



**THE PUBLIC PROCUREMENT AND DISPOSAL OF PUBLIC ASSETS
AUTHORITY**

PROCUREMENT AND DISPOSAL AUDIT REPORT

MASAKA MUNICIPAL COUNCIL

FINANCIAL YEAR 2018/2019

MAY 2020

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Acronyms

AO	Accounting Officer
BEB	Best Evaluated Bidder
CC	Contracts Committee
CIPS	Chartered Institute of Purchasing and Supply
FY	Financial Year
HPDU	Head Procurement and Disposal Unit
MMC	Masaka Municipal Council
PDE	Procuring and Disposing Entity
PDU	Procurement and Disposal Unit
PPDA	Public Procurement and Disposal of Public Assets Authority

EXECUTIVE SUMMARY

Introduction

The Public Procurement and Disposal of Public Assets Authority (PPDA) carried out the procurement and disposal audit of Masaka Municipal Council. The audit covered twenty (20) procurement transactions that were carried out during the Financial Year 2018/19. The audit involved a review of the procurement system, procurement process, asset disposal process, and the procurement performance indicators following the Public Procurement and Disposal of Assets Act, 2003 and PPDA Local Government Regulations, 2006.

From the findings of the procurement audit exercise, the summary performance of your Entity revealed that the compliance score was 82.64%, the performance score was 79.94% and the overall weighted average performance of **81.02%** which is **satisfactory** performance as summarized in the table below:

Table 1: Overall Procurement Performance Score

No.	Compliance Indicator	Score (%)	Weight	Weighted Score
1.	Average Compliance Indicator Score	82.64	0.4	33.06
2.	Average Performance Indicator Score	79.94	0.6	47.96
	Entity's Procurement Performance Score			81.02

Table 2: Performance rating

No.	Compliance level (%)	Compliance Rating
1.	90-100	Highly Satisfactory
2.	60-89	Satisfactory
3.	30-59	Unsatisfactory
4.	0-29	Highly Unsatisfactory

Despite the satisfactory performance, the following key exceptions were noted:

1. Failure to formally delegate procurements worth UGX 30,061,627 that were handled by User Departments;
2. Issuance of inadequate solicitation documents that contained brand names and unnecessary provisional sums to bidders in three (3) procurements worth UGX 218,461,343;
3. Delayed initiation of five (5) procurements worth UGX 359,516,043;
4. Failure by providers to adequately meet contractual obligations in four (4) procurements worth UGX 376,902,283;
5. Irregularities during evaluation of bids in two (2) procurements worth UGX 383,314,885; and
6. Incomplete works in two (2) procurements worth UGX 183,731,585.

Recommendations

1. The Accounting Officer should ensure that delegation of authority is done in accordance with Regulation.65 (7) of the Local Government (PPDA) Regulations, 2006;
2. The Accounting Officer should caution; the Contracts Committee, the Head, Procurement and Disposal Unit and User Departments for failure to adhere to Regulation 48 of the

Local Governments (PPDA) Regulations, 2006 in the preparation of solicitation documents;

3. The Head, Procurement and Disposal Unit should monitor the procurement plan and ensure that User Departments initiate and forward their requirements to the Unit in a timely manner in accordance with Section 34 of the PPDA Act 2003;
4. The Accounting Officer should prevail over Heads of User Departments to ensure that contract managers carry out their functions in accordance with Regulation 110,10(a) of the Local Governments PPDA Regulations, 2006;
5. The Head, Procurement and Disposal Unit should ensure that Evaluation Committee members strictly adhere to the criteria set out in the solicitation document in accordance with Regulations 48 (4) and 73 of the Local Governments (PPDA) Regulations, 2006;
6. Contract supervisors should ensure that providers meet all performance or delivery obligations in accordance with the terms and conditions of a contract in accordance with Regulation 119 (10) (a) (i) of the LG (PPDA) Regulations, 2006; and
7. The Accounting Officer should ensure that defects are rectified by contractors before expiry of the defects liability periods in accordance with Regulation 110 (1) of the LG (PPDA) Regulations, 2006.

Recommended Action plan

Masaka Municipal Council should implement the recommended action plan on Page 24.

CHAPTER 1: INTRODUCTION

1.1 Background

The Public Procurement and Disposal of Public Assets Authority carried out the procurement and disposal audit of Masaka Municipal Council. The audit covered a representative sample of twenty (20) procurement transactions that were carried out during the Financial Year 2018/19. The audit involved a review of the procurement system, procurement processes, asset disposal processes, and the procurement performance indicators following the Public Procurement and Disposal of Assets Act 2003 and Local Government (PPDA) Regulations, 2006.

1.2 Objectives of the Audit

The overall objective of the procurement and disposal audit was to assess and establish the degree of compliance of the Entity's procurement system and processes with the provisions of the PPDA Act, 2003 and Local Government Regulations, 2006 and assess the level of procurement performance over the audit period.

The specific objectives were:

1. To establish the level of compliance of the internal procurement systems with provisions of the PPDA Act, Regulations and Guidelines and the adequacy for effective procurements and disposals;
2. To assess procurement, contracting, and implementation processes based on a representative sample of contracts to confirm the level of compliance with the PPDA Act, Regulations and Guidelines;
3. To assess the level of compliance of the asset disposal contracts with the PPDA Act, Regulations and Guidelines;
4. To establish the level of procurement performance of the Entity and the achievement of value for money for each of the sampled contracts in terms of time, competition and cost; and
5. To offer an opinion on attainment of value for money and recommend measures to improve performance based on the key findings on the procurement system, processes, and performance.

1.3 Scope of the Audit

The Public Procurement and Disposal of Public Assets Authority carried out the procurement and disposal audit of Masaka Municipal Council from 17th February 2020 to 26th February 2020.

The Entity had a total procurement budget of UGX 1,974,375,423 in the audit period.

To prepare for the audit, the auditors reviewed the Entity budget, procurement plan and monthly reports. The procured items in the transaction list were stratified by:

- i. Category of works, supplies, consultancy, and non-consultancy services;
- ii. Procurement method; and
- iii. Contract value.

Using guidelines in the Procurement Audit Manual, the sample size was assessed as representative of the population of transactions. The audit covered a representative sample of thirty (30) procurement transactions that had been carried out during the Financial Year

2018/19. The list of sampled transactions is contained in **Annex 1**. The distribution of the transaction population and sample is in Table 3 below:

Table 3: Sample Size

Method of Procurement	Population Value(UGX)	Sample Value (UGX)	% by Value	Population No.	Sample No.	% by Number
Request for Quotations/Proposals	18,430,000	17,030,000	92%	3	2	66.6%
Restricted Domestic Bidding	16,846,506	16,846,506	100%	1	1	100%
Open Domestic Bidding	916,298,366	874,180,012	95%	29	17	58.6%
TOTAL	951,574,872	908,056,518	95.4%	33	20	60.6%

1.4 Methodology

The audit questions and criteria were derived from the Public Procurement and Disposal of Assets Act, 2003 and Regulations, 2014 as well as PPDA Guidelines. The three audit tools used in the audit were: procurement system audit criteria, procurement process audit criteria, and asset disposal audit criteria as contained in the PPDA Procurement Audit Manual.

An entry meeting was held on 17th February 2020. At the meeting, the objectives of the audit were discussed as well as the timelines, roles and responsibilities. The Entity Management was requested to avail the required records in time for the audit, to which they agreed to give the necessary assistance to the auditors.

Three (3) Procurement Auditors under the supervision of the audit manager carried out the audit. During the audit, the auditors had personal interviews with the staff from the Procurement and Disposal Unit and User Departments. The meetings were necessary to obtain qualitative information that was crucial to understand the internal control systems and processes. The list of staff in the PDU is during the audit is shown in **Annex 2**.

The examination of records and documents was done for each of the sampled transactions. The auditors obtained the relevant evidence to arrive at audit conclusions.

On completion of data collection and before writing the report, the audit manager reviewed the working papers for completeness. The working papers contain detailed chronology of findings on each of the sampled transactions.

At the end of the field data collection, a debriefing meeting was held on 26th February 2020 with the Accounting Officer to conclude pending issues and any records that could not be accessed during the audit.

The Authority prepared the management letter, which was sent to the Entity on **11th March 2020** with a request to submit management responses by **18th March 2020**, which were submitted on **6th May 2020**.

CHAPTER 2: KEY FINDINGS AND RECOMMENDATIONS

This chapter presents the findings arising from the audit. The audit was carried out based on the set criteria per the Act, Regulations and Guidelines and the Procurement Audit Manual. The root causes of non-compliance and implications are presented. The recommendations are made considering the management responses from the Entity.

2.1 Accounting Officer

2.1.1 Failure to adequately delegate authority

The audit noted that User Departments were undertaking procurements or making payments to individuals for procurements or requirements that involved procurements and yet there was no evidence that these had been delegated to handle procurements as indicated in Table 1. It was further noted that there was no evidence that after the procurements, the individuals reported to the Contracts Committee.

Table 1: Procurements in which there was no evidence of delegation to procure

S/No	Voucher No	Payee	Amount (UGX)	Purpose
1.	24076217	Nakafeero Josephine	273,000	Newspapers
2.	24076217	Nakafeero Josephine	225,000	Text books
3.	24076217	Nakafeero Josephine	1,200,000	Workshop
4.	24076220	Namaganda Ruth	636,593	Repair of Computers
5.	24076230	Najjuma Jameo	350,000	Purchase of Box file
6.	24076233	Namakulu Rose	570,000	Internet subscription
7.	24076234	Nabakooza Grace	300,000	Stationery for Admin
8.	24074803	Matovu Mugagga	920,000	Replacement of tyres for LG-009-124
9.	23667602	Mugerwa Ronald	4,012,034	Radio talk show
10.	24076228	Kizza Wilson	1,025,000	Stationery for learners
11.	24300670	Boniface Kalema	1,500,000	Fuel
12.	24300672	Nansubuga Florence	6,430,000	Production of 6 months and 9 months Accounts
13.	19562839	Ssebyala Rashid	950,000	Lunch for TPC and ExCom
14.	20193632	Ssebyala Rashid	800,000	Meals and Drinks
15.	20269019	Kizza Wilson	900,000	Stationery for FAL.
16.	20302737	Ssebyala Rashid	1,000,000	Meals for Technical Planning Committee and ExCom
17.	21692272	Sebyala Rashid	4,000,000	Review of the Five-Year Development Plan
18.	22583382	Kiwanuka Ddaki	4,970,000	Material Testing

Implication

This may lead to budget overruns affecting other planned activities while denying the Entity checks and balances.

Management Response

Management acknowledges the implication of inadequate delegation of authority, however the Accounting Officer fully delegated all micro procurements to Division Town Clerks and Heads of Departments. Other activities that are not micro procurements and the Entity did no Service providers were approved by the Accounting Officer and accountability was done.

Recommendation

The Authority noted the response but found that the procurements were not adequately delegated and recommends that the Accounting Officer should ensure that delegation of authority is done in accordance with Regulation.65 (7) of the Local Government (PPDA) Regulations, 2006.

2.1.2 Poor estimation of contract values

The Authority further noted that the contract for renovation of a 2-classroom block with a multi-purpose hall and office at St. Paul Primary School Kitovu (Masa759/Wrks/2018-19/00009) was signed at a cost of UGX 104,906,700, UGX 29,906,700 (39.88%) higher than the estimated amount of UGX 75,000,000. It was noted that there was no evidence on file of a re-assessment of market price or commitment of additional funding to cater for the shortfall.

The Authority found that amounts placed in the procurement plan and budget were not based on realistic estimates of the eventual contract sums.

Implications

- Poor assessment of requirements at planning.
- This may lead to budget overruns or budget adjustments, hence affecting other planned activities.

Management Response

Management stated that for the renovation of a 2 Classroom Block with a multi-purpose hall at ST Paul Kitovu Primary School, its true there was a variance that arose out the continued aging of the structure that's from the time of the estimate to the time of the pre-bid meeting which automatically led to additional quantities.

Recommendations

- The Accounting Officer should set up a mechanism to ascertain market prices prior to initiation of procurement processes and contract placement in accordance with Section 26 (4) of the PPDA Act, 2003.
- The Accounting Officer should conduct a re-assessment of market prices before contract signature where prices recommended for award of contract are higher than those earlier planned or estimated in accordance with Section 26 (4) of the PPDA Act, 2003.
- The Accounting Officer should ensure that the Entity shall not enter into a contract until the Accounting Officer or an officer with delegated authority confirms in writing that the required funds have been committed for the proposed contract in accordance with Regulation 87 of the Local Government (PPDA) Regulations, 2006.

2.1.3 Poor management of assets

The audit observed during a review of the asset register belonging to Central Division that the Entity had in its possession a motor cycle registration No. 3305M. However, upon request to

verify the said motorcycle, the Entity was unable to present it nor furnish the asset's log book.

Implication

This may lead to misuse of Government assets.

Management Response

Management stated that the log book was available for review.

Recommendation

The Authority noted the response but found that no evidence was adduced and recommends that the Accounting Officer should conduct a thorough physical assets count and verification to ascertain the veracity of the Entity's asset registers in accordance with Section 34 (3) of the Public Finance Management Act, 2015.

2.1.4 Failure to fully implement previous audit recommendations

The Entity was issued its previous audit report for the Financial Year 2017-2018 in March 2019. The audit noted that of the sixteen (16) previous audit recommendations made, 13 (81.25%) were fully implemented while 3 (18.75%) were partially implemented indicated in Table 2:

Table 2: Status of implementation of previous audit recommendations

S/No	Recommendation	Status of Implementation
1.	The Contracts Committees should carry out its oversight functions and ensure that the solicitation documents are of good quality and prepared in accordance with Regulation 48 of the LGs (PPDA) Regulations 2006.	Partially Implemented
2.	The Procurement and Disposal Unit should ensure that items are only procured from bidders awarded with contracts in accordance with Regulation 88(2) of the LGs (PPDA) Regulations 2006.	Partially Implemented
3.	The contract supervisors should ensure that the contractors meet all performance and delivery obligations and submit all the required documentation in accordance with the contract terms and conditions as per Regulation 119 (10) of the LG (PPDA) Regulations 2006	Partially Implemented

Implication

Failure to fully implement audit recommendations affects improved performance of the procurement function.

Recommendation

The Accounting Officer should ensure that all audit recommendations are implemented so as to improve the Entity's performance.

Management response

Management always puts emphasis on implementation of the recommendations of the Authority however some gradual and continuous during the cause of execution.

2.2 Procurement and Disposal Unit

2.2.1 Delayed submission to the Contracts Committee

Delays in submissions to the Contracts Committee were noted in two (2) procurements worth UGX 183,731,585 as indicated in Table 3. The Authority observed that the delays were largely occasioned by submission of various Form 1s initiating the procurement without statements of requirements or terms of reference. Only bills of quantities and drawings were submitted.

Table 3: Procurements in which submissions to the Contracts Committee were delayed

S/No	Subject of Procurement	Issues Noted
1.	Construction of a staff house for four teachers at St. Paul Kitovu Primary School worth UGX 78,824,885	Delayed submission for the procurement method, solicitation document and Evaluation Committee approval of the Contract Committee on 12 th December 2018 after initiation and confirmation of availability of funding for the procurement on 26 th November 2018.
2.	Renovation of a 2-classroom block with a multi-purpose hall and office at St. Paul Primary School Kitovu (Masa759/Wrks/2018-19/00009) worth UGX 104,906,700	

Implication

This leads to delays in service delivery.

Management Response

It's true the PDU took 2 weeks to submit the said activities to the contracts committee for the relevant approvals however that was substantial because of the other input required of the PDU and other submissions as planned in the schedule of meetings of the contracts committee.

Recommendation

The Authority noted the response and recommends that the Head, Procurement and Disposal Unit should ensure efficiency in the procurement processes in accordance with Section 43 (e) of the PPDA, Act 2003.

2.2.2 Low bidder participation

Bidder participation was low with an average of two (2) bidders per procurement across all the twenty (20) sampled procurements. For those procurements undertaken using the selective bidding method, there was no evidence to indicate that bidders were actually invited and that the bid invitations were received.

Implication

Low bidder participation denies the Entity's attainment of competitive prices.

Management response

Low bidder participation is largely attributed to the nature of the procurement and even the estimated values. For example, most bidders hardly bid for renovation works.

Recommendation

The Accounting Officer should investigate the reasons behind the low bidder response and also institute measures to attract a higher number of bidders.

2.2.3 Inadequate solicitation documents

The solicitation documents issued to bidders in three (3) procurements worth UGX 218,461,343 contained irregularities as indicated in Table 4:

Table 4: Procurements in which inadequate solicitation documents were issued

S/No	Subject of Procurement	Issue noted
1.	Construction of a staff house for four teachers at St. Paul Kitovu Primary School worth UGX 78,824,885	<ul style="list-style-type: none"> • Use of the brand name “Union” in the description of the mortice locks as per Items C, D and G of Element No. 6 of the bills of quantities. • Use of the brand name “Crabtree” in the description of the MCB Flush Consumer Unit as per Item A of Element No. 11 of the bills of quantities.
2.	Renovation of Kasaana Play Ground (Masa759/Wrks/2018-19/00014) worth UGX 96,990,000	<ul style="list-style-type: none"> • Use of the brand name “Plascon” in the description of the external finishes as per Items C and D of Element No 7 of the bills of quantities for the sub-structure. • Use of the brand name “Union” in the description of the mortice locks as per Item C of Element No. 6 of the bills of quantities for the sub-structure. • Use of the brand name “Termidor” in the description of the anti-termite treatment as per Item C of Element No. 1 of the bills of quantities for the sub-structure.
3.	Construction of a staff house at Kyabakuza Health Centre II (Masa759/Wrks/2018-19/00012) worth UGX 42,646,458	<ul style="list-style-type: none"> • Unnecessary inclusion provisional sums in the Items A and D of Element No. 11 of the bills of quantities. Item D required the provision sum for supply of a shower hose, gullies, pipe work, bip taps, sink and other accessories worth UGX 850,000 while Item A required a provisional sum for excavation of a soak-away pit with dimensions of 2,500mm in diameter and 1,500 deep filled with hardcore and covered with gauge 1000 polythene sheet. • Use of the brand name “Crabtree” in the description of the MCB Flush Consumer Unit as per Item A of Element No. 10 of the bills of quantities. • Use of the brand name “Union” in the description of the mortice locks as per Item C of Element No. 6 of the bills of quantities.

Implication

Poor quality solicitation documents hinder bidders from preparing and submitting responsive bids.

Management response

The Entity will ensure that this area is improved and given more attention.

Recommendation

The Accounting Officer should caution; the Contracts Committee, the Head, Procurement and Disposal Unit and User Departments for failure to adhere to Regulation 48 of the Local Governments (PPDA) Regulations, 2006 in the preparation of solicitation documents.

2.3 Contracts Committee

2.3.1 Failure to report procurements conducted to the Authority

The audit noted that the Divisions received funds through the collection of local revenue and other unconditional grants and discretionary and conditional government transfers for which Local Purchase Orders were manually generated. However, the micro procurements undertaken were not submitted to the Contracts Committee for ratification while in some cases, macro-procurements were undertaken without delegated authority and not reported to the Authority. The audit noted that a total of UGX 236,796,526 was spent by the Divisions but went unreported. Additionally, some items that were reported for like stationery and mechanical repairs would have been handled by providers with framework contracts

Implication

Failure to report procurements reflects lack of transparency, accountability and fairness in the procurements conducted by the Entity.

Management response

Management stated that most of the procurements were reported and handled by the Contracts Committee.

Recommendation

The Authority noted the response but found that a number of the micro-procurements and recommends that the Accounting Officer should take responsibility for the lack of transparency in reporting and should prevail over the Head, Procurement and Disposal Unit to ensure full and accurate reporting of all procurement and disposal transactions in accordance with Section 31 (r) of the PPDA Act, 2003.

2.4 User Departments

2.4.1 Delayed initiation of procurements

In five (5) procurements worth UGX 359,516,043, User Departments delayed to initiate the procurements as indicated in Table 5 below:

Table 5: Procurements in which delays at initiation were noted

S/No	Subject of Procurement	Planned initiation date	Actual initiation date	Variance (Days)
1.	Construction of a staff house for four teachers at St. Paul Kitovu Primary School worth UGX 78,824,885	20 th August 2018	26 th November 2018	69
2.	Renovation of Kasaana Play Ground	20 th August 2018	11 th December 2018	80

S/No	Subject of Procurement	Planned initiation date	Actual initiation date	Variance (Days)
	(Masa759/Wrks/2018-19/00014) worth UGX 96,990,000			
3.	Construction of a staff house at Kyabakuza Health Centre II (Masa759/Wrks/2018-19/00012) worth UGX 42,646,458	20 th August 2018	10 th December 2018	79
4.	Renovation of a 2-classroom block and an office at Kijjabwemi Primary School (Masa759/Wrks/2018-19/00010) worth UGX 36,148,000	20 th August 2018	26 th November 2018	69
5.	Renovation of a 2-classroom block with a multi-purpose hall and office at St. Paul Primary School Kitovu (Masa759/Wrks/2018-19/00009) worth UGX 104,906,700	20 th August 2018	26 th November 2018	69

Implication

Inefficiency in the procurement process leads to delays in service delivery.

Management Response

The delay was attached to failure by the Divisions and Heads of Departments to release facilitation for the production of the required documents however this was administratively handled and all user departments were advised to initiate the process for preparation of the statement of requirements during the of 4th quarter in preparation of the procurements for the next Financial Year.

Recommendations

- The Head, Procurement and Disposal Unit should monitor the procurement plan and ensure that User Departments initiate and forward their requirements to the Unit in a timely manner in accordance with Section 34 of the PPDA Act 2003.
- The Accounting Officer should ensure that procurements are undertaken in a manner that enhances efficiency as required by Section 43 of the PPDA Act 2003.

2.4.2 Failure to adequately meet contractual obligations

The audit noted that there was failure by the contract managers to effectively manage the contracts in four (4) procurements worth UGX 376,902,283 as indicated in Table 6:

Table 6: Procurements in which contractual obligations were not fully met

S/No	Subject of procurement	Issues
1.	Construction of a staff house for four teachers at St. Paul Kitovu Primary School worth UGX	<ul style="list-style-type: none"> • GCC 27.1 of the Special Conditions of Contract in the signed contract document provided that the contractor would submit

S/No	Subject of procurement	Issues
	78,824,885	<p>within fourteen days of commencement of the works, a program for works while GCC 27.3 provided that the period between programme updates would be thirty (30) days with UGX 10,000,000 withheld for late submission of an update. There was no evidence to indicate that the Kamuzinda General Enterprises submitted the programme updates or that the sums due were withheld.</p> <ul style="list-style-type: none"> • GCC 58.1 of the Special Conditions of Contract in the signed contract document provided that the contractor would supply as-built information to the project manager as expeditiously as instructed on a monthly basis to enable the project manager prepare as-built drawings while GCC 58.2 provided that the amount to be withheld for failing to prepare “as-built” drawings and operating/maintenance manuals would be 0.5% of the contract sum. There was no evidence that Kamuzinda General Enterprises prepare “as-built” drawings and operating/maintenance manuals and no evidence that the amount due was withheld.
2.	Renovation of Kasaana Play Ground (Masa759/Wrks/2018-19/00014) worth UGX 96,990,000	<ul style="list-style-type: none"> • GCC 27.1 of the Special Conditions of Contract in the signed contract document provided that the contractor would submit within fourteen days of commencement of the works, a program for works while GCC 27.3 provided that the period between programme updates would be thirty (30) days with UGX 10,000,000 withheld for late submission of an update. There was no evidence to indicate that the Kamuzinda General Enterprises submitted the programme updates or that the sums due were withheld. • GCC 58.1 of the Special Conditions of Contract in the signed contract document provided that the contractor would supply as-built information to the project manager as expeditiously as instructed on a monthly basis to enable the project manager prepare as-built drawings while GCC 58.2 provided that the amount to be withheld for failing to prepare “as-built”

S/No	Subject of procurement	Issues
		drawings and operating/maintenance manuals would be 0.5% of the contract sum. There was no evidence that Kamuzinda General Enterprises prepare “as-built” drawings and operating/maintenance manuals and no evidence that the amount due was withheld.
3.	Construction of a staff house at Kyabakuza Health Centre II (Masa759/Wrks/2018-19/00012) worth UGX 42,646,458	No evidence of completion and yet contract expiry date was 12 th May 2019.
4.	Construction of a water borne toilet at Hill Road Primary School (Masa759/Wrks/18-19/00005) worth UGX 53,534,240	The contractor did not supply all the “as built” information to the project manager as instructed on a monthly basis to enable the project manager prepare the “as built” drawings, which are not on file.

Implication

Delayed completion of contracts leading to delayed service delivery and thus failure to attain value for money.

Recommendation

The Accounting Officer should prevail over Heads of User Departments to ensure that contract managers carry out their functions in accordance with Regulation 110,10(a) of the Local Governments PPDA Regulations, 2006.

Management Response

Management pledged to rectify the anomalies.

2.4.3 Irregular payment

The audit noted that the payment to the provider in the procurement for renovation of a water borne toilet and supply of a 10,000-liter tank at Masaka Army Primary School (Masa759/Wrks/18-19/00011) worth UGX 16,846,506 was irregular. The value of works completed on the payment certificate was stated as UGX 14,035,987 after which 5% retention was deducted which left the payment due as UGX 13,334,188. A further 6% WHT was deducted the value came to UGX 12,534,136 which created a variance of UGX 42,107 between the actual payment of UGX 12,534,136 made to RB Mubiru Services and the correct payment value of UGX 12,576,243.

Implication

Irregular payments dissuade potential providers from participating in procurement processes and ultimately affect competition.

Management Response

Management noted the above observation and the above figure will be deducted from the retention fees.


Recommendation



The Accounting Officer should caution, in writing, the contract supervisors for raising payment requests that included errors.



2.4.4 Incomplete works

The audit noted that the works in two (2) procurements worth UGX 183,731,585 were incomplete in nature as indicated in Table 7:

Table 7: Procurements in which works were either incomplete or shoddy

S/No	Subject of Procurement	Issues Noted
1.	Renovation of a 2-classroom block with a multi-purpose hall and office at St. Paul Primary School Kitovu (Masa759/Wrks/2018-19/00009) worth UGX 104,906,700	<ul style="list-style-type: none">• Site clearance had by the time of the audit not been done.• Partitioning of the rooms was poorly done such that the wood used was warping and the folding mechanism required that the partition occupied a significant amount of space within the hall.• The ventilation by the time of the audit had not been covered with mesh.• The contractor did not effect any work on the chalkboards.• Workmanship was generally poor with many exposed and unfinished surfaces.• The paint on the shutters was peeling as prepration of the sites before painting was inadequate.• The building does not have a plaque for identification.• Works were incomplete.  <p><i>Uncleared site</i></p>

S/No	Subject of Procurement	Issues Noted
		 <p data-bbox="667 824 1034 857"><i>Poorly constructed partition</i></p>  <p data-bbox="667 1507 1249 1541"><i>Paint peeling off previously painted surfaces</i></p>
2.	Construction of a staff house for four teachers at St. Paul Kitovu Primary School worth UGX 78,824,885	<ul style="list-style-type: none"> • Poor fitting of doors such that doors were left hanging. • There was no lightning conductor on the roof. • There was evidence that there had been attempts to rectify the screeding of the verandah. However, instead of hacking away and replacing the entirety of the screed, the contractor had simply filled in the cracks. As such, the screed was unsightly and there is a high probability that plastic shrinkage cracking would occur as a result of the initial failure to adequately cure the screed either by delaying protection of the screed surface against the drying effects of direct sunlight and/ or drying winds, or

S/No	Subject of Procurement	Issues Noted
		<p>taking no action at all.</p>  <p><i>Poorly fitted doors that were hanging</i></p>  <p><i>Poor and unsightly screeding of the verandah</i></p>

Implication

Shoddy/incomplete works affect service delivery and results into failure to achieve value for money.

Management Response

The Contract supervisor issued a snag list to both contractors and efforts are place to have the works completed though the value is way below UGX 183,000,000 as stated in the Auditors findings.

Recommendations

- Contract supervisors should ensure that providers meet all performance or delivery obligations in accordance with the terms and conditions of a contract in accordance with Regulation 119 (10) (a) (i) of the LG (PPDA) Regulations, 2006.
- The Accounting Officer should ensure that defects are rectified by contractors before expiry of the defects liability periods in accordance with Regulation 110 (1) of the LG (PPDA) Regulations, 2006.

2.5 Evaluation Committees

2.5.1 Irregularities during evaluation

Irregularities during evaluation of bids were noted in two (2) procurements worth UGX 383,314,885 as indicated in Table 8:

Table 8: Procurements in which irregularities during evaluation were noted

S/No.	Subject of Procurement	Issues noted
1.	Construction of a staff house for four teachers at St. Paul Kitovu Primary School worth UGX 78,824,885	Kamuzinda General Enterprise should have been eliminated during evaluation of bids for failure to submit registered Powers of Attorney.
2.	Renovation of Kasaana Play Ground (Masa759/Wrks/2018-19/00014) worth UGX 96,990,000	The Evaluation Committee made an arithmetic error during the evaluation of the bills of quantities submitted in the bid by Katex Services. The bidder quoted in his bid, a price of UGX 96,990,100 while the Evaluation Committee evaluated and recommended for award of contract, a price of UGX 96,990,000.

Implication

Unfairness during evaluation leads to contract award to non-compliant bidders and compromises on benefits of maximum competition.

Management response

Kamuzinda's powers of attorney were registered and also management has noted the arithmetic difference for Katex of UGX 100.

Recommendations

- The Head, Procurement and Disposal Unit should ensure that Evaluation Committee members strictly adhere to the criteria set out in the solicitation document in accordance with Regulations 48 (4) and 73 of the Local Governments (PPDA) Regulations, 2006.
- Chairpersons of the Evaluation Committees should ensure that the methodology indicated in the solicitation documents issued to bidders is the same methodology used during evaluation of bids in accordance with Regulation 78 (5) of the Local Government (PPDA) Regulations, 2006.
- The Head, Procurement and Disposal Unit should ensure that technical guidance is always provided to Evaluation Committees.

2.6 Disposal of assets

According to LG (PPDA) Regulation 122 (6) the Accounting Officer shall ensure that the assets of a council are reviewed on an annual basis to identify those which are obsolete and should be subject to disposal. The audit noted that although there were a number of vehicles and machinery parked at the Municipal Headquarters and works-yard, there was no board of survey report in place at the Entity and consequently was no disposal plan at the time of the audit contrary to Regulation 122 (6) of the Local Governments (PPDA) Regulations, 2006.



Obsolete and defunct equipment at the Entity's works yard.

Implication

Keeping assets that are obsolete is expensive in terms of security and storage.

Management response

The Board of Survey report is in place and under implementation though the delay arose out of failure by the Chief Mechanical Valuer to provide a valuation report in time for the motor vehicles.

Recommendation

The Accounting Officer should ensure that the disposal process of the identified items is expedited in accordance with Regulations 122 (6) and 122 (2) of the Local Government (PPDA) Regulations, 2006.

2.7 Procurement Planning

Table 11 summarizes information about the procurement plan, budget, and utilization of funds. The procurement plan implementation rate was 86.79% while the budget variance was UGX 260,788,913.

Table 11: Procurement Plan Implementation

Table 1. Analysis of procurement spend	
Total procurement plan value inclusive VAT (UGX)	1,974,375,423
Total procurement spend value inclusive VAT (UGX)	1,713,586,510
Procurement Plan Implementation Rate (%)	86.79
Budget Variance (UGX)	260,788,913

Implication

Failure to fully implement the procurement plan impacts on budget absorption and affects service delivery.

Recommendation

The Accounting Officer and Management should regularly carry out a review of the implementation of the procurement plan to ensure improved performance.

CHAPTER 3: PROCUREMENT PERFORMANCE INDICATORS

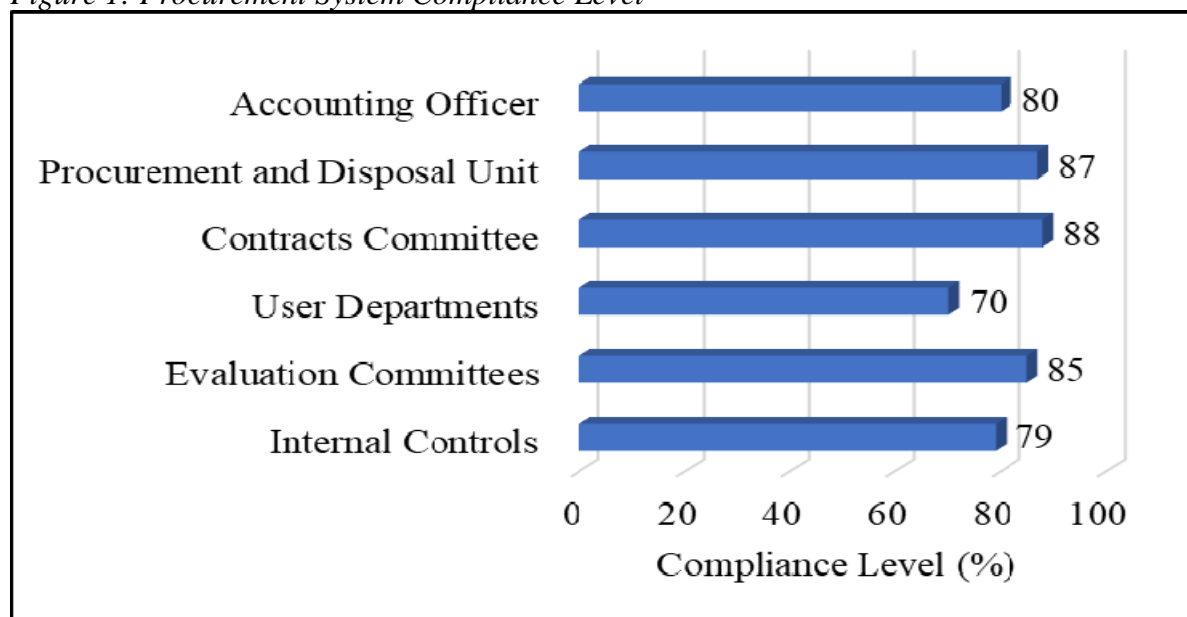
3.1 Compliance score

3.1.1. Procurement System Compliance Level

The compliance levels for each dimension of the procurement system are shown in Figure 1. The overall compliance level for procurement system was **81.5%**. Thus, the Entity's performance regarding procurement system was **satisfactory**.

Figure 1 shows that the Entity had relatively lower compliance levels for User Departments.

Figure 1: Procurement System Compliance Level



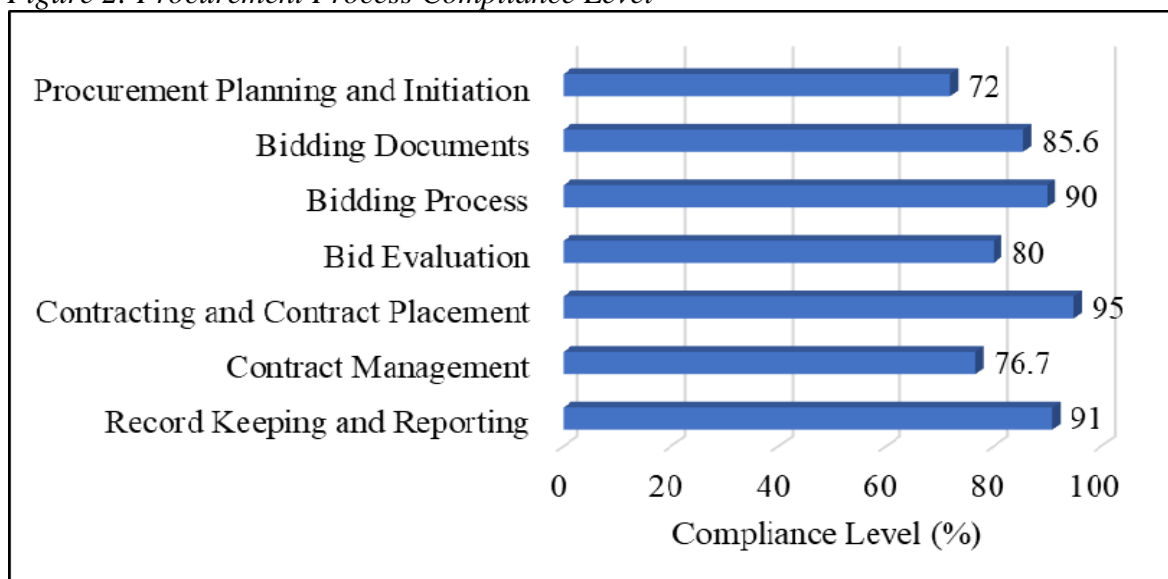
Recommendation

Masaka Municipal Council should implement the recommendations contained in this audit report. The target is to increase the compliance levels for procurement system from the current 81.5% to a target level of 100% in the next audit period.

3.1.2. Procurement Process Levels of Compliance

The compliance levels for each stage in the procurement process are shown in **Figure 2**. The overall compliance level for procurement processes was **84.33%**. Thus, the Entity's performance was rated **satisfactory** regarding procurement processes.

Figure 2: Procurement Process Compliance Level



Recommendation

Masaka Municipal Council should implement the recommendations contained in this audit report. The target is to increase the compliance levels for procurement process from the current 84.33% to a target level of 100% in the next audit period.

3.1.3 Disposal process levels of compliance

The overall compliance level for disposal processes was assessed as **NIL**.

The Entity's board of survey highlighted items due for disposal. The Entity however explained that the disposal of assets had commenced by the time of the audit.

Table 7: Compliance Indicator Score

	COMPLIANCE INDICATOR	Score (%)	Weights	Weighted Compliance Score
1.	Procurement System Compliance Level	81.5	0.3	24.45
2.	Procurement Process Compliance Level	83.33	0.5	41.67
3.	Asset Disposal Process Compliance Level	—	0.2	—
	Average Compliance Indicator	$(24.45+41.67)/80*100 = 82.64\%$		

The Weighted Compliance Indicator was **82.64%** which is **highly satisfactory**.

3.2. Performance indicators

The dimensions of the Entity's performance of economy, efficiency, efficacy, effectiveness, competition, value for money and equity were analyzed as indicated in Table 8:

Table 8: Performance Indicators

	PERFORMANCE INDICATOR	Score (%)
1.	Procure Ratio: [Actual procurement time divided by planned procurement time in days.]	73
2.	Completion Ratio:	80

	PERFORMANCE INDICATOR	Score (%)
	[Actual completion time divided by contractual completion time in days.]	
3.	Payment Ratio: [Actual payment time divided by contractual payment time in days.]	76
4.	Number of Received Bids: [If the number of received bids is 3 or more]	66.7
5.	Bid Responsive Rate: [The number of bids that pass technical evaluation as a percentage of the number of received bids]	72
6.	Plan Ratio: [The total value of the awarded contract divided by the cost estimate in the procurement plan inclusive of VAT.]	95
7.	Procurement Plan Implementation: [The actual value of the procurement spend as a percentage of the procurement budget]	86.79
8.	Cost Ratio: [The actual final contract amount paid divided by the original contract amount.]	90
	Average Performance Indicator	79.94

3.2.1 Efficacy (Procure Ratio): This measured the ability to provide goods or services in accordance with the planned timelines. The audit established that only 73% of the audited procurements were conducted within the planned timelines indicating a non-compliance of 27%.

Recommendation

The Entity should ensure that the timelines set in the procurement plan are adhered to.

3.2.2 Efficiency (Completion Ratio): This analyzed the time taken to execute contracts from start date to contract closure. The audit revealed that only 80% of the audited procurements were completed within the contractual completion time. The Entity did not complete 20% of the procurements within the contractual completion time.

Recommendation

The Accounting Officer should ensure that contracts are completed in the timeframe agreed.

3.2.3 Effectiveness (Payment Ratio): This assessed the Entity’s commitment to pay contractors within the contractual payment period. The Entity paid 76% of the contractors in the audited procurements within the contractual payment period with 24% of the payments delayed. Delayed payments may result into reduced interests and future participation by bidders

Recommendation

The Accounting Officer should ensure that payment to providers is done in the contracted timeframe.

3.2.4 Competition (Number of Bids Received)

The Entity received more than two (2) bids in only 66.7% of the sampled procurements, and less than three (3) bids were received in 33.3% of its procurements. The Entity's competition level is still unsatisfactory.

3.2.5 The number of bids that passed technical evaluation (Bid Responsive Rate)

It was noted that 72% of the audited bids received, passed technical evaluation with 28% non-responsive. There are still cases of incompetent and incapable bidders who are not able to meet the Entity's specifications and requirements.

3.2.6 The variance between the total value of the awarded contract and the cost estimate in the procurement plan (Plan Ratio)

It was noted that 95% of the sampled cases were awarded within the cost estimate in the procurement plan and thus cost escalations in 5% of the sampled cases.

3.2.7 The actual value of the procurement spend as a percentage of the procurement budget (Procurement Plan Implementation)

The procurement plan implementation rate was 86.79% with a budget variance of UGX 260,788,913.

3.2.8 This measured the final contract cost on completion as opposed to the total contract award price inclusive VAT (Cost Ratio)

The audit noted that in 90% of the sampled procurements, the actual final contract amount paid did not vary from the original contract amount while it varied in 10% of the sampled procurements.

3.3. Overall procurement performance

The overall procurement performance score was the sum of the two weighted indicators as summarized in Table 9:

Table 9: Overall procurement performance Score

No.	COMPLIANCE INDICATOR	SCORE (%)	WEIGHT	WEIGHTED SCORE
3.	Average Compliance Indicator Score	82.64	0.4	33.06
4.	Average Performance Indicator Score	79.94	0.6	47.96
	Entity's Procurement Performance Score			81.02

From the above analysis, the audit team noted that the Entity had an overall weighted average performance of **81.02%** in FY 2018/19 which performance was **satisfactory**.

CHAPTER 4: RECOMMENDED ACTION PLAN

Masaka Municipal Council should implement the following recommendations within the timeframe given in order to improve its performance in procurement and disposal.

4.1. Procurement process and systems

Table 10: Recommended Action Plan

No.	Observation	Recommendation	Action date
1.	Confirmation of availability of funding without delegated authority	The Accounting Officer should ensure that delegation of authority is done in accordance with Regulation 29 of the LG (PPDA) Regulations, 2006.	Continuously
2.	Signing contracts above the estimated market price	The Accounting Officer should conduct a re-assessment of market prices before contract signature where prices are higher than those earlier planned or estimated in accordance with Section 26 (4) of the PPDA Act, 2003.	Continuously
3.	Irregularities at contract signing	The Accounting Officer should sign contracts for procurements and disposal activities on behalf of the Entity as per Section 26 (1) (g) of the PPDA Act, 2003. Where authority is delegated by the Accounting Officer, this should be done in accordance with Regulation 29 of the Local Government (PPDA) Regulations, 2006 and Section 39 of the PPDA Act, 2003.	Continuously
4.	Failure to appoint contract managers	The Accounting Officer should ensure that contract managers are appointed for each and every procurement in accordance with Regulation 119 (2) of the Local Government (PPDA) Regulations, 2006.	Immediately
5.	Approving solicitation documents and evaluation reports that contained irregularities	The Contracts Committee should always scrutinize solicitation documents and evaluation reports to ensure consistency with Regulations 48 (2) and 48 (4) before approval of the submissions in accordance with Section 30 of the PPDA Act, 2003.	Continuously
6.	Failure to adequately meet contractual obligations	The Accounting Officer should enforce the submission of performance securities by all providers in accordance with Regulation 102 of the Local Government (PPDA) Regulations, 2006.	Immediately
7.	Irregular payments	The Accounting Officer should ensure that payments to providers are effected after deduction of the sums due for retention in accordance with Regulation 110 (4) and 115 (9) of the Local Government (PPDA) Regulations, 2006.	Continuously

No.	Observation	Recommendation	Action date
8.	Irregularities in evaluation of bids	The Head, Procurement and Disposal Unit should ensure that Evaluation Committee members strictly adhere to the criteria set out in the solicitation document in accordance with Regulations 48 (4) and 73 of the Local Government (PPDA) Regulations, 2006.	Immediately
9.	Failure to detect, correct and communicate arithmetic errors	The Evaluation Committees should ensure that all arithmetic errors in the bid are corrected at financial evaluation in accordance with Regulation 80 (3) (b) of the LG (PPDA) Regulations, 2006. Where arithmetic errors in bids are corrected, the Evaluation Committees should ensure communication to the bidders in accordance to Regulation 74(3) of the LG (PPDA) Regulations, 2006.	Continuously

4.2 Procurement Performance

Performance Area	Recommendation	Action date
Efficiency, Efficacy and Effectiveness	<ul style="list-style-type: none"> The Entity should ensure that the timelines set in the procurement plan are adhered to. The Accounting Officer should ensure that contracts are completed in the timeframe agreed. The Accounting Officer should ensure that payment to providers is done in the contracted timeframe. 	Continuous

ANNEXES

Annex 1. Transaction list of audited contracts

S/No	Procurement ref	Subject of procurement	Method of procurement	Contractor or supplier	Contract price (UGX)
1	MASA759/WRKS/18-19/00014	Renovation of Kasaana Play Ground	Open Domestic Bidding	M/S Katex Services	96,990,000
2	MASA759/WRKS/18-19/00012	Construction of Staff Quarters at Kyabakuza Health Center II	Open Domestic Bidding	M/S Suzza Construction Company Limited	71,361,881
3	MASA759/WRKS/18-19/00009	Renovation of a multipurpose hall and an office at St. Paul Primary School Kitovu	Open Domestic Bidding	M/S RB Mubiru Services	104,906,700
4	MASA759/WRKS/18-19/00010	Renovation of a 2 classroom block and an office at Kijjabwemi Primary School	Open Domestic Bidding	M/S Nakiduduma General Merchants	36,148,000
5	MASA759/WRKS/18-19/00008	Construction of a staff house for 4 teachers at St Paul Primary School Kitovu	Open Domestic Bidding	M/S Kamuzinda General Enterprises	78,824,885
6	LPO 143	Supply of bitumen 80/100(200kg bags) and Primer mc 80 (200kg) for Speke Road	Open Domestic Bidding	M/S Suave Solutions Limited	107,946,000
7	LPO 121	Supply of cement 258 bags for Speke Road	RFQ	Moses K Hardware	9,030,000
8	LPO 153	Fuel and lubricants for Senyange Roads	Open Domestic Bidding	Tusabe Services Station	6,346,800
9	LPO 109	Supply of culverts 600mm (128 pcs) for Kajjansembe Road	Open Domestic Bidding	M/S Fatuma Nalubega	20,480,000
10	LPO 144	Stone Dust 25m ³ and stone chippings 14/20mm 110m ³ for Speke Road	Open Domestic Bidding	Quick and easy stores and general enterprises limited	23,256,800
11	LPO 148	Fuel and lubricants for Speke Road	Open Domestic Bidding	Tusabe Services Station	13,423,800
12	LPO 145	Road lime 35kg bags 800 bags for	RFQ	Moses K Hardware	8,000,000

S/No	Procurement ref	Subject of procurement	Method of procurement	Contractor or supplier	Contract price (UGX)
		Speke Road			
13	MASA759/WRKS/18-19/00005	Construction of a water borne toilet at Hill Road Primary School	Open Domestic Bidding	M/S Azom Enterprises Limited	53,534,240
14	MASA759/WRKS/18-19/00011	Renovation of a water borne toilet at Masaka Army Primary School	Restricted Bidding	M/S RB Mubiru Services	16,846,506
15	LPO 152	Fuel and lubricants for Kisujjagwira Road	Open Domestic Bidding	Tusabe Services Station	2,714,400
16	LPO 103	Departmental fuel and lubricants for the engineering department for q4	Open Domestic Bidding	Tusabe Services Station	5,000,000
17	LPO 149	Tandem chain 1pc fixing and handling lumpsum grader	Open Domestic Bidding	Keliza Auto Enterprises Ltd	3,500,000
18	LPO 126	Fuel for generator	Open Domestic Bidding	Tusabe Services Station	3,800,000
19	LPO 115	Supply of Reinforced concrete culverts (80 pcs) for Kajjansembe swamp	Open Domestic Bidding	M/S Fatuma Nalubega	21,600,000
20	LPO 100	Supply of concrete culverts 600mm (200pcs) & 900mm (650pcs) for Speke Rd	Open Domestic Bidding	M/S Fatuma Nalubega	207,500,000

KEY:

Performance rating

No	Performance Score (%)	Performance Rating	Abbreviation	Compliance rating by population	Compliance rating by amount (UGX)
1	90-100	Highly Satisfactory	HS		
2	60-89	Satisfactory	S	18	861,610,012
3	30-59	Unsatisfactory	U	2	29,600,000
4	0-29	Highly Unsatisfactory	HU	0	0
	N/A	Unrated	N/A	0	0

Annex 2. List of staff in the Procurement and Disposal Unit

S/ no	Name	Job Title	Academic Qualification	Procurement Certification	Years of Experience
1	Namugga Gorreth	Senior Procurement Officer (Head PDU)	MBA, PGD Logistics & Distribution, Bsc Procurement & Logistics & Cert Admin Law	MCIPS	11 years
2	Ssebyala Rashid	Procurement Officer	Bsc Procurement & Logistics, PGD Public Administration & Cert in Admin Law	None	5 years

Annex 3. List of the Contracts Committee members

No	Name	Job Title	Date of Appointment	Committee Position
1	Mutebi Ibrahim	Assistant Town Clerk	1 st August,2018	Chairperson
2	Mugerwa Ronald Joseph	Senior Commercial Officer	27 th April,2018	Member
3	Ssembajwe Abel	Senior Assistant Engineering Officer (Roads)	5 th July,2018	Member
4	Nabadda Pauline	Environment Officer	4 th July,2016	Member
5	Kawuma Moses	Education Officer	19 th October,2018	Member

Annex 4. List of User Departments

The Entity comprises of the following Departments:

1. Administration
2. Finance
3. Audit
4. Works
5. Statutory Bodies
6. Community
7. Health
8. Education
9. Production
10. Katwe – Butego Division
11. Nyendo Ssenyange Division
12. Kimaanya Kyabakuza Division