

13th September 2023

The Chief Administrative Officer,
Bulambuli District Local Government,
P. O. Box 2298

MBALE

**BID PREPARATORY AUDIT EXERCISE FOR SELECTED PROCUREMENTS
AT BULAMBUI DISTRICT LOCAL GOVERNMENT FY 2023/24**

Reference is made to the above subject.

The Public Procurement and Disposal of Public Assets Authority (PPDA) conducted a bid preparatory audit for selected procurements at Bulambuli District Local Government. The audit exercise involved a review of the procurement planning, requisition/initiation and solicitation document issued to bidders following the Public Procurement and Disposal of Assets Act, 2003, the PPDA Regulations and relevant guidelines.

Table 1: Selected procurements for the bid preparatory audit

No.	Subject of procurement	Reference
1.	Construction of Bulambuli District Administration Block Phase III (Completion of ground floor western wing and block works on the first floor)	Bula820/wrks/2023-24/00001
2.	Surveying, design, and documentation of Samazi GPS which is to be undertaken in the financial year (2023/24).	Bula820/wrks/2023-24/00006
3.	Completion of Construction of Bulaago HCIII Phase III	Bula820/wrks/2023-24/00009

The objectives of the audit were to:

1. Ensure that public procurement planning and requisition were conducted in a manner which promotes transparency, accountability and fairness in accordance with the PPDA Act, 2003, the Local Governments (PPDA) Regulations, 2006 and attendant guidelines; and
2. Establish whether the solicitation documents issued to bidders were prepared in accordance with the provisions of the PPDA Act 2003, the Local Governments (PPDA) Regulations, 2006 and attendant guidelines.

The Authority undertook this audit on 6th September 2023 and identified a number of exceptions for the attention of management. The purpose of this letter therefore is to communicate the following findings and recommendations for your attention and action:

1.0 Non-disclosure of reservation schemes in the Entity's Procurement Plan for FY2023-2024

The Authority observed that the Entity's Consolidated Procurement Plan for FY2023-2024 submitted to the Authority on 17th August 2023 did not disclose that the planned procurements of construction of Bulambuli District Administration Block Phase III (Completion of ground floor western wing and block works on the first floor, and completion of Construction of Bulaago HCIII Phase III) were subject to reservation schemes contrary to Clause 7 of the (PPDA) Guideline No.1/2018 on reservation schemes to promote local content requires Procuring and Disposing Entities to disclose in their procurement plans all procurements that shall be subjected to reservation schemes.

Implication

This limits promotion of local content and limits national and resident potential providers from participation contrary to Clause 7 of the PPDA Guideline No.1 of 2018 on reservation schemes to promote local content. This limits national and resident providers' opportunity to prepare adequately for procurements reserved for them and frustrates Government efforts to promote Local Content.

Recommendation

The Procurement and Disposal Unit should indicate in its procurement plan all procurements that shall be subjected to reservation schemes as per Clause 7 of the (PPDA) Guideline No.1/2018 on reservation schemes to promote local content.

1.1 Preparation of the solicitation document

The following gaps were observed in the Bid Data Sheet and the Special Conditions of the Contract: -

1. CONSTRUCTION OF ADMINISTRATION BLOCK PHASE III (COMPLETION OF GROUND FLOOR WESTERN WING AND BLOCK WORKS ON THE FIRST FLOOR).

No.	Requirement by the Entity in the solicitation document	Recommendation.
1.	ITB 18.1: The Authority for quoting foreign currencies shall be Ministry of Finance, Planning and Economic Development. ITB 18.2 The Authority for specifying rates of exchange shall be the Bank of Uganda. ITB 18.3 Foreign currency requirements <i>shall not</i> be payable in different foreign currencies.	The ITBS here mentioned are not specific that the currency to be used while bidding is Uganda shillings and as such no change rate will apply. The Entity should clearly state that bidding will be done in Uganda Shillings.
2.	Part 6.1 Equipment The bidder must demonstrate that it shall have access to the key equipment listed hereafter (either by ownership, lease, hire): Attach	The requirement for obtaining necessary approvals to use particular equipment from the Ministry of Gender, Labour, and Social

No.	Requirement by the Entity in the solicitation document	Recommendation.
	documentary evidence of ownership, lease, hire such as registration books, agreements or memoranda or purchase order). Necessary approvals should be obtained to use particular equipment, where necessary, from the Ministry of Gender, Labour and Social Development/Occupational Safety and Health.	Development is vague and should be deleted from the criteria.
	Evaluation criteria (Section 3) issues	
3.	Under 6.2.5 Average Annual Turnover; Minimum average annual turnover of 1,500,000,000, calculated from total certified payments received for contracts in progress or completed, within the last 3 years (,2020/2021, 2021/22 and 2022/23)	This requirement of 1,500,000,000 turnover is too exorbitant and inhibits bidder participation yet the estimated price on Form 1 is UGX. 900,000,000. The Turn over should at most be equivalent to the project cost.
4.	Under 6.2.6 Financial Resources: The Bidder must demonstrate access to, or availability of, financial resources such as liquid assets, unencumbered real assets, lines of credit, and other financial means, other than any contractual advance payments to meet: (i) the following cash-flow requirement: Credit line of 1,000,000,000/= from a reputable bank and cash at bank of at least 500,000,000/= and (ii) The overall cash flow requirements for this contract and its concurrent commitments.	This requirement for cash flow of 1,000,000,000 in form a line of credit or cash at bank worth UGX. 500,000,000 is too stringent and may limit bidder participation yet the estimated price on Form 1 is UGG. 900,000,000. This requirement should be revised appropriately by the Entity.
	Special Conditions of Contract	
5.	GCC 24.2: Documentation for Payment: The following documentation shall be required to support invoices requesting payments: Interim certificates or certificate of completion Reports. Evidence of payment of 1.5% development contribution	The requirement for payment of 1.5% as development contribution was vague and would limit competition in the procurement process. The Entity should amend and delete this specific requirement.
6.	GCC 24.3 Payment Period: Payment shall be made by the Procuring and Disposing Entity within days of receipt of the invoice and the relevant documents specified in Clause 24.2.	The period with in which the Entity would pay off its contractual obligations was not stated. Therefore the Entity should clearly state this period in the special conditions of contract.

2. COMPLETION OF BULAAGO HCIII PHASE III

No.	Requirement by the Entity in the solicitation document	Recommendation
1.	<p>ITB 18.1: The Authority for quoting foreign currencies shall be Ministry of Finance, Planning and Economic Development.</p> <p>ITB 18.2 The Authority for specifying rates of exchange shall be the Bank of Uganda.</p> <p>ITB 18.3 Foreign currency requirements <i>shall not</i> be payable in different foreign currencies.</p>	<p>The ITBS here mentioned are not specific that the currency to be used while bidding is Uganda shillings and as such no change rate will apply.</p> <p>The Entity should clearly state that bidding will be done in Uganda Shillings.</p>
2.	<p>Part 6.1 Equipment</p> <p>The bidder must demonstrate that it shall have access to the key equipment listed hereafter (either by ownership, lease, hire): Attach documentary evidence of ownership, lease, hire such as registration books, agreements or memoranda or purchase order). Necessary approvals should be obtained to use particular equipment, where necessary, from the Ministry of Gender, Labour and Social Development/Occupational Safety and Health.</p>	<p>The requirement for obtaining necessary approvals to use particular equipment from the Ministry of Gender, Labour, and Social Development is vague and should be deleted from the criteria.</p>

3. SURVEYING, DESIGN, & DOCUMENTATION OF SAMAZI GFS

No.	Requirement in the solicitation document	Recommendations
1.	<p>ITB 32.1 Conversion to Single Currency: The currency that shall be used for financial comparison purposes to convert all bid prices expressed in various currencies into a single currency is:</p> <p>The source of exchange rate shall be: Bank of Uganda.</p> <p>The date for the exchange rate shall be: date of bid closing</p>	<p>The ITB here mentioned is not specific that the currency to be used while bidding is Uganda shillings and as such no exchange rate will apply.</p>
2.	<p>Section 3 Evaluation Methodology Criteria</p>	<p>The criteria is silent on the documents that will be required from the bidders to evidence eligibility, financial and technical competences. The PDU and User Department should clearly come up with appropriate requirements that will form part of the evaluation criteria for Contracts Committee approval.</p>
3.	<p>GCC 24.2: Documentation for Payment: The following documentation shall be required to support invoices requesting payments:</p> <p>Interim certificates or certificate of completion Reports.</p> <p>Evidence of payment of 1.5% development contribution</p>	<p>The requirement for payment of 1.5% as development contribution was vague and would limit competition in the procurement process. The Entity should amend and delete this specific requirement since.</p>
4.	<p>GCC 24.3 Payment Period: Payment shall be made by the Procuring and Disposing Entity within _____ days of receipt of the invoice and the relevant documents specified in Clause 24.2.</p>	<p>The period with in which the Entity would pay off its contractual obligations was not stated. Therefore the Entity should clearly state this period in the special conditions of contract.</p>
5.	<p>ITB 42.1: The Advance Payment shall be limited to _____ percent of the Contract Price.</p> <p>GCC 25.1: An Advancement Payment shall not be required.</p> <p>The amount of the Advance Payment Guarantee shall be:</p> <p>The period of validity of the Advance Payment Guarantee shall be:</p>	<p>The ITB did not state whether advance payment would be provided to the bidder or not.</p> <p>The Entity should clearly state whether or not advance payment will be applicable or not. Incase its applicable, then the requirement for advance payment guarantee should be included worth the amount of payment and how it will be recovered off the certificates of works.</p>

Implication

The gaps in the instructions to bidders (ITB), the Evaluation Methodology criteria, and Special Conditions of Contract (SCC) increase the risk of submission of non-responsive bids and disputes during contract execution. Lack of comprehensive evaluation criteria increases the risk of contract award to non-responsive firms.

General Recommendation

The Head, Procurement and Disposal Unit and Contracts Committee should review the areas mentioned above in the bid data sheet, statement of requirements, evaluation criteria, and the special conditions of contract so that they are improved as per the recommendations and an addendum is issued to this effect after Contracts Committee approval.

The purpose of this letter is to forward to you the findings from the bid preparatory audit exercise and recommendations for your implementation. In order to administer and enforce compliance with the provisions of the PPDA Act 2003, the Accounting Officer should ensure that an addendum is issued to all bidders.



Moses Ojambo

For: EXECUTIVE DIRECTOR

cc: Chairperson Contracts Committee
cc: Head Procurement and Disposal Unit