Hospital received a grant from the Japanese Government towards the cost of re-equipping the Radiology department at Mulago Hospital complex and applied part of the proceeds of the grant towards the procurement of hospital furniture and equipment under lot 3 at a cost of US \$ 8,214.69.

Available documents

- ◆ Advert for invitation of bids in the Monitor News paper of 7/01/2002;
- ♦ Bid document;
- List of companies who purchased the bid documents;
- List of companies who submitted the bid proposals;
- Evaluation reports for the preliminary and technical evaluations;
- Minutes of the bid opening;
- ♦ Addendum II dated 6/2/2002 to all bidders.

Findings

The Chairman, Evaluation Committee, informed members of the evaluation committee that during their meeting of 1st March 2002 between himself, the Chairman Contracts Committee and Secretary NACME, it was recommended that the Evaluation Committee revisits the evaluation criteria with a view of widening competition.

Basing on this recommendation, M/s. GEEST Overseas Ltd/Martin James Medical Ltd qualified for detailed evaluation.

The findings related to this evaluation process is here below summarized:

- ◆ The approval of the Contracts Committee on the preliminary evaluation report advising that the set evaluation criteria in the bid document be re-adjusted to accommodate wider competition was not availed;
- Minutes of the meeting held on 1st March 2002 authorizing the Evaluation Committee to revisit the evaluation criteria were not submitted to the audit team. Therefore, we could not verify whether the Chairman, Evaluation Committee did not impose his personal interests to the Evaluation Committee, since there were no documents on file in regard to the meeting.

Recommendation

The Chairman Evaluation Committee should accordingly be cautioned for depicting favouritism by reviewing the evaluation criteria that were not originally in the bid document without authority.

2.5.13 Purchase of chronic catguts and silk sutures

	Department	Surgical
HICH	Contract no/ Ref:	MHCC/ADM/35/174/02
HIGH RISK	Contractor	M/s. Sino Medicines & Health Ltd
KISK	Contract sum	U shs. 23,380,000
	Date of award	April 11 2003

Background to the contract

At its meeting held on 11/4/2003, MHCC approved authority for the purchase of chronic catguts from M/s. Sino Africa Medicines & Health Ltd at 19,400/= per dozen.

Available documents

- ♦ Delivery Note No. 1257;
- ◆ Goods Received Note of 1200 dozens of chronic catguts worth 23,280,000 dated 11/4/2003;
- ◆ Tax invoice No. 0306 and Local Purchase Order No. 0177253:
- ◆ Contracts Committee minutes of the 6th meeting dated 11/4/2003;
- A list of companies, items and unit prices to be validated.



- ◆ The Contracts Committee re-validated the authorities and prices to be supplied by the various firms for the various commodities for the period 1st April to 30th June 2003;
- ◆ The re-validation was on 11/4/2003; the same date M/s. Sino Africa Medicines & Health Ltd supplied the chronic catguts.
- ◆ The decision of the Contracts Committee to determine the unit prices for the various items to be supplied limited competition and encouraged direct procurement. This method is associated to various disadvantages such as the entity buying at prices far above the average market prices. The entity does not benefit from quantity discounts.

Recommendations

- 1. The Contracts Committee should desist from the habit of predetermining unit prices of providers.
- 2. Direct procurement should be highly discouraged unless under special circumstances that satisfy conditions in the PPDA Act.

2.5.14 Supply, installation and commissioning of x-ray equipments and Pre-installation works.

	Department	Radiology
IIICII	Contract no/ Ref:	M/RAD/03/04/00001
HIGH	Contractor	M/s Meditec Uganda Ltd.
RISK	Contract sum	Us \$ 339,452
	Date of award	August 27 2003

Background to the contract

Available Documents

- Advert for invitation of bids in the Monitor News paper of 7/01/2002;
- ♦ Bid document:
- List of companies who purchased the bid documents;
- List of companies who submitted the bid proposals;
- Evaluation reports for the preliminary and technical evaluations;
- Minutes of the bid opening;
- ♦ Addendum II dated 6/2/2002 to all bidders.



- During the opening of the bids, it was observed that some bidders submitted one envelope with both technical and financial proposals combined. These were evaluated which was contrary to the bid document that required submission of separate technical and financial proposals (one-stage two envelope). This biases the evaluation process as evaluators get prior knowledge of the financial quotations of bidders.
- ◆ The Chairman of the committee altered the evaluation criteria in the bid document during the evaluation without any approval from the Contracts Committee.
- During the audit exercise, we did not access any documentation to show the Solicitor General's approval on file as a requirement of contracts above Shs 50 million. However, the letter of approval of the draft agreement was submitted to PPDA later and we ascertained that the Solicitor General approved the contract on 18th August 2003.

Recommendations

- 1. The Authority strongly advises the entity to always apply the same rules to all the bidders as per the bid requirements within the PPDA rules and regulations.
- 2. The Evaluation Committee is accordingly cautioned against adjusting the set evaluation criteria within the bid document as this compromised the evaluation results and demonstrated favouritism.

2.5.15 Purchase of Laboratory Microtone Knives

	Department	Surgical
	Contract no/ Ref:	819 D
HIGH	Contractor	M/s Achelis (U) Ltd.
RISK	Contract sum	Ug.Shs. 6,300,000
	Date of award	September 09 2003

Available Documents

- ◆ Loose minute from Head, Pathology department to the Hospital Deputy Director requesting to procure urgently laboratory microtone knives;
- ◆ Commitment Requisition form No.405;
- Approval of Commitment;
- Proforma invoice No.Aul/Med/295/03 dated 15/08/2003;
- ◆ LPO No.0177795 dated 09/09/2003:



- ◆ Goods Received Note No. 24627 and 2984;
- Delivery Note of Achelis (U) Ltd No.2984;
- Tax Invoice No.ac/03/sp/357;
- ◆ Payment Voucher dated 29/01/2004.

- A request was made by the User Department to urgently order for disposable Microtone knives, as the department had no stock by the 19/08/2003.
- ◆ This request was approved by the Mulago Hospital Contracts Committee to procure directly from M/s Achellis (U) Ltd to be delivered within 2 weeks. This was on the 11/09/2003. However delivery was made on the 12/12/2003, after three months of the issue of an LPO. This period would have allowed a more competitive method to be used, since several firms had been pre-qualified for the supply of Laboratory Microtone Knives. Secondly, the Contracts Committee approved this procurement retrospectively as approval was made on 11/09/2003 whereas the LPO was issued on 09/09/2003.

Recommendation

The Contracts Committee should not make retrospective approvals especially where they are not initially informed.

2.5.16 Procurement of Surgical gloves

	Department	Surgical
HIGH	Contract no/ Ref:	RV/014/03/04
RISK	Contractor	M/s. Reddy's Pharmacy Ltd
KISK	Contract sum	Ug.Shs. 23,471,000
	Date of award	July 11 2003

Background information

At its meeting held on 11/04/2003, Mulago Hospital Contracts Committee approved authority for the purchase of surgical gloves and examination gloves from M/s Reddy's pharmacy at the following prices.

- ♦ Surgical gloves size 7 490=
- ♦ Surgical gloves size 71/2 490=
- ♦ Examination Gloves (L) 9500=
- ◆ Examination Gloves (M) 9500=

Available documents

- ♦ Contracts committee minutes of 11/04/2003.
- ◆ Procurement Requisition form dated 07/07/2003.
- Proforma invoice no. 074 dated 11/07/2003
- ◆ Delivery note dated 11/07/2003.
- ♦ Goods Received Note no. 23664 dated 11/07/2003
- ◆ Payment Voucher dated 15/09/2003 on LPO no.0177701 dated 11/07/2003

Findings

◆ The Contracts Committee gave approval to the purchase of these drugs on 11/04/2003 but the procurement requisition form was raised on 07/07/2003 implying the Contracts Committee approved before the drugs were requested. The Entity used direct procurement however a more competitive method of procurement should have been used.

Recommendation

The Contracts Committee should ensure that the correct methods of procurement are always used and use of direct procurement should be discouraged since it does not allow competition and value for money.

2.5.17 Procurement of Disposable Syringes and Needles

	Department	Supplies Department
	Contract no/ Ref:	RV/233/03/04
HIGH	Contractor	M/s. DELMAW ENT. Ltd
RISK	Contract sum	Ug.Shs. 24,700,000=
	Date of award	December 13 2003

Available documents

- ◆ Internal memo from the PSO to D/Director dated 3/12/2003.
- ◆ Procurement Requisition Form dated 3/12/2003
- ♦ Proforma invoice no. 3587 dated 17/12/2003
- ♦ Local Purchase Order No.0178874 dated 13/12/2003
- ♦ Goods Received Note no24644 dated 17/12/2003
- ◆ Delivery note No.393 dated 17/12/2003.

Findings

 This is a direct procurement from M/s Delmaw Ent. Ltd. The basis of determining the prices is not specified, as the Mulago Hospital Contracts Committee authority letter for the FY 2003/2004 was not used.

Recommendation

The Contracts Committee should not determine prices without following the laid down procedures.



2.5.18 Procurements with no documents



All the cash transactions for the year 2002/03 don't have accountability documents, hence all the cases we sampled for a single day (13/08/2002) transactions are categorised high risk. The entity could only provide the goods received notes, without any receipts to show accountabilities of the funds released to staff. Below is a list of purchases without any receipts to confirm that they were purchased:

Department	Item procured	Provider	Amount (Shs)
Engineering	Building materials	Kingston hardware	277,500
Engineering	Drawer locks	Twin Enterprises	13,000
Engineering	Building materials	Twin Enterprises	182,000
Engineering	Building materials	MJK Enterprises	288,000
Engineering	Switch	Luck Electrical	30,000
Engineering	Timer Assembler	Equal Electrical Co	450,000
Engineering	Building materials	Panama investments	391,000
Engineering	Building materials	Mpigi Sanitary ware	390,000
Engineering	Building materials	Cash sale	139,000
Engineering	Building materials	Ssikisamba H/ware	450,000
Engineering	Carpentry equipment	Twin Enterprises	17,500
Engineering	Carpentry equipment	Twin Enterprises	460,000
Engineering	Building materials	K.D hardware	450,000
Engineering	Electrical equipment	Equal Electrical Co.	175,000
Engineering	Building materials	Equal Electrical Co	365,000
Engineering	Building materials	Nnaku	560,000
Engineering	Building materials	Kamya &sons	499,500
Engineering	Building materials	K.D hardware	496,000
Engineering	Building materials	Delta Hard ware	573,000
Engineering	Building materials	K.D hardware	636,000
Engineering	Electrical materials	Seka electrical Co.	498,000
Engineering	Building materials	Twin	529,000
Engineering	Building materials	Medical Equipment Eg. Agency	238,770
Engineering	Carpentry materials	Lukwago	190,500
Engineering	Plumbing materials	Esesa	113,000
Transport	Fuel	New Mulago	44,000
Supplies	Computer Ribbon	Robaphine	45,000
Supplies	Oxygen	Medical equipment engineering	690,400
		TOTAL	9,191,170

Findings

• Mulago hospital purchased goods worth Shs 9,191,171/= on 13/08/02 without following any provided method of procurement within the rules and the regulations. The Engineering department of Mulago hospital usually runs the cash transactions. The reason why most of the



- building materials obtained on the same day could not be purchased from one provider is not understood.
- ◆ The suppliers of items procured by cash are not even pre-qualified by the entity. The person purchasing selects the providers to his/her discretion, without any competition. This is a complete abuse of procurement basic principles. Why there are no pre-qualified providers to whom framework contracts could be made, was not explained.

Recommendations

- 1. The Accounting Officer should ensure that the responsible officers provide accountabilities for all cash procurements in form of receipts. Failure to provide the accountability, the Accounting Officer should take disciplinary action against the Officers.
- 2. Cash transactions of such magnitude should be stopped forthwith.
- 3. Mulago hospital should pre-qualify providers of items commonly used by the Engineering Department.

MEDIUM RISK CASES

2.5.19 Procurement of plaster of Paris (P.O.P) bandages

	Department	Supplies
	Contract no/	RV/032/03/04
MEDIUM	Ref:	
RISK	Contractor	M/s. Sino Africa Medicines Ltd.
	Contract sum	Ug. Shs 1,944,000
	Date of award	July 28 2003

Background to the contract

The Principal Supplies Officer in his letter dated 25th June 2003 requested the Deputy Director to approve emergency procurement of medical sundries that included P.O.P. The approval was given on 25/6/2003. Retrospective authority was requested on 13/8/2003 from the Mulago Hospital Contracts Committee.

Available Documents

- ◆ Loose minute dated 25/6/2003 requesting for emergency procurement;
- ♦ Goods received note no. 23682 dated 28/7/2003;
- Request for retrospective authority dated 13/8/2003.

Findings

- ◆ This procurement was presumed an emergency when it began, but it took the entity more than one month to receive the goods. Therefore use of direct sourcing should not suffice to be a good method of procurement. Three quotations should have been called. Retrospective authority was requested on 13/8/2003 two weeks after delivery. It is not clear whether the Contracts Committee approved the authority retrospectively.
- On the same date (13/08/2003) where retrospective authority was requested to approve supplies from M/s. Sino Africa Medicines Ltd other 27 supplies totalling to UShs. 220,232,587 were included seeking retrospective authority from Mulago Hospital Contracts Committee.

Implications

The User Departments committed the entity/Government into contracts whereas they did not have the authority to do so.



Recommendations

- The Heads of Department should be cautioned about procurement without authority from the Contracts Committee. The caution should be immediately communicated to the departments by the Accounting Officer;
- 2. User Departments, which continue procuring/committing Government without authority, should be disciplined or/ and reprimanded by the Accounting Officer.

2.5.20 Procurement of Assorted Medical Forms

	Department	Medical
	Contract no/	MHCC/ADM/16/158/03
MEDIUM	Ref:	
RISK	Contractor	M/s. Mercy Commercial Agency
	Contract sum	Ug. Shs 19, 592,060
	Date of award	January 14 2004

Background to the contract

The procurement for medical forms originated from the user department with PP form 20 approved with three (3) items worth Ushs. 4,086,360 required for three months. However, there is no letter of invitation to quote as evidence of contact to the providers and what was requested. The source/ or origin of items quoted in the proforma invoices could not be verified.

Available Documents

- ♦ A requisition letter from Medical records department dated 18/11/2004. The requested quantities were worth Ushs. 4,086,360;
- ◆ Proforma invoices from three firms all dated 24/11/2003:
- Quotation evaluation report dated 27/11/2004;
- ♦ Request for approval of Solicitation document dated 27/11/2003;
- ♦ Request for approval of evaluation report dated 27/11/2003;
- ◆ Request for approval of contract award dated 27/11/2003.

Findings

- ◆ The authority to purchase medical forms worth 19,592,060 was granted to M/s. Mercy Commercial Agency by the Contracts Committee on 27/11/2003,
- ◆ The list of items on the proforma invoices is different from what the User Department had submitted/ requested for. The origin of additional items could not be established:



- ◆ All the required forms were filled on 27/11/2003 by the SPO as a matter of formality and no indication that the responsible authorities approved them. Nonetheless, this was the date the Contracts Committee awarded the contract:
- ◆ Goods were delivered on 14/01/2004 though originally it looked as emergency case as per the letter of requisition from the user department and receiving of proforma invoices before seeking authority. Delivery was after almost two months, which should have necessitated following proper procurement procedures.
- ♦ Goods were delivered in parts i.e. on 14/1/2004 worth Ushs.16, 373,701 and 20/01/2004 worth Ushs. 371,650. This split delivery is not explained, since there was only one LPO.
- No documents to verify payments.

Recommendations

- 1. Authority should always be sought from the Contracts Committee of procurements of this magnitude, before any procurement process commences;
- 2. The procurement requisition, as per PP form 20, should always be the source of the departments' requirements instead of being inflated for reasons not even given.

2.5.21 Procurement of Reagents, Spares and Consumables for Laboratory

	Department	Supplies
MEDIUM	Contract no/ Ref:	MHCC/ADM/08/104/2
RISK	Contractor	M/s. Hass Scientific & Medical Supplies Ltd
	Contract sum	Ug. Shs 22,105,000
	Date of award	June 20 2003

Available Documents

- ♦ Request by supplies department dated 4/11/2002;
- ◆ Proforma invoice Number AWB/101002A from Hass Scientific & Medical Supplies Ltd dated 10/10/2002;
- ◆ A request seeking authority for this procurement was tabled, Contracts Committee Minutes of 14/11/2002.
- ♦ Good received note dated 20/6/2003



Reference to the pre-qualified list 2003/2004 show five (5) providers of chemicals and laboratory Reagents all based in Kampala. This negates use of single sourcing and monopoly claims.

The amounts indicated as a contract sum of Ushs. 22,105,000 contradict the goods received note with a value of Ushs, 23,000,000.

Hass scientific & Medical Supplies Ltd gave a proforma validity period of 90 days. This proforma dated 10/10/2002 expired on 10/1/2003. It was illegal to use an expired proforma for this procurement transaction. Goods were received on 20/6/2003.

The following documents could not be seen for verification of this direct procurement:

- ◆ LPO to M/s. Hass Scientific & Medical Supplies Ltd;
- M/s. Hass scientific & Medical Supplies invoice;
- Delivery note;
- Payment vouchers.

The method of procurement was improper considering the fact that it was not an emergency. Looking at the time it took, it was contrary to provided circumstances under section 85 of the PPDA Act that allows direct procurement.

Recommendation

The Contracts Committee should desist from approving improper procurement methods without due regard to the law, and the Accounting Officer should caution the Head PDU for not advising the CC on use of proper procurement methods.

2.5.22 Procurement of Laboratory Materials

	Department	Diagnostics
MEDIUM	Contract no/ Ref:	MHCC/ADM/22/226/04
RISK	Contractor	M/s. Hass Scientific & Medical Supplies Ltd
	Contract sum	Ug. Shs. 8,351,500
	Date of award	June 05 2004

Background to the contract

Procured items from M/s. Hass Scientific & Medical Supplies Ltd included 10 onyx dilvent (20l), 5 clenz (5l), 5 lyse (1lt) and 10 printer Ribbons at Ushs. 8,351,500. This procurement was ordered using direct method.

Available Documents

- Mulago Hospital Contracts Committee's authority dated 5/2/2004;
- ◆ Commitment requisition to M/s. Hass & Medicines Supplies Ltd dated 5/5/2004.
- ◆ Approving purchase of lab consumable from M/s. Hass Scientific & Medical Supplies Ltd;
- ♦ Proforma invoice No. PMK 190404c of 19/4/2004:
- ◆ LPO No. 0219367 OF 5/6/2004;
- ◆ Goods received note No. 37196 dated 30/6/2004;
- ◆ Delivery Note No. 1665 of 30/6/2004;
- Invoice No. 2148 of 30/6/2004;

Findings

- This procurement used direct method and on the same date two LPOs were written to the same firm to supply lab consumables. Why one LPO was not written cannot be understood.
- It took about 41 days from the time the proforma invoice was written to the time of delivery. The method of procurement (direct) that was opted denied other providers from participating. The procurement was not an emergency not to subject it to competition.
- ◆ There is a pre-qualified list of providers of lab reagents but M/s. Hass Scientific & Medical Supplies Ltd has monopolized supply.

Implications

Objection to competitive approaches created favouritism to one supplier, Ms/. Hass Scientific & Medicines Ltd, which may be costing government more money and denying other providers business opportunity. This favouritism is highly suspicious considering that in one of the contracts between Mulago and M/s. Hass Scientific & Medicines Ltd, (servicing of lab equipment), the charges were inflated by Mulago Hospital Contracts Committee from what the provider had submitted.

Recommendation

The Contracts Committee should desist from approving direct procurement method without any reasonable grounds.



2.5.23 **Procurement of absorbent Gauze**

	Department	Surgical
MEDIUM	Contract no/ Ref:	RV/087/03/04
RISK	Contractor	M/s. META Products (U) Ltd
	Contract sum	Ug. Shs. 20,597,500
	Date of award	August 28 2003

Background to the contract

On the 26/7/2003, the Principal Supplies Officer wrote to the Deputy Director requesting for urgent procurement and delivery of P.O.P. Syringes and needles, cotton wool, zinc oxide and absorbent gauze since they were out of stock in the hospital.

Available documents

- ◆ Internal memo from the Principal Supplies Officer to the Deputy Director requesting for urgent procurement;
- ♦ Local Purchase Order No. 0177733
- ◆ Delivery note No. 1667 dated 31/7/2003
- ♦ Goods received note No. 23987 dated 28/8/2003:
- ◆ Tax invoice No.23187;
- Payment voucher of 20,597,500 dated 26/11/2003;

Findings

- There was no documentary evidence that the Deputy Director approved the Principal Supplies Officer's request for urgent procurement and delivery of P.O.P, Syringes and needles, cotton wool, zinc oxide and absorbent gauze since they were out of stock in the hospital;
- ♦ It is not clear why the Principal Supplies Officer used direct procurement for items worth 20,597,500. The reason for use of direct procurement was lack of stock in the hospital but given the period it took (more than one month) to deliver, a more competitive method would have been used.

Recommendations

The Principal Supplies Officer should desist from advocating for direct procurement especially where high values of procurement are involved, unless authorized to do so.



2.5.24 Procurement of I.V Cannular adult

	Department	Surgical
MEDIUM RISK	Contract no/ Ref:	GRN. No. 24273
	Contractor	M/s. Lamex Med. Sundries Ltd
	Contract sum	Ug. Shs. 22,950,000
	Date of award	Sept.24 2003

Available documents

- List of approved rates by the Contracts Committee for I.V Cannular G 16, G18 and G20 at Shs 1275.
- ◆ Commitment requisition No. 517 dated 22/09/2003;
- LPO No. 0177858 dated 24/9/2003:
- ◆ Delivery Note No. 009 dated 25/9/2003;
- ♦ Goods Received Note 24028 dated 25/9/2003:

Findings

The Contracts Committee gave retrospective authority at its 16th meeting held on 27th November 2003 for the purchase of I.V Cannular from M/s. Lamex Med Sundries Ltd for goods that had been delivered by 25/9/2003.

The habit of the Contracts Committee setting unit prices for the various commodities is a bad procurement practice because it ties the entity to particular rates without benefiting from quantity discounts. This prevents competitive procurement based on market forces.

Important documents such as quotations and requisitions by the user department were not available for this particular procurement. Therefore, this amounts to direct procurement.

Recommendations

- 1. Unless under framework contracts, unit prices should not be predetermined by the Contracts Committee. This prevents competition, may compromise quality and value for money principles;
- 2. The Contracts Committee is cautioned for further setting up unit prices especially where retrospective approvals are sought.

2.5.26 Procurement of Gauze Plain

	Department	Surgical
MEDIUM	Contract no/ Ref:	RV/215/03/04
RISK	Contractor	M/s Meta Products (U) Ltd.
	Contract sum	Ug. Shs. 25,350,000.
	Date of award	December 12 2003

Available Documents

- A letter from PSO to the Hospital Deputy Director requesting for urgent supply of gauze plain, X-ray films, cotton wool, P.O.P, surgical gloves, Examination gloves, I.V cannular sutures, Liquid soap, washing soap, disposable masks and Disposable syringes.
- ◆ Procurement Requisition form PP Form 20 dated 3/12/2003;
- ◆ Commitment requisition No.2019 with available budget of 612,712,551;
- ◆ LPO.No.0178878 dated 10/12/2003
- ♦ Goods Received Note No.24626
- ♦ Delivery Note No.1686
- ◆ Tax invoice No.24885.

Findings

- ◆ There is no proof that the Hospital Deputy Director authorized this procurement especially that direct procurement was the method used.
- ♦ It appears Meta (U) Ltd was the preferred supplier and this was the reason why he was not subjected to any competition.

Recommendation

The PSO should justify why he used direct procurement given the amount of money involved in this procurement.

2.5.27 Procurement of File Covers

	Department	Medical
MEDIUM	Contract no/ Ref:	MHCC/ADM/12/119/04
RISK	Contractor	M/s Precise Printers & Stationers.
	Contract sum	Ug. Shs. 9,945,000.
	Date of award	November 14 2003

Available Documents

- Procurement Requisition form
- ◆ Proforma invoices of Precise printers and stationers Ltd, Zebra graphics Ltd and C&A Printing and publishing Ltd;
- Evaluation report of the quotations.
- ♦ Goods Received Note
- Contracts committee minutes of the 12th meeting held 30/10/2003.

Findings

The Contracts Committee approved purchase of 30,000 cover files that could last the hospital 3 months. But on examination with the records department, the available budget was only 11,500,000 (Eleven million five hundred thousand only. This available budget could procure 17,692 cover files, however the hospital only procured 15,300 cover files worth 9,945,000(nine million nine hundred forty five thousand only).

It is not clear why the hospital did not procure 17,692 cover files yet the available budget could cover this.

Recommendation

The Procurement Unit should always ensure that there is consistence in the documents on the procurement file.

2.5.28 Procurement of printed Medical forms

	Department	Administration
	Contract no/	MHCC/ADM/17/216(T)/03
MEDIUM	Ref:	
RISK	Contractor	C & A Printing and Publishing Ltd
	Contract sum	Ug. Shs 6,511,050
	Date of award	July 18 2003

Background to the contract

At its meeting held on 11th April, 2003 Mulago Hospital Contracts Committee approved authority for the purchase of medical forms from C& A Printing Ltd, Kampala at approved unit prices.

Available Documents

- ◆ Authority of the Contracts Committee dated 11/04/2003
- ♦ Commitment Requisition Form;
- Local Purchase Order no. 0177657 dated 27/06/2003;
- ◆ Goods Received Note dated 17/07/2003 Serial No. 23673;
- ◆ Delivery Note no.0447 dated 17/07/2003;
- Invoice no.530 dated 17/07/2003;
- Payment Voucher dated 26/08/2003;

Findings

This was a direct procurement and only one proforma invoice from C&A is attached. The Entity continued to procure items from C & A publishing company basing on the earlier approval by the Contracts Committee dated 11/04/2003. This approval did not amount to a framework contract.

Recommendation

The Contracts Committee should not in future issue open approved unit prices and approved suppliers that can be abused by the PDU.



2.5.29 Procurement of Disposable syringes.

	Department	Supplies
MEDIUM		MHCC/ADM/17/216(T)/03
MEDIUM	Ref:	
RISK	Contractor	Lamex Medical Equipment & Sundries Ltd
	Contract sum	Ug. Shs 2,025,000
	Date of award	August 13 2002

Available Documents

- Authority of the Contracts Committee dated 02/05/2002
- ◆ Commitment Requisition Form, Requisition no.181dated 02/08/2002
- Internal memo from the PSO to the Deputy Director dated 02/08/2002
- ♦ Local Purchase Order no. 0131611.
- ♦ Goods Received Note dated 06/08/2002 Serial No. 13517;
- ◆ Delivery Note no.111 dated 06/08/2002;
- Invoice no.024 dated 06/08/2002;
- Payment Voucher.

Findings

This was a micro procurement and only one proforma invoice from M/s. Lamex Medical Equipment & Sundries Ltd is attached.

The PSO procured the medical forms under emergency conditions without the authorization of the Deputy Director.

The basis of determining prices was based on the earlier prices approved by the Contracts Committee in disregard of the market prices.

Recommendation

The PDU should always generate a minimum of 3 quotations as a basis of determining fair market prices even for micro procurements.

LOW RISK CASES

2.5.30 Procurement of Nylon Suture

	Department	Surgical
LOW	Contract no/ Ref:	MHCC/ADM/18/180/04
RISK	Contractor	M/s. Sino Africa Medicines Ltd
	Contract sum	Ug. Shs 24,960,000
	Date of award	December 23 2003

Background to the contract

At the meeting Mulago Hospital Contracts Committee held on 11/12/2003, the authority for the purchase of Nylon sutures from M/s. Sino Africa Medicines and Health Ltd was obtained. The following unit prices were approved:

Item	Unit price
Nylon Sutures No.1	UShs. 19,500
Nylon Sutures No.2	Ushs. 19,500
Nylon Sutures No.1	Ushs. 19,500
Nylon sutures No.2	Ushs. 19,500

Available documents

- ◆ Authority from Mulago Hospital Contracts Committee dated 11/12/2003:
- ◆ LPO no. 0178904 dated 23/12/2003;
- ◆ Good received note No.2052 dated 23/12/2003;
- Invoice No. 0139 dated 23/12/2003;
- ◆ Commitment requisition form No. 2020 dated 3/5/2004
- Payment voucher dated 4/5/2004.

Findings

- ◆ The method of procurement is purported to be RFQ, but it was single sole sourcing. No proforma invoices from any of the providers. No form of competition, or framework contract with the supply are evident;
- M/s. Sino Africa Medicines who supplied the goods (Nylon Sutures) did not quote any price. The proforma invoice of this supplier was not seen yet Mulago Hospital Contracts Committee determined the prices;
- ◆ Goods worth the amount Ushs. 24,960,000 were mobilized in less than one day. The LPO was given on 23/12/2003 and delivery was made on



the same date. This hurry could have been avoided since the authority was given on 11/12/2003, two weeks before delivery;

♦ Commitment of funds availability was made four (4) months on 3/5/2004 after delivery of goods, which was on 23/12/2003. This means the procurement was effected without the AO's commitment that funds are available which puts the provider at risk of non-payment, and accumulates domestic arrears to the entity.

Implications

- Ordering of goods and later on delivering them without confirming availability of funds result into accumulation of domestic arrears to the entity (Government);
- ◆ This resulted into delayed payment to M/s. Sino Africa Medicines by more than four months. Non-forth coming of funds could result into non-payment at all to the provider. This is contrary to the allowable one month within which the provider should be paid.

Recommendation

Confirmation of availability of funds should always be sought and confirmed before LPOs are issued to the providers.

2.5.31 Procurement of Disposal Syringes (2mls & 5mls)

	Department	Supplies
LOW	Contract no/ Ref:	MHCC/ADM/18/179/04
RISK	Contractor	Ms. Mugambe Trading Company
	Contract sum	Ug. Shs. 27,000,000
	Date of award	December 23 2003

Documents Available

- ◆ Contracts Committee minutes of 18th meeting held on 11/12/2003 approved award to M/s. Mugambe;
- Award authority by Secretary and chairperson Contracts Committee dated 11/12/2004;
- ♦ M/s. Nector Pharmaceuticals company proforma invoice 649 dated 8/12/2003;
- ♦ M/s. Cosmos Chemist company proforma invoice 648 dated 5/12/2003
- ♦ M/s Mugambe proforma invoice dated 07/12/2003;



- Evaluation report of the quotations
- ◆ LPO Number 0178891 dated 23/12/2003;
- ◆ Delivery note dated 23/12/2003 Number 317;
- ♦ M/s. Mugambe invoice dated 23/12/2003;
- ◆ Commitment Requisition duly signed dated 3/2/2004;
- Evidence of payment dated 10/3/2004;

This procurement was handled in a proper manner and the existing documentation was the evidence of a good procurement practice under this contract.

However, we observed that payment to the provider was delayed for over two (2) months, and funds commitment was authorised after delivery.

The user department did not fill the requisition form, so the audit team could not establish whether this was the department's priority and its involvement in the procurement.

Recommendation

The requisition form should always be filled by the user department to confirm the need and approved by the Accounting Officer to ascertain availability of funds before issuing the LPO that legally binds the entity in a contract with the provider.

2.5.32 Procurement of Nurses Uniform

	Department	Nursing Department
LOW	Contract no/ Ref:	S026/011
RISK	Contractor	M/s Little Sisters Co.Ltd.
	Contract sum	Ug. Shs. 23,587,200
	Date of award	August 26 2003

Available Documents

- ◆ Loose minute from Principal Supplies Officer to the Hospital Deputy Director requesting to procure Uniforms.
- ◆ Procurement Requisition form dated 05/11/2002.
- ♦ Contracts committee minutes of 14/11/2002 of the 8th meeting.
- ◆ Proforma invoice no.0090 dated 10/03/2002

- ♦ Evaluation Report
- ♦ Goods Received Note dated 26/08/2003

It is not clear why only 2 firms were invited to quote given the amount of money involved and the several firms that were pre-qualified for the supply of manufactured uniforms and linen.

Recommendation

The Entity should always use a minimum of 3 pre-qualified firms for competition and attainment of value for money contracts.

2.5.33 Procurement of bottles and vacationers

	Department	PEDIATRICS
LOW	Contract no/ Ref:	MHCC/ADM/34/168/2002
RISK	Contractor	M/s PIL PIL General Traders Ltd
	Contract sum	Ug. Shs. 12,270,000.
	Date of award	September 12 2002

Available Documents

- ◆ Commitment Requisition form No.120 dated13/08/2002;
- ♦ Proforma invoice No.132 dated 12/09/2002
- Evaluation Report to the Contracts Committee;
- Delivery Note No. 176 & 184 dated 12/09/2002;
- ♦ Goods Received Note No.13545 dated 12/09/2002;
- ♦ A request to the MHCC to procure specimen containers and vacationers for general use in the diagnostic laboratories;
- ♦ Addendum II dated 6/2/2002 to all bidders.

Findings

Whereas the evaluation report indicates three firms to have submitted quotations, these were never attached. Therefore it becomes hard to ascertain the quotations and evaluation criteria. There is no indication that the user department requested for the items. There are important documents missing such as the LPOs and the payment vouchers.

Recommendations

The Evaluation Report should have all the quotations submitted attached to enable an analysis of the evaluation results.

2.5.34 Procurement of Examination Gloves

	Department	Surgical
	Contract no/	RV/122/02/03
LOW	Ref:	
RISK	Contractor	M/s. Delmaw enterprises Ltd.
	Contract sum	Ug. Shs. 1,977,500.
	Date of award	December 31 2002

Available Documents

- ◆ Loose minute from principal supplies officer to the Hospital Director dated 30/12/2002.
- ♦ Goods Received Note dated 31.12.2002

Findings

- ◆ A request was made by the Principal Suppliers Officer to the Hospital Director to urgently procure emergency supplies of examination gloves for the new year on 30/12/2003, worth 1,977,500=
- Delivery of the emergency examination gloves was made by M/s Delmaw enterprises Ltd on 31/12/2002. However, we were not availed with the approval of the Hospital Director to procure these emergency supplies. The quotation and LPO are not attached to the file.

Recommendation

The Procurement and Disposal Unit should attach requisition of the User Department as proof of the emergency need of the item and approval should always be given by the Accounting Officer before proceeding to procure the items.

2.5.35 Procurement of Ep.Kits Cholesterol

	Department	Surgical
	Contract no/	RV/04/02/03
LOW	Ref:	
RISK	Contractor	M/s. Kampala Health Clinic Lab
		Services Ltd
	Contract sum	Ug. Shs. 1,715,000.
	Date of award	July 12 2002

Available documents

- ◆ Proforma invoice no. 007 dated 10/07/2002
- ◆ Local Purchase Order No.0131627/8/9/30 dated 23/08/2002
- ♦ Goods Received Note no. 13504 dated 12/07/2002
- ◆ Delivery note No.012 dated 04/09/2002.
- ◆ Payment Voucher dated12/09/2002

Findings

This was a micro procurement directly procured from M/s Kampala Health Clinic Lab Services. It was delivered on invoice number 13504 dated 12/07/2004.

Recommendation

As a best practice, Request for Quotations should always be used even for micro procurements and direct procurements should be avoided.

2.5.36 Procurement of JIK detergent

	Department	Office Management and Supplies
	Contract no/	GRN No. 24042 – 24253
LOW	Ref:	
RISK	Contractor	M/s. Intercom (U) Ltd
	Contract sum	Ug. Shs. 20,000,000
	Date of award	October 10 2003

Background information

At its meeting held on 23/10/2003, Mulago Hospital Contracts Committee approved retrospectively the purchase of JIK detergent from M/s. Intercom (U) Ltd as per GRN No. 24042, 24251 and 24276 on LPO No. 0177867 at a total cost of Shs. 20,000,000

Documents available

- ◆ Goods Received Note serial No. 24253 on LPO No. 0177867 dated 10/10/2003;
- ◆ Authorization by the Mulago Hospital Contracts Committee, ref: MHCC/11/09(Viii)/04.

Findings

♦ Whereas the JIK detergent received by the hospital amounted to 7200 bottles at a total cost of 18,000,000, the Contracts Committee had retrospectively approved 20,000,000 (Twenty million) for the payment of the above procurement. Therefore, it is not clear whether the balance of 2,000,000 was spent besides this being a direct procurement.

Recommendation

The Accounting Officer should ask the PDU to explain/account for the balance of Shs 2 million that was retrospectively approved but never used on this procurement.

2.5.37 Procurement of gauze plain

	Department	Surgical
	Contract no/	A0219051
LOW	Ref:	
RISK	Contractor	M/s. Meta Products (U) Ltd
	Contract sum	Ug. Shs. 15,600,000
	Date of award	April 24 2004

Background information

At its meeting held on 11/12/2004, Mulago Hospital Contracts Committee approved purchase of gauze plain from Ms markets Chemist Ltd

Documents available

- ◆ Authorization by the Mulago Hospital Contracts Committee, ref: MHCC/ADM//18/182/04,but for another provider, Ms market chemist;
- Approved loose minute from the PPO to the Deputy Director to procure from Meta;
- ◆ Goods Received Note serial No. 37337 dated 10/4/04;
- LPO No. 0219051;
- Delivery note 1706;
- ♦ Tax invoice
- Payment Voucher.

- ◆ The procurement was not subjected to competition on grounds that this was an emergency and the provider was a past supplier.
- The Contracts Committee did not approval the procurement and the Deputy Director approved and promised that it will be retrospectively approved.

Recommendation

Procurement of this magnitude should be subjected to competition and apply the correct procurement method.

2.5.38 Procurement of nylon sutures

	Department	Surgical
	Contract no/	A0219258
LOW	Ref:	
RISK	Contractor	Sino Africa Medicines
	Contract sum	Ug. Shs. 24,992,000
	Date of award	May 17 2004

Background information

At its meeting held on 22/04/2004, Mulago Hospital Contracts Committee approved purchase of suture materials from Sino Africa medicines

Documents available

- ◆ Authorization by the Mulago Hospital Contracts Committee, ref: MHCC/ADM//29/355/04,but for another provider, Ms market chemist;
- ◆ Goods Received Notes serial No. 37160 and 37113 dated 11/06/04 and 18/05/2004 respectively;
- ◆ LPO No. 0219258;
- Delivery notes 2061 and 2306;
- ♦ Tax invoices
- Payment Voucher.

Findings

 The procurement was not subjected to competition since only Ms Sino Africa was recommended by the CC without inviting other providers to participate.



- ♦ The deliveries were split into values of Shs 20,834,000 and Shs 4,158,000 delivered on 11/6/04 and 18/5/04. The reason for the split was not clear. However, the payment voucher indicates payment of the whole amount at once. The nylon sutures no.2/0 was duplicated at ordering, that is why the delivery was separated.
- Correct procurement forms were not used at all for this procurement

Recommendation

Procurement of this magnitude should be subjected to competition and apply the correct procurement method with appropriate forms applied and rightly approved.

2.5.39 **Procurement of Surgical Gloves**

	Department	Surgical
	Contract no/ Ref:	LPO 0177701
LOW	Contractor	Reddy's Pharma. Ltd
RISK	Contract sum	Ug.Shs. 1,029,000=
	Date of award	July 07, 2003

Available documents

- Letter of authority from Contracts Committee dated 11/04/03.
- ♦ Commitment Requisition Form
- ♦ Local Purchase Order No.0177701 dated 11/07/2003 but of shs 24,500,000
- ♦ Goods Received Note no23664 dated 11/07/2003
- Delivery note No.393 dated 09/07/2003.

Findings

The available documents indicate that this procurement was of the value Shs 24,500,000. However, it was handled in two parts though two deliveries. The LPO that was issued was one and the payment was also done once. However the goods received notes were two, and both dated the same date. The reasons for splitting the deliveries were not However, the whole procurement was a direct procurement and was not authorised by the Contracts Committee.

Recommendation

The stores and the verification committee should refuse or document reasons for split deliveries that do not conform to the LPO.

2.5.40 Procurement of Surgical Gloves

	Department	Surgical
V OVI	Contract no/ Ref:	LPO 0177701
LOW	Contractor	Reddy's Pharma. Ltd
RISK	Contract sum	Ug.Shs. 1,029,000=
	Date of award	July 07, 2003

Background information

At its meeting held on 4/12/2003, Mulago Hospital Contracts Committee approved purchase of assorted medical sundries from Ms Reddy Pharma Ltd at prescribed unit prices.

Available documents

- ◆ Letter of authority from Contracts Committee dated 4/12/03;
- Commitment Requisition Form;
- ♦ Three proforma invoices;
- Local Purchase Order No.0178888 dated 18/12/2003;
- ◆ Goods Received Note no24645 dated 18/12/2003;
- ◆ Delivery note No.393 dated 18/12/2003;
- Payment voucher.

Findings

- Appropriate procurement forms were not used.
- ◆ The proforma invoices were not evaluated since there is no report on file.
- ◆ There was delayed payment (15/06/04) to the supplier despite the fact that the supplier's response was very fast since the order and the delivery were both done in a single day (18/12/03).

Recommendation

The PDU should always use the appropriate forms at all stages of the procurement process.

ANNEX 1: RESPONSE TO AUDIT QUERIES BY MULAGO NATIONAL REFERRAL HOSPITAL