



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

**PROCUREMENT AND DISPOSAL AUDIT REPORT
FOR FINANCIAL YEAR 2018/19**

LIRA MUNICIPAL COUNCIL

JANUARY 2020

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Acronyms

AO	Accounting Officer
CC	Contracts Committee
EC	Evaluation Committee
FY	Financial Year
LPO	Local Purchase Order
BEB	Best Evaluated Bidder
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 carried out the Procurement and Disposal audit of Lira Municipal Council. The audit covered a representative sample of thirty (30) procurements under Financial Year 2018/19. The audit involved a review of procurement system, procurement processes, asset disposal processes, and the procurement performance indicators following the Public Procurement and Disposal of Assets Act, 2003 and Local Governments (PPDA) Regulations, 2006.

From the findings of the procurement audit exercise, the summary performance of your Entity revealed that the compliance score was 60.4%, the performance score was 60.1% and the overall weighted average performance of **60.3%** which is **satisfactory** performance as summarised in the table below:

No.	Compliance Indicator	Score %	Weight	Weighted Score
1.	Average Compliance Indicator Score	60.4	0.4	24.2
2.	Average Performance Indicator Score	60.1	0.6	36.1
Entity's Weighted Procurement Performance Score				60.3

From the above analysis, the audit team noted that, the Entity had a weighted average performance of **60.3%** in FY 2018/19 which was highly **satisfactory performance**.

Key exceptions leading to the above performance:

1. Low bidder participation in twelve (12) sampled procurements worth UGX 899,101,087 an indicator of uncompetitive procurement processes contrary to Section 46 of the PPDA Act, 2003.
2. Lack of a mechanism to implement the Authority's previous audit recommendations for the Financial Year 2017/2018.
3. Failure to maintain copies of the bidding documents approved by the Contracts Committee contrary to Regulation 46 (2) of the Local Governments (PPDA) Regulations, 2006.
4. Failure to maintain evidence of receipt of bids for eight (8) procurements worth UGX 529,461, 929 contrary to Regulation 70(5) of the Local Governments (PPDA) Regulations, 2006.
5. Issuance of an addenda to the solicitation document without prior approval from the Contracts Committee and failure to communicate changes to all the bidders involved in the procurement process contrary to Regulation 67 (8) of the Local Governments (PPDA) Regulations, 2006.
6. Mishandling of the prequalification process of thirty eight (38) firms for works, supplies and services for FY 2018/2019 without issuance of prequalification solicitation documents approved by the Contracts Committee.
7. Disregard of the framework contracting processes and irregular award of framework contracts in seven (7) procurements worth UGX 251,349,000 contrary to Guideline 10/2014 on the use of framework contracts issued by the Authority.
8. Contradictory provisions between signed contracts and bids submitted by the best evaluated bidder in nine (9) procurements worth UGX 595,238,749 contrary to Regulation 17 (1) (c) of the Local Governments (PPDA) Regulations, 2006.

9. Irregular extension of expired contracts in four (4) procurements worth UGX 425,340,028 contrary to Regulation 119 (5) (a) and (9) of the Local Governments (PPDA) Regulations, 2006.
10. Failure to adhere to planned procurement process timelines indicated in the Entity's approved procurement plan in six (6) procurements worth UGX 692,737,770.
11. Failure to dispose of the Entity's obsolete assets contrary to Regulation 122 of the Local Governments (PPDA) Regulations, 2006.

Recommendation

Lira Municipal Council should implement the recommended action plan on pages **30-31**. The target is to increase the Entity's performance from the current **60.3%** target level of 100% in the next audit.

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

CHAPTER 1: INTRODUCTION

1.1 Background

The Public Procurement and Disposal of Public Assets Authority carried out the procurement and disposal audit of Lira Municipal Council. The audit covered a representative sample of thirty (30) procurement transactions under Financial Year 2018/19. The audit involved a review of procurement system, procurement processes, asset disposal processes, and the procurement performance indicators following the Public Procurement and Disposal of Assets Act, 2003 and Local Governments (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 Procuring and Disposing Entity (PDE)'s procurement system and processes with the provisions of the PPDA Act, 2003 and Local Governments (PPDA) Regulations, 2006 and assess the level of procurement performance over the audit period.

The specific objectives were:

- To establish the level of compliance of the internal procurement system with provisions of the PPDA Act, Regulations and Guidelines and the adequacy for effective procurements and disposals.
- 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.
- To assess the level of compliance of the asset disposal contracts with the PPDA Act, Regulations, and Guidelines.
- 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.
- Based on the key findings on the procurement system, processes and performance, to offer an opinion on attainment of value for money and recommend measures to improve performance.

1.3 Scope of the Audit

The Public Procurement and Disposal of Public Assets Authority carried out the procurement and disposal audit of Lira Municipal Council from **30th September 2019** to **8th October 2019**. The Entity had a total procurement budget of **UGX 2,293,468,924** in the audit period.

The audit covered a representative sample of thirty (30) procurement transactions under Financial Year 2018/19. The list of sampled transactions is contained in **Annex 1**.

The audit questions and criteria were derived from the Public Procurement and Disposal of Assets Act, 2003 and Local Governments (PPDA) Regulations, 2006 as well as Local Governments (PPDA) Guidelines 2008. The three audit tools used in the audit were: Procurement System Audit Criteria and the Procurement Process Audit Criteria as contained in the PPDA Procurement Audit Manual.

1.4. Methodology

Lira Municipal Council was notified about the upcoming audit on **3rd September 2019**.

To prepare for the audit, the auditors reviewed the Entity's procurement plan and quarterly reports.

The procured items in the transaction list were stratified by (a) category of works, supplies, consultancy, and non-consultancy services, (b) procurement method, (c) and contract value. A representative sample of the thirty (30) procurement transactions was selected for audit based on a stratified random sampling method.

Using guidelines in the Procurement Audit Manual, the sample size was assessed as representative of the population of transactions. The distribution of the transaction population and sample is in Table 1.

Table 1. Distribution of the transactions population and sample for audit

Method	Value			Number		
	Population (UGX)	Sample (UGX)	%	Population	Sample	%
Open Domestic Bidding	1,698,565,765	1,337,911,588	78.8	16	14	87.5
Selective Bidding	594,903,159	534,163,343	89.8	15	13	86.7
Micro Procurements	0	0	0	0	0	0
Direct	0		0	0	0	0
Total/Average	2,293,468,924	1,872,074,931	82	31	27	87.1
Revenue center	26,720,000	26,720,000	100	3	3	100

Note: *The audit failed to establish the total value of procurements conducted in the FY 2018/19 due to the following reasons: - Although there were Contracts Committee minutes, the total procurements captured in the minutes and reported to the Authority were not representative of the procurements conducted. Micro procurements conducted by the User Departments, direct procurements and call-off-orders issued under framework contracts were not part of the reports to the Authority from where this population was derived. .*

An entry meeting was held on **30th September 2019**. At the meeting, the objectives of the audit were discussed as well as the timelines, roles and responsibilities. The Entity's management was requested to provide the required records in time for the audit, to which they agreed to give the necessary assistance to the auditors.

Two Procurement Audit Officers under the supervision of the Director, Performance Monitoring carried out the audit. During the audit, the auditors had personal interviews with the staff from the Procurement and Disposal Unit (PDU) and User Departments. The meetings were necessary to obtain qualitative information that was crucial to understand the internal control system and processes. The list of the staff in the PDU 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. Physical inspection was carried out at the end of the audit.

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. The audit report presents the key findings and conclusions arising from the audit;

A debrief meeting was held on **4th October 2019** with the Accounting Officer and staff to conclude pending issues and any records that could not be accessed during the audit. All the pending matters were cleared on **7th October 2019** before the preparation of the audit report.

The auditors prepared the management letter, which was sent to the Entity on **11th October 2019** with a request to submit a management response by **21st October 2019**, which was submitted on **6th November 2019**. The exit meeting was held on **8th November 2019** at PPDA Northern Regional Office - Gulu.

CHAPTER 2: KEY FINDINGS AND RECOMMENDATIONS

2.1 Accounting Officer

The Accounting Officer during the Financial Year under review was the Town Clerk. The main areas of non-compliance for the Accounting Officer (AO) were:

2.1.1 Low bidder participation

In twelve (12) procurements worth UGX 886,501,087, there was low bidder participation, the Entity failed to obtain at least three bids. The procurements were:

Table 2: Procurements with a low bidder participation

No.	Subject of procurement	Contract Value (UGX)	No. of bids Received
1.	Collection of revenue from public conveniences at Lira main market	19,200,000	1
2.	Collection of dues from lira municipal markets and entrances	325,000,000	2
3.	Collection of rentals from lock-ups and stalls	10% of actual collections	2
4.	Rehabilitation of dormitory with sanitation facilities at Lango College	159,041,757	2
5.	Renovation of one block with 6 classrooms at Ireda P/S	107,495,640	2
6.	Renovation of classroom block at Ambalal Primary School	82,000,373	1
7.	Fencing of Ayago primary school, Railway Division	88,450,723	1
8.	Construction of slaughter slab at Umoja Market	14,652,414	1
9.	Hire of road construction equipment	-	1
10.	Supply of Culverts (900mm and 600mm) for road work	28,161,000	1
11.	Supply of cement and lime	62,499,180	1
12.	Provision of security services	12,600,000	1
Total/Average		899,101,087	1

Note: The total amount does not include number 3 & 9 which could not be established.

Implication

This is an indicator that the Entity did not obtain competitive bid offers and therefore did not achieve value for money.

Management Response

The issue of low bidder participation has been taken up by management through trainings and sensitisation of the service providers on the importance of supplier- buyer relationship and development. The Procurement and Disposal Unit will conduct all procurements in a fair, transparent and competitive manner in accordance with section 45 and 46 of the PPDA Act, 2003.

Recommendations

- The Accounting Officer should urgently address the issue of low bidder participation in the procurement processes of the Entity i.e. regularly review the list of prequalified firms to remove those firms that do not respond to bid invitations.
- The Procurement and Disposal Unit should conduct all procurements in a fair, transparent and competitive manner in accordance with Sections 45 and 46 of the PPDA Act, 2003.

2.1.2 Lack of a mechanism for implementation of PPDA audit recommendations

The Authority observed that the previous audit recommendations were not fully implemented. It was further established that 65% of the previous recommendations were not implemented, 31% were partially implemented and only 4% were fully implemented. The table below shows the status of implementation of audit recommendations in the Financial Year 2017/18:

Table 3: Recommendations of the previous audit not implemented

Recommended Action	Target Date	Implementation status
<ul style="list-style-type: none"> • The Accounting Officer should undertake market price survey for supplies, services and unit costs of works in accordance with Section 26 (4) and (5) of the PPDA Act, 2003. • The Accounting Officer should put in place a mechanism which is shared by all departments of the Entity for implementation of audit recommendations in accordance with Regulation 14 (k) of the Local Governments (PPDA) Regulations, 2006. • The Accounting Officer should urgently address the issue of low bidder participation in the procurement processes of the Entity. • The Head Procurement and Disposal Unit should keep a copy of the solicitation/bidding document approved by the Contracts Committee on each procurement action file in accordance with Regulation 46 (2) (c), of the Local Governments (PPDA) Regs, 2006. • The Head, Procurement and Disposal Unit should maintain and archive records of the procurement and disposal process in accordance with Section 31 (o) of the PPDA Act, 2003. • The Head, Procurement and Disposal Unit should send the notices of best evaluated bidders to all bidders who participate in a procurement process in accordance with Regulation 85 (1) and (5) of the Local Governments (PPDA) Regulations, 2006. • The PDU should ensure that all procurement transactions undertaken by the Entity are reported to the Authority in accordance with Regs 7 of the LGs (PPDA) Regs, 2006. • The Contracts Committee should desist from approving evaluation recommendations where the requirements in the bidding document have not been adhered to. • The Contracts Committee should carry out its oversight function and attend all bid receipt and opening sessions that the Entity may conduct in future in accordance with Regulation 17 (3) (b) of the Local Governments (PPDA) Regulations, 2006. 	August 2019	Partially Implemented
	August 2019	Partially Implemented
	August 2019	Not Implemented
	August 2019	Partially Implemented
	August 2019	Partially Implemented
	August 2019	Partially Implemented
	August 2019	Not implemented
	August 2019	Not Implemented
	August 2019	Not Implemented
	August 2019	Not Implemented

Recommended Action	Target Date	Implementation status
<p>document in accordance with Sect. 71 (3) of the PPDA Act, 2003.</p> <ul style="list-style-type: none"> The Head Procurement and Disposal Unit should always ensure that Evaluation Committees conduct detailed evaluation in accordance with Regs.72 to 82 of the LG (PPDA) Regs, 2006. 		Not Implemented
<ul style="list-style-type: none"> The Accounting Officer should instruct User Departments to initiate procurement requirements in accordance with the planned initiation dates in the procurement plan so as to address the issue of delays in the procurement processes of the Entity. User Departments should initiate procurement requirements in accordance with Regulation 65 of the Local Governments (PPDA) Regulations, 2006. The user departments should attach statement of requirements at initiation according to Regulation 26 (1) (c) and 65 (1) (a) of the Local Governments (PPDA) Regulations, 2006 and Section 34 (1) of the PPDA Act, 2003. Contract supervisors should prepare contract implementation plans in accordance with Regulation 119 (3) of the Local Governments (PPDA) Regulations, 2006. The Authority recommends that the Contract Supervisors should submit regular progress reports and detailed contract management reports as per their functions in accordance with Regulations 119 (10) and 46 (3) of the Local Governments (PPDA) Regs, 2006. 	August 2019	Partially Implemented Not Implemented Partially Implemented Not Implemented Not Implemented
<ul style="list-style-type: none"> The Head of the Internal Audit Department of the Procuring and Disposing Entity should ensure that procurement and disposal procedures and payments of the Entity are audited regularly. The Accounting Officer should ensure that recommendations highlighted in the internal audit report on the procurement function are fully implemented so as to improve on the procurement performance of the Entity. The Accounting Officer should urgently address the issue of delays in the procurement processes of the Entity so as to ensure timely delivery of services. Procurement and Disposal Unit should ensure that all items are aggregated in the annual procurement plan of the Entity and where necessary the plan is updated in accordance with Section 31 (f) of the PPDA Act 2003. 	August 2019 August 2019	Not Implemented Not Implemented Not Implemented Implemented
<ul style="list-style-type: none"> The Authority recommends that the Head Procurement and Disposal Unit should ensure that all records on a procurement transaction are properly archived in accordance with Section 31 (o) of the PPDA Act 2003. The Accounting Officer should submit in time, complete and accurate procurement and disposal reports in accordance with the Local Governments PPDA Guidelines. 	August 2019	Partially Implemented Partially Implemented

Recommended Action	Target Date	Implementation status
<ul style="list-style-type: none"> • The Accounting Officer should dispose of the assets that have been recommended for disposal by the board of survey. 	August 2019	Not Implemented
<ul style="list-style-type: none"> • The Accounting Officer should ensure that the assets of the Council are reviewed on an annual basis, to identify those which are obsolete and are subjected to disposal in accordance with Regulation 122 (6) of the (LG PPDA) Regulations 2006. 		Not Implemented
<ul style="list-style-type: none"> • The Accounting Officer should ensure a thorough review of assets due for disposal prior to the disposal process to confirm existence, location, conditions and persons in charge/responsible. 		Not Implemented

Implication

This implies that the Entity has not made adequate effort to improve performance of the procurement function.

Management response

Management has taken steps in some of the issues raised like solicitation documents which will be kept in the files, early initiation of the procurement process is being implemented, the Entity is using records of previous contract awards as a bench mark for market price assessment since PPDA has never issued guidelines on the same, but all in all management will take this up for future improvement.

Recommendation

The Accounting Officer should put in place a mechanism to monitor the implementation of audit recommendations in accordance with Regulation 14 (k) of the Local Governments (PPDA) Regulations, 2006.

2.2 Procurement and Disposal Unit

The Head of Procurement and Disposal Unit during the Financial Year under review was the Procurement Officer. The main areas of non-compliance were:

2.2.1 Missing solicitation documents

The Procurement and Disposal Unit did not maintain hard copies of the bidding documents approved by the Contracts Committee on the respective procurement action files. As such there was no evidence to confirm that the Contracts Committee reviewed and approved solicitation documents and that bid offers were formally solicited through issuance of solicitation documents containing fair and clear statements of requirements and other bidding and contracting conditions. This was contrary to Regulation 46 (2) (c), of the Local Governments (PPDA) Regulations, 2006.

Implication

Failure to maintain copies of the solicitation documents on their respective procurement action files casts a doubt on whether the Entity issued bidding documents for the sampled procurements and also disrupts the audit trail.

Management Response

The statements of requirements like bills of quantities are sometimes bulky so they are issued separately as an attachment to the solicitation documents but documents can never be issued without statements of requirements.

Recommendation

The Head Procurement and Disposal Unit should keep a copy of the solicitation/bidding document approved by the Contracts Committee on each procurement action file in accordance with Regulation 46 (2) (c), of the Local Governments (PPDA) Regulations, 2006.

2.2.2 Failure to maintain evidence of receipt of invitation to bid by the bidders

The Procurement and Disposal Unit failed to maintain evidence of receipt of invitation to bid by the bidders in the following procurement transactions under selective national bidding:

Table 4: Procurement files without receipt of evidence of invitation of bidders

No	Subject	Value (UGX)	No of shortlisted bidders	No of bidders with evidence receipt of bids
1.	Collection of revenue from public conveniences at lira main market	19,200,000	3	1
2.	Collection of dues from lira municipal markets and entrances	325,000,000	3	1
3.	Collection of rentals from lock-ups & stalls	10% of actual collections	3	1
4.	Construction of a 5 stance lined VIP latrine at Ober Primary School	23,769,970	4	1
5.	Construction of a 4 stance lined VIP latrine at Lira Police Primary School	20,003,159	4	2
6.	Construction of a 4 stance lined VIP latrine at Alok Market	19,888,800	4	2
7.	Installation and maintenance of electrical system in the main market	18,000,000	6	5
8.	Supply of road furniture	103,600,000	3	2
Total		529,461,929		

Implication

This undermines the principles of transparency and competition.

Management Response

The Entity has always issued bidders with bid invitation notices and maintains evidence of receipt by the invited bidders. Please find attached evidence Annex: 3

Authority's comment: Annex: 3 did not show evidence that all shortlisted bidders received invitations to bid and therefore was found insufficient.

Recommendation

The Head Procurement and Disposal Unit should endeavor to issue all bidders with bid invitation notices and maintain evidence of receipt of invitation for each bidder.

2.2.3 Failure to issue Notices of the Best Evaluated Bidder

The Authority found that in all sampled procurements there was no evidence of issuance/delivery of the notice of best evaluated bidders to all bidders that participated in the procurement processes contrary to Regulation 85 (5) of the Local Governments (PPDA) Regulations, 2006.

Implication

This denies unsuccessful bidders an opportunity to request for clarification/apply for administrative review and further improve the quality and contents of future bids.

Management response

The Entity has always stated clearly the reasons for failure to the unsuccessful bidders. But due to resource constraints especially stationery, the Entity usually communicates to unsuccessful bidders through email but the other challenge is some bidders indicate invalid email addresses in their bid submissions. Please find attached BEB for verification, Annex: 4

Authority's comment: Annex: 4 did not show evidence that all shortlisted bidders received invitations notices of the best evaluated bidder and therefore was found insufficient.

Recommendations

The Head, Procurement and Disposal Unit should send the notices of best evaluated bidders to all bidders who participate in a procurement process in accordance with Regulation 85 (1) and (5) of the Local Governments (PPDA) Regulations, 2006.

2.2.4 Issuing addenda with disregard to the Local Governments (PPDA) Regulations, 2006

There was no evidence that the following addenda were issued in accordance to the Local Governments (PPDA) Regulations 2006:

All the three (3) sampled revenues centres were advertised in the new vision on 9th November 2018 and later the Entity invited bidders under selective bidding on 15th Feb 2019 without the involvement of the Contracts Committee. This was contrary to Regulation 67(8) of the Local Governments (PPDA) Regulations, 2006 which provides that: all addenda to bid documents require approval of the Contracts Committee before being issued to bidders.

In the Renovation of classroom block at Ambalal Primary School worth UGX 82,000,373 an addendum was issued on 12th November 2018 stating that the procurement was to be considered under that category C of the advert that was issued on 9th November 2019. This was done without the involvement of Contracts Committee contrary to Regulation 67(8) of the Local Governments (PPDA) Regulations, 2006.

The Authority further found that there was no evidence that addenda (i) and (ii) above were issued to all bidders as required under Regulation 67 (7) of the Local Governments (PPDA) Regulations, 2006 which requires that: the addendum, including any extension to the bidding period, shall be issued in writing and the same information shall be provided to all bidders.

Implication

This amounts to usurping the powers and functions of the Contracts Committee.

Management Response

On the issue of addendum, Management will take it up for future improvement.

Recommendation

The Accounting Officer should task the Head Procurement and Disposal Unit to ensure that all addendums are issued after approval of the Contracts Committee in accordance with the Local Governments (PPDA) Regulations, 2006.

2.3 Contracts Committee

2.3.1 Irregular prequalification of firms for works, supplies and services during FY 2018/2019.

The Authority reviewed the pre-qualification list of Lira Municipal Council FY 18/19 as approved by the Contracts Committee in their meeting of 11th July 2019 and found that the following companies on the Entity's prequalification list FY 18/19 had not been issued a shortlisting document by the Entity.

Table 5: Prequalified companies that were not issued a shortlisting document

Cleaning, Sweeping & Collection Of Garbage	
1.	SA/Ronald Mugisha W Enterprises Limited
Provision of security services	
1	Blue Fix Guards Services Company
IT supplies, maintenance & servicing of computers, printers and photocopiers/ all it equipments	
1.	Mallopy Consultants Limited
Supply of general office stationery, tonner and small office equipment	
1.	Maosam Investment Company Limited
2.	Geosavannah Company Ltd
Supply of receipt media, printing & production of staff idEntity cards/banners /corporate wears/caps/engraving & embroidery	
1.	Geosavannah Company Ltd
2.	Maosam Investment Company Limited
3.	Upcountry Designers
Installation and maintenance of electrical systems (including solar)	
1.	Awico Engineering Limited
2.	. LubegaSeguya Simon
3.	. Suntap
4.	. Peakside (U) Limited
Routine repair, servicing and maintenance of motor vehicle, notor cycle, plant, machinery and equipment	
1.	Beatro Links Ltd
2.	Partsland International Ltd
Service providers for other revenue sources	
1.	Omwinyole Co. Ltd
2.	Lira Joint Market Association Ltd
3.	Ojwina United Traders Ltd
4.	Olila and Sons Ltd
5.	Makidiro Company Ltd
6.	Ogolson Company Ltd
7.	Wholesome Investments Company Limited
8.	. Adok Enterprises Ltd

9.	. JyoogoCompnay Limited
Construction, renovation and maintenance of buildings	
1.	Jora Investment Holding Ltd
2.	S.B Engineering Construction Co. Ltd
3.	Kasase Enterprises Ltd
4.	Kela Keith Geoson Ltd
5.	Integrated Contractors Limited
6.	Oryemcan Co. Ltd
7.	Bold Investment Co. Ltd
8.	Atimo Construction & DS Limited
9.	Site Tech (U) Ltd
10.	Ngomson Enterprises Ltd
11.	Peaksid (U) Ltd
12.	Amugu United Co. Ltd
13.	Metaplex Investments Ltd
14.	Cleapas Investments Limited
15.	Iyama Enterprises Limited
Supply of road construction materials (sand, cement, bitumen, murram, aggregates, chippings etc)	
1.	Gudul Enterprises Ltd

Implication

This implies that there is a risk that firms were smuggled onto the list of pre-qualified firms for the Financial Year 2018/2019. This translates into lack of transparency and accountability in the Entity's procurement function.

Management response

Management regrets this practice in the strongest term possible and we shall always approve prequalification list in a fair and transparent manner.

Recommendation

The Contracts Committee should desist from approving prequalification lists for each Financial Year without first satisfying itself that the list was prepared in a fair and transparent manner.

2.3.2 Award of contracts under framework arrangement in disregard to guideline 10/2014 on use of framework contracts for procurement of supplies, works and non-consultancy services.

The Authority found that in a number of procurement transactions resulting into contracts under framework arrangement, guidance issued by the Authority on use of framework contracts for procurement of supplies, works and services was disregarded. The following exceptions were noted;

- a) PPDA's standard bidding document for framework contracts was not used. Further still, there wasn't any other bidding document issued.
- b) The User Departments did not propose any statement of requirements.
- c) The Entity used request for quotations method of procurement for most of the framework contracts instead of open bidding method of procurement.
- d) There was no bid notice stating that bids were being invited for an estimated quantity of supplies, works or services under the framework contracting arrangement.

- e) There was no evidence of a record of receipt of bids and a record of opening of bids.
- f) There was no evidence of preliminary and technical evaluation of bids submitted. Only financial evaluation was conducted on quotations sourced from various providers who had been picked off the Entity's register of prequalified firms.
- g) There was no evidence of estimated quantities of the materials the Entity intended to buy and price schedules attached to the contracts.
- h) The signed contracts did not have any terms of reference for services or specifications for supplies.
- i) There was no evidence of call off orders issued. The Entity was relying on LPO's generated from the IFMS system.

Examples of the contracts where the above exceptions were noted are listed below:

Table 6: Irregularly awarded contracts under framework arrangement

No	Subject	Amount (UGX)
1.	Installation and maintenance of electrical system in the main market	18,000,000
2.	Provision of security services	12,600,000
3.	Routine Repair, Servicing and maintenance of motor vehicle, motor cycle, plant and machinery and equipment	72,000,000
4.	Supply of Road Furniture	103,600,000
5.	Supply of general office stationery, tonner & small office equipment	11,700,000
6.	Supply of recipient Media/Printing and Production of staff identity cards / banners / Corporate wares / capes/engraving and embroidery	16,949,000
7.	Provision of Cemetery services	16,500,000
Total		251,349,000

Implication

This is a red flag for corruption, fraud and collusion within the procurement function and with providers.

Management response

It was an omission whereby mistakenly we thought that since these were framework contracts, the LPOs could be used as call off orders. However, management has noted this for improvement.

Recommendation

The Entity should adhere to requirements in Guideline 10/2014 on use of framework contracts to procure supplies, works and non-consultancy services.

2.3.3 Contradictions between signed contracts and bids submitted by the best evaluated bidders.

The Authority found that in some of the procurement transactions reviewed during the audit, there were contradictions between the conditions in the signed contract and those in the bids submitted. This was further worsened by the fact that copies solicitation documents issued to bidders were missing. The contradictions are listed below;

Table 7: Contradictions in conditions of contract

No	Subject of procurement	Amount (UGX)	Findings
1.	Construction of a 5 stance lined VIP latrine at Ober P/S	23,769,970	GCC 52.1 & 52.3 in the signed contract required a 10% performance security in the

No	Subject of procurement	Amount (UGX)	Findings
2.	Construction of a 4 stance lined VIP latrine at Lira Police Primary School	20,003,159	form of an unconditional bank guarantee. However, the SCC in the bid submitted by the BEB indicated performance security was Not Applicable
3.	Construction of a 4 stance lined VIP latrine at Alok Market	19,888,800	
4.	Collection of revenue from public conveniences at lira main market	19,200,000	The bid submitted by the BEB indicated that performance security was required inform of a post-dated cheque for 3 months. However, the signed contract indicated performance security was Not Applicable.
5.	Collection of dues from lira municipal markets and entrances	325,000,000	
6.	Collection of rentals from lock-ups and stalls	10% of actual collections	
7.	Construction Of 2 classroom block At Starch Factory Primary School	84,273,683	The signed contract indicated that performance security shall be for 10% of the contract price however, there was no evidence that it was a requirement in the bidding document.
8.	Fencing of Ayago primary school, Railway Division	88,450,723	GCC 52.1 in the signed contract indicated that performance security shall be 10% of the contract price however, there was no evidence that it was required in the issued document.
9.	Construction of slaughter slab at Umoja Market	14,652,414	The signed contract indicated that performance security shall be for 10% of the contract price however, there was no evidence that it was required in the issued document.
	Total	595,238,749	

Note: The total amount does not include number 6.

Implication

These inconsistencies affect the audit trail and are an indication of a lack of transparency in the bidding process. Furthermore, this exposes the Entity to the risk of contracting incompetent firms.

Management response

All the issues raised especially on contractual obligations, the providers will be tasked to furnish the Entity with the required securities before contracts are signed with them as require by the laws of Uganda. Will be taken up by management for future improvement.

Recommendations

- The Contracts Committee should carefully examine the bidding and contract documents before giving their approval in accordance with Regulation 17(1)(c) of the Local Governments (PPDA) Regulations, 2006.
- Where performance securities are required as part of the contractual obligations, the Accounting Officer should task all providers to furnish the Entity with the required

performance securities before contracts are signed with the firms in accordance with Regulation 102 of the Local Governments (PPDA) Regulations, 2006.

2.3.4 Extension of expired contracts

The Contracts Committee approved the extension of the following four (4) procurement worth UGX 425,340,028 on 11th June 2019 after they had expired as indicated below:

Table 8: Contracts extended after expiry

No.	Subject of procurement	Amount (UGX)	Original contract completion date
1.	Rehabilitation of dormitory with sanitation facilities at Lango College	159,041,757	18 th April 2019
2.	Renovation of one block with 6 classrooms at Ireda P/S	107,495,640	18 th April 2019
3.	Construction of 3 classroom block at Ojwina P/S	74,528,948	18 th April 2019
4.	Construction of 2 classroom block at starch factory P/S	84,273,683	18 th April 2019
Total		425,340,028	

Implication

This is a sign of poor contract management by contract supervisors.

Management Response

Management will take this up and ensure that user departments reports on conditions of a contract in accordance with Regulation 119(5) 9a) of the Local Governments (PPDA) Regulations, 2006 to Contracts Committee to avoid invalid contracts.

Recommendation

The Chairperson Contracts Committee should ensure approvals of contract extensions are for only valid contracts.

2.4 Evaluation Committee(s)

The main areas of non-compliance with regard to Evaluation Committee(s) were:

2.4.1 Irregular acceptance of alternative bid prices during financial evaluation

The Authority found that during the financial evaluation for supply of motorcycles worth UGX 19,960,000 the best evaluated bidder offered alternative bid prices i.e. Option 1 UGX 9,980,000 and Option 2 UGX 7,950,000. The Evaluation Committee considered both and recommended award for both contrary to Regulation 80 (7) of the Local Governments (PPDA) Regulations, 2006 which provides that alternative bids shall not be considered unless indicated in the bidding document. Subsequently the contract was signed bearing both prices.

Implication

This is a sign of lack of adequate knowledge and guidance accorded to Evaluation Committee members by the Procurement and Disposal Unit.

Management response

This is true that the Evaluation committee did not comply with Regulation 80 (7) of the Local Governments (PPDA) Regulations, 2006 when handling bids with alternative bid prices.

Recommendation

The Evaluation Committees should always comply with Regulation 80 (7) of the Local Governments (PPDA) Regulations, 2006 when handling bids with alternative bid prices.

2.4.2. Lack of evidence of communication of arithmetic corrections

The Authority found that in the following procurement transactions' worth UGX63,661,929 there was no evidence of communication of arithmetic corrections contrary to Regulation 74 (3) & (4) of the Local Governments (PPDA) Regulations, 2006.

Table 9: Failure to communicate arithmetic corrections and note errors in bids

No	Subject of procurement	Contract Amount (UGX)	Corrected bid price of the BEB (UGX)
1.	Construction of a 5 stance lined VIP latrine at Ober Primary School	23,769,970	23,762,781
2.	Construction of a 4 stance lined VIP latrine at Lira Police Primary School	20,003,159	19,993,867
3.	Construction of a 4 stance lined VIP latrine at Alok Market	19,888,800	19,870,215
	Total	63,661,929	

Implication

This exposes the Entity to the risk of complaints from bidders especially when the prices read out at bid opening differ after the evaluation process and also denies bidders opportunity to provide clarification on purported errors.

Management Response

Management will take it up for improvement by ensuring that arithmetic correction are communicated in accordance with Regulation 74 (3) and (4) of the Local Governments (PPDA) Regulations, 2006.

Recommendation

The Chairpersons of evaluation committees should always communicate arithmetic corrections in accordance with Regulation 74 (3) & (4) of the Local Governments (PPDA) Regulations, 2006.

2.5 User Departments

2.5.1 Procurement transactions without procurement requisition forms

The Authority found that the following procurement transactions worth UGX 63,500,000 did not have the procurement requisition forms i.e. LG PP form 1 contrary to Regulation 65 of the Local Governments (PPDA) Regulations, 2006. Furthermore, there was no evidence of statement of requirements proposed by the User Department

Table 10: Procurement transactions without procurement requisition forms

No	Subject	Amount (UGX)
1.	Installation and maintenance of electrical system in the main market	18,000,000

No	Subject	Amount (UGX)
2.	Provision of security services	12,600,000
3.	Provision of Cemetery services	16,500,000
4.	Supply of Construction Pit Sand and Firewood for Road Works	16,400,000
Total		63,500,000

Implication

The Entity without initiation of procurement by the User Department is exposed to the risk of mis-procurement and creation of domestic arrears.

Management response

The procurements in question were formally initiated using LG PP Form 1 and in strict compliance with Regulation 65 of LG PPDA Regulations, 2006. Copies of the initiation forms are attached for verification. Annex: 9

Authority's comment: Annex: 9 was not attached.

Recommendation

All procurement transactions should be initiated in accordance with Regulation 65 of the Local Governments (PPDA) Regulations, 2006.

2.5.2 Failure to provide statements of requirements for initiated procurement requirements

The Authority found that the User Departments did not recommend a detailed statement of requirements when initiating the following four (4) procurements worth UGX432,650,723. This is contrary to Regulation 26 (1) (c) and 65 (1) (a) of the Local Governments (PPDA) Regulations, 2006 and Section 34 (1) of the PPDA Act, 2003.

Table 11: Procurements initiated without statement of requirements

No	Subject	Value (UGX)
1.	Collection of revenue from public conveniences at lira main market	19,200,000
2.	Collection of dues from lira municipal markets and entrances	325,000,000
3.	Collection of rentals from lock-ups and stalls	10% of actual collections
4.	Fencing of Ayago primary school, Railway Division	88,450,723
Total		432,650,723

Implication

It makes it difficult for the Procurement and Disposal Unit to prepare appropriate solicitation documents thus creating a risk of procuring items which do not meet the users' requirements. Furthermore, bidders risk failure to prepare responsive bids.

Management Response

Noted for improvement

Recommendation

The User Departments should attach statement of requirements and terms of reference at initiation according to Regulation 26 (1) (c) and 65 (1) (a) of the Local Governments (PPDA) Regulations, 2006 and Section 34 (1) of the PPDA Act, 2003.

2.5.3. Failure to nominate and appoint contract supervisors

The Heads of User Departments failed to nominate contract supervisors for appointment by the Accounting Officer in three (3) sampled procurements worth UGX 344,200,000 to manage contract implementation on behalf of User Departments contrary to Regulation 119 (1) and (2) of the Local Governments (PPDA) Regulations, 2006.

Table 12: Procurements without evidence of nomination and appointment of contract supervisors

No.	Subject of Procurement	Amount (UGX)
1.	Collection of revenue from public conveniences at lira main market	19,200,000
2.	Collection of dues from lira municipal markets and entrances	325,000,000
3.	Collection of rentals from lock-ups and stalls	10% of actual collections
	Total	344,200,000

Note: The total amount does not include number 3.

Implication

This impacts on contract performance and management and raises doubts on whether there was effective supervision

Management Response

The contract supervisors were nominated and appointed formally but their letters were filled separately and evidence is attached for verification: Annex 11

Authority's comment: Submitted appointment letters were verified and the above three procurements lacked them.

Recommendation

The Authority noted that the attached evidence did not address the procurements in the table 14 above. User Departments should nominate contract supervisors for all contracts in accordance with Regulation 119 (1) and (2) of the Local Governments (PPDA) Regulations, 2006.

2.5.4. Delays by User Departments to initiate procurement requirements as planned in the procurement plan

The Authority noted failure by User Departments to initiate procurement requirements in accordance with the planned timelines in five (5) procurements worth UGX565,740,937.

Table 13: Delays by User Departments to initiate procurement requirements as planned

No	Subject	Value (UGX)	Planned Date of Initiation	Date of Initiation	Delay Period (Working days)
1.	Collection of revenue from public conveniences at lira main market	19,200,000	28 th August 2018	14 th December 2018	79
2.	Collection of dues from lira municipal markets and entrances	325,000,000	28 th August 2018	14 th December 2018	79
3.	Collection of rentals from lock-ups and stalls	10% of actual	28 th August 2018	24 th September	20

No	Subject	Value (UGX)	Planned Date of Initiation	Date of Initiation	Delay Period (Working days)
		collections			
4.	Supply of cement and lime	62,499,180	30 th May 2018	26 th September 2018	86
5.	Rehabilitation of dormitory with sanitation facilities at Lango College	159,041,757	10 th September 2018	30 th October 2018	37
Total/Average		565,740,937			60

Note: The total amount does not include number 3.

Implication

Delays during the procurement process leads to delayed service delivery and subsequently loss of interest by beneficiaries.

Management Response

It is true that there were delays in the initiation of procurement requirements in accordance with the planned initiation dates in the procurement plan, this is sometimes caused by the ever fluctuating IPF planning figures coupled with late release of funds by MOFPED and other unavoidable circumstances.

Authority's response: *The Authority finds the Entity's response unsatisfactory, procurement initiations are based on budgets not releases.*

Recommendations

- The Accounting Officer should instruct User Departments to initiate procurement requirements in accordance with the planned initiation dates in the procurement plan so as to address the issue of delays in the procurement processes of the Entity.
- Procurement and Disposal Unit should where necessary update the procurement plan in accordance with Section 31 (f) of the PPDA Act, 2003.

2.5.7 Missing contract management records

The Authority found that for the following contracts there was no evidence of delivery, completion, payments and handover contrary to Regulation 119 (10) (a) of the Local Governments (PPDA) Regulations, 2006. The cases include:

Table 17: Missing evidence of delivery, completion, payments and handover

No.	Subject of procurement	Contract value (UGX)	Findings of the Authority
1.	Construction of a 4 stance lined VIP latrine at Lira Police Primary School	20,003,159	<ul style="list-style-type: none"> • Missing records of formal project handover after completion. • No contract progress reports to establish compliance with the contractual requirements.
2.	Renovation of classroom block at Ambalal Primary School	82,000,373	

No.	Subject of procurement	Contract value (UGX)	Findings of the Authority
3.	Construction of 3 classroom block at Ojwina Primary School	74,528,948	
4.	Construction Of 2 classroom block At Starch Factory Primary School	84,273,683	
5.	Construction of slaughter slab at Umoja Market	14,652,414	
6.	Fencing of Ayago primary school, Railway Division	88,450,723	
7.	Construction of a 4 stance lined VIP latrine at Alok Market	19,888,800	<ul style="list-style-type: none"> • No proof of formal projects handover after completion.
8.	Installation and maintenance of electrical system (including solar works) in the main market (framework)	18,000,000	
9.	Provision of security services (framework)	12,600,000	
10.	Supply of Fuel, Oil and Lubricants (framework)	200,000,000	<ul style="list-style-type: none"> • Missing records on project payments to the provider and URA to confirm compliance with contractual payment terms and conditions. • Missing proof of delivery/ provision of the contracted goods and services. • Missing evidence of appointment of contract supervisors.
11.	Routine Repair, Servicing and maintenance of motor vehicle, motor cycle, plant and machinery and equipment (framework)	72,000,000	<ul style="list-style-type: none"> • Proof of payments made to fuel stations. There were no fuel statements to support the various payments. • No appointment of contract supervisor • Due to lack of progress reports we were unable to ascertain the total orders made under these contracts.
12.	Supply of Road Furniture (framework)	103,600,000	<ul style="list-style-type: none"> • No appointment of contract supervisor • No evidence of call off orders issued and other contract management records for vehicles other than parts for the motor grader, garbage truck garbage truck Reg #UG 29091R and Isuzu JMC Reg #LG0004 123. • No proof of payment for Motor grader parts garbage truck garbage truck Reg #UG 29091R and Isuzu JMC Reg #LG0004 123. • Due to lack of progress reports we were unable to ascertain the total orders made under these contracts
12.	Supply of Road Furniture (framework)	103,600,000	<ul style="list-style-type: none"> • No appointment of contract supervisor • The contract was not clear on the contents of the road signs. • Orders were made for two (2) road signs for various roads however, there was no

No.	Subject of procurement	Contract value (UGX)	Findings of the Authority
			<p>evidence of actual payment after delivery.</p> <ul style="list-style-type: none"> • There was no proof of delivery and payment for tools and safety equipment worth UGX 30,190,000 ordered on 17th June 2019. • There were no progress reports and as such it was not clear how much road furniture was procured. • There was no evidence of assurance provided by the Internal Auditor
13.	Supply of general office stationery, tonner and small office equipment (framework)	11,700,000	<ul style="list-style-type: none"> • Missing evidence of appointment of the contract supervisor that managed the contact execution. • Missing contract implementation records and payment records, due to lack of these records we were unable to ascertain the total orders made under these contracts
14.	Supply of Bitumen and Primer (framework)	121,100,000	<ul style="list-style-type: none"> • No proof of payment • The Authority reviewed order #169,195,165 & 232 and found there was no proof of actual payment
15.	Supply of recipient Media/Printing and Production of staff identity cards/banners/Corporate wares/capes/engraving and embroidery (framework)	16,949,000	<ul style="list-style-type: none"> • Missing evidence of delivery of contracted goods, we were unable to ascertain compliance with the contractual requirements and user needs. • Missing evidence of payment for the supplied goods and services provided. • Missing records on appointment of the contract supervisors that managed the implementation of the contracts.
16.	Provision of Cemetery services (framework) @ UGX 1,500,000 per month for 11 months	16,500,000	<ul style="list-style-type: none"> • Due to lack of progress reports we were unable to ascertain the total orders made under these contracts.
17.	Supply of motorcycles for Education Dept and Railway division	19,960,000	<ul style="list-style-type: none"> • Missing documentation on regarding the delivery, inspection and receipt of the motorcycles. • Missing record on appointment of the contract supervisor that managed the implementation of the contract.
18.	Supply of Aggregates/chippings, Stone dust and hard core (framework)	98,182,100	<ul style="list-style-type: none"> • The Authority reviewed several orders i.e. PO# 81, 89, 79, 82, 101, 113, 162, 140, 163, 170, 198, 194 and found that there was no proof of payment to the supplier and delivery of the ordered inputs. • Due to lack of progress reports we were unable to ascertain the total orders made under these contracts.

No.	Subject of procurement	Contract value (UGX)	Findings of the Authority
19.	Supply of stone gravel (on site and at barrow pit within radius of 10km from the center	299,935,000	Due to lack of progress reports we were unable to ascertain the total orders made under these contracts.
20.	Supply of Culverts (900mm and 600mm) for road work (framework)	28,161,000	Due to lack of progress reports we were unable to ascertain the total orders made under these contracts.
21.	Collection of revenue from public conveniences at lira main market	19,200,000	<ul style="list-style-type: none"> No progress reports to enable confirmation of how much revenue was collected. No Payment/evidence of collected revenue remittance.
22.	Collection of dues from lira municipal markets and entrances	325,000,000	
23.	Collection of rentals from lock-ups and stalls	10% of actual collections	
24.	Rehabilitation of dormitory with sanitation facilities at Lango college	159,041,757	<ul style="list-style-type: none"> No progress reports on the implementation and management of the contract as required in the contract. No Payment documents for the project.
25.	Renovation of one block with 6 classrooms at Ireda Primary School	107,495,640	<ul style="list-style-type: none"> No progress reports on the implementation and management of the contract as required in the contract. No Payment documents for the project
26.	Hire of road construction equipment	-	<ul style="list-style-type: none"> Due to lack of progress reports we were unable to ascertain the total orders made under this contract. No delivery notes and payment records
27.	Supply of cement and lime	62,499,180	<ul style="list-style-type: none"> The Authority reviewed several local purchase orders and found that there was no proof of actual payment. Due to lack of progress reports we were unable to ascertain the total orders made under these contracts.

Implication

This raises doubt over efficient and effective internal controls within the Entity's monitoring function.

Management Response

In most of the issues raised especially works projects, all the reports were prepared only that the auditors came during volatile situations where there was a lot of unrest at the Municipality, did not visit the department and the same copies were not in PDU, but please find attached some of the reports for verification.

Authority's comment: The authority verified / reviewed the submitted documents and for the above cases in Table 17 were not provided.

Recommendation

- The Accounting Officer should emphasize training of contract supervisors in contract management procedures and preparation of reports such that supplies, works and services are delivered in accordance with the technical specifications laid down in the contract.
- The Heads of User Departments should prevail over Contract Supervisors to prepare reports on contract implementation and forward them to the Procurement and Disposal Unit in accordance to Regulation 119 (10) (f) of the Local Governments(PPDA) Regulations, 2006.
- Contract supervisors should handle their duties in regard to contract performance in accordance with Regulation 119 (9) (b) of the LG (PPDA) Regs, 2006.

2.6 Management of Force Account Mechanism

The Authority found that Lira Municipal Council had an IPF for FY 2018/2019 under Uganda Road Fund of UGX 1,448,179,215. The Authority was able to ascertain from Uganda Road Fund (URF) financial releases for designated agencies that by the end of quarter two (2) UGX 677,359,356 had been released while UGX 396,861,041 was released in quarter four (4) by the Uganda Road Fund (URF). The following exceptions were noted;

- a) There were several road on which works were undertaken during the Financial Year 2018/2019 which included among others Ekii Erifasi road, Okello Oula road, Dr. Obote Road, Omara Aliro Road, Alai Road, Imat Apuli road, Opolo Apelo Road, Ayago Gravel road and Acot close. The Authority did not find any proof of submission of bill of quantities for each road to the Contracts Committee and their subsequent approval prior to procurement of inputs and execution of the works.
- b) There was no evidence of a feasibility or road assessment report prior to undertaking works.
- c) There was no evidence to prove that a force account supervisor and public officers to manage works under force account had been appointed.

Implication

There is a risk that works under force account mechanism did not realize value for money.

Management Response

- a. *By the time of the audit the reports were filed in different files, but now attached for verification annex 14*
- b. *The BOQs was prepared but was not submitted to PDU for submissions to CC*
- c. *Road assessment report is there and please find attached a copy for verification Annex 15.*
- d. *Appointment of supervisors were done attached a copy for verification annex 16*

Authority's comment:

- a) Annex: 14 contained the Internal Auditor's 4th Quarter Report and was therefore insufficient.
- b) Annex: 15 is an extract from the bills of quantity on roof water drainage and was therefore found insufficient. However, the fourth quarter URF progress report in Annex 13 was considered.
- c) Evidence submitted showed that Contract Supervisors were appointed for the procurement of road construction material but not for the actual road works.

Recommendation

The Accounting Officer should conduct all works under Force Account Mechanism in accordance with the PPDA Circular on implementation of works under Force Account Mechanism issued in 2012.

2.7 Procurement Planning

2.7.1 Failure to adhere to planned timelines in the procurement plan

The Entity did not adhere to the planned timelines during implementation of procurements. There were a number of contracts signed after the planned contract signing dates as indicated here below:

Table 18: Delays at contract signing

No.	Subject of procurement	Amount (UGX)	Planned date	Actual date	Delays (working days)
1.	Collection of revenue from public conveniences at lira main market	19,200,000	20 th September 2018	12 th April 2019	147
2.	Collection of dues from lira municipal markets and entrances	325,000,000	20 th September 2018	11 th April 2019	146
3.	Collection of rentals from lock-ups and stalls	10% of actual collections	20 th September 2018	11 th April 2019	146
4.	Rehabilitation of dormitory with sanitation facilities at Lango College.	159,041,757	31 st October 2018	18 th January 2019	58
5.	Renovation of one block with 6 classrooms at Ireda P/S.	107,495,640	31 st October 2018	18 th January 2019	58
6.	Renovation of classroom block at Ambalal P/S	82,000,373	31 st October 2018	18 th January 2019	58
Total		692,737,770	Average delays		102

Note: The total amount does not include number 3.

Implication

Delays during the procurement process leads to delayed service delivery and subsequently loss of interest by beneficiaries.

Management Response

The delays in the procurement process is always due to unforeseen circumstances emerging from planning, approvals and preparations of the terms of references by the user departments and at most times late releases which has been improved on by MOFPED.

Authority's comment: The Authority finds the Entity's response unsatisfactory and maintained the findings.

Recommendation

The Accounting Officer should urgently address the issue of delays in the procurement processes of the Entity in order to fully absorb the procurement budget.

2.7.2 Procurement plan implementation rate by value

The Authority assessed the Entity's procurement plan in totality for unimplemented procurements. The table below shows detailed information about the implementation of the procurement plan based on estimates therein. The procurement plan implementation rate by value was 73% with a variance of UGX 842,446,914.

Table 19: Procurement plan implementation rate

Analysis of procurement plan implementation	
Total procurement plan value (UGX)	3,135,915,841
Total procurement spend value inclusive of VAT (UGX)	2,293,468,927
Procurement plan implementation rate	73%
Variance (UGX)	842,446,914

Implications

Failure to achieve the planned procurement is an indicator of overambitious planning, lack of absorption capacity and diversion of funds or failure to realize all the funds required to achieve the budget.

Management Response

The Entity will take this up for future reference and plan accordingly with early commencement of the procurement process and updating of the procurement plan whenever need arises by the procurement unit in accordance with section 31 (f) of the PPDA Act, 2003 consequent years and ensure that it is fully implemented by the end of the Financial Year.

Recommendation

Procurement and Disposal Unit should where necessary update the procurement plan in accordance with Section 31 (f) of the PPDA Act, 2003

2.8 Disposal of assets

The Authority did not find evidence to prove that a board of survey constituted to conduct an assessment of assets was conducted for the Financial Year 2017/2018. Further still, there was no disposal process undertaken by the Entity during the Financial Year under review.

Implication

Failure to dispose items due for disposal denies the Government of Uganda revenue as funds are held up in assets and also lost through depreciation of such assets.

Management response

This has been noted and management shall ensure that all assets due and recommended for disposal by the board of survey are planned for and boarded off.

Recommendations

- The Accounting Officer should review the assets of the Council on an annual basis, to identify those which are obsolete and are subjected to disposal in accordance with Regulation 122 (6) of the Local Governments (PPDA) Regulations, 2006.
- The Accounting Officer should conduct a thorough review of assets due for disposal prior to the disposal process to confirm existence, location, conditions and persons in charge/responsible.

CHAPTER 3: PROCUREMENT PERFORMANCE INDICATORS

3.1 Compliance score

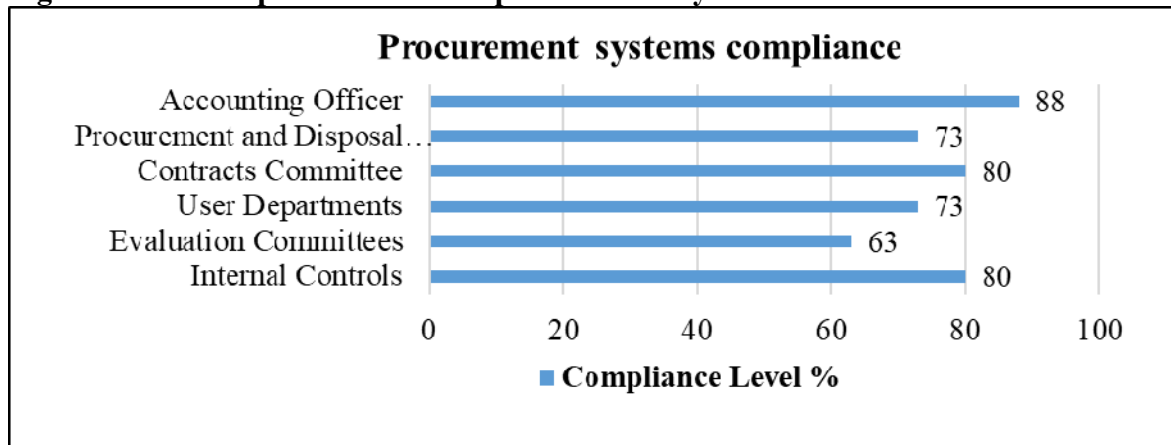
The compliance indicators for the Entity are summarized below:

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 **76%**. Thus, the Entity's performance was **satisfactory** regarding procurement system.

Figure 1 shows that the Entity had relatively higher compliance levels in the areas of Accounting Officer and Internal Controls. However, it had low compliance levels in the area of Evaluation Committees, Procurement and Disposal Unit and User departments.

Figure 1. The compliance levels for procurement system

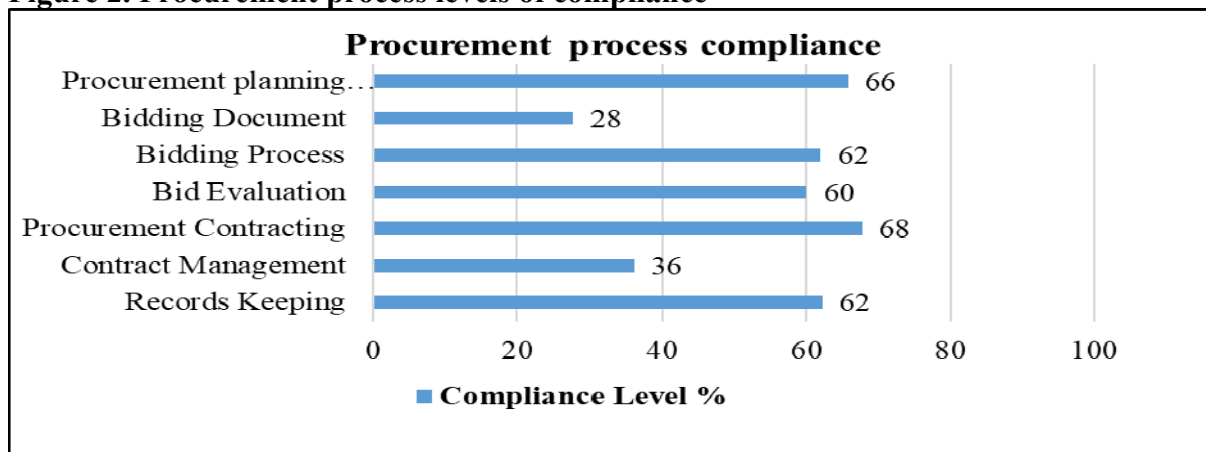


3.1.2 Procurement process compliance level

The compliance levels for each stage in the procurement process are shown in Figure 2. The overall compliance level for procurement processes was **54.5%**. Thus, the Entity's performance was rated **unsatisfactory** regarding procurement processes.

Figure 2 show that the Entity had relatively higher compliance levels in the areas of procurement contracting, procurement planning and initiation, bidding process and record keeping. However, it had low compliance levels in the areas of bidding document, contract management, and bid evaluation.

Figure 2. Procurement process levels of compliance



Compliance scores

No.	Compliance indicators	Average score (%)	Weights	Score (%)
1	Procurement process	54.5	0.5	25.3
2	Procurement system	76	0.3	22.8
3	Asset Disposal Process Compliance Level	NIL	0.2	NIL
Compliance				48.1/80*100
Weighted compliance score				60.1

The Weighted Compliance Indicator was **60.1%** which is **satisfactory**.

3.2 Performance Score

The performance indicators for the Entity are summarized below:

No.	PERFORMANCE INDICATOR	Score (%)
1.	Procure Ratio: [Actual procurement time divided by planned procurement time in days. If the Procure Ratio ranges from 0.90 to 1.10, the score is 100%; otherwise the score is 0%]	63
2.	Completion Ratio: [Actual completion time divided by contractual completion time in days. If the Completion Ratio ranges from 0.90 to 1.10, the score is 100%; otherwise the score is 0%]	73
3.	Payment Ratio: [Actual payment time divided by contractual payment time in days. If the Procure Ratio ranges from 0.90 to 1.10, the score is 100%; otherwise the score is 0%]	57
4.	Number of Received Bids: [If the number of received bids is 3 or more, the score is 100%; if the number of received bids is less than 3, the score is 0%]	43
5.	Bid Responsive Rate: [The number of bids that pass technical evaluation as a percentage of the number of received bids]	47
6.	Plan Ratio: [The total value of the awarded contract divided by the cost estimate in the procurement plan inclusive of VAT. If the Plan Ratio ranges from 0.90 to 1.10, the score is 100%; otherwise the score is 0%]	70
7.	Budget Absorption Rate: [The actual value of the procurement spend(total procurements reported to PPDA) as a percentage of the procurement budget/procurement plan]	73
8.	Cost Ratio: [The actual final contract amount paid divided by the original contract amount. If the Cost Ratio ranges from 0.90 to 1.10, the score is 100%; otherwise the score is 0%]	57
Average Performance Indicator		60.4

3.2.1 Efficacy (Procure Ratio). This measured the ability to provide goods or services in accordance with the planned timelines. The Entity scored **63%** on this indicator. This was mainly because of delayed initiation of procurements. The User Departments should initiate planned procurements early enough for timely service delivery.

3.2.2 Efficiency (Completion Ratio). This analyzed the time required to execute tasks to avoid slow implementation of the contracts. The Entity scored **73%** on this indicator. This was caused incomplete contract management records making it difficult to confirm implementation of contracts. The Accounting Officer should support the Head, PPDU to urgently address the challenge of lack of contract management records.

3.2.3 Effectiveness (Payment Ratio): This assessed the time taken to pay providers. The Entity scored **57%** on this indicator. 43% of the contracts were not paid in time or their payment records not provided. The Accounting Officer should ensure timely payment of providers and the Head PDU should properly maintain procurement records.

3.2.4 Competition (Number of Bids Received)

The Entity received less than three (3) bids in **57%** of the procurements sampled. This is an indication of low bidder participation. The Accounting Officer should urgently address the issue of low bidder participation and ensure that all procurement transactions are conducted in a competitive manner in accordance with Section 45 and 46 of the PPDA Act, 2003.

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

The Entity received **47%** compliant and responsive bids and did not receive compliant and responsive bids in **53%** of the thirty (30) procurements sampled. This indicated that most bidders who participated in the procurement process were incompetent and incapable of meeting 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)

The audit revealed that **70%** of the sampled procurements were awarded within the cost estimate while **30%** of thirty (30) cases sampled were not awarded within the cost estimate in the procurement plan where the Entity did not carry out proper market assessments of prices prior to commencement of the procurement processes hence the variances. The Accounting Officer should undertake assessment of the market prices in accordance with Section 26 (4) and (5) of the PPDA Act, 2003.

3.2.7 The actual value of the procurement spend as a percentage of the procurement budget (Budget Absorption Rate)

The audit revealed that there was a **73%** budget absorption rate with a variance of UGX **842,446,914** lower than the procurement plan value of UGX 3,135,915,841. The Entity should fully implement the procurement plan and the Head Procurement and Disposal Unit should update the procurement plan in accordance with Section 58 (4) of the PPDA Act, 2003.

3.2.8 Final contract cost on completion as compared to the total contract award price inclusive VAT (Cost Ratio).

The Entity scored **57%** on this indicator. This was mainly caused by the Entity’s failure to provide contract management records. The Head Procurement and Disposal Unit should properly archive all records on a procurement transaction in accordance with Section 31 (o) of the PPDA Act, 2003.

3.3 Overall procurement performance

The overall procurement performance score was the sum of the two weighted indicators as summarized below:

No.	Compliance Indicator	Score %	Weight	Weighted Score
1.	Average Compliance Indicator Score	60.4	0.4	24.2
2.	Average Performance Indicator Score	60.1	0.6	36.1
Entity’s Weighted Procurement Performance Score				60.3

From the above analysis, the audit team noted that, the Entity had a weighted average performance of **60.3%** in FY 2018/19 which was highly **satisfactory performance**.

CHAPTER 4: RECOMMENDED ACTION PLAN

Lira 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 system

Origin	Recommended Action	Target Date
Accounting Officer	<ul style="list-style-type: none"> • The Accounting Officer should urgently address low bidder participation in the procurement processes of the Entity and put in place a mechanism to address it. • The Accounting Officer should put in place a mechanism to monitor the implementation of the Authority's recommendations within all departments of the Entity. • The Accounting Officer should instruct User Departments to initiate procurement requirements in accordance with the planned initiation dates in the procurement plan for efficient procurement processes of the Entity. • The Accounting Officer should ensure that a training of the Entity staff on contract management is conducted.. • The Accounting Officer should ensure full compliance with the legal and regulatory framework in the procurements and implementation of works under Force Account Mechanism. 	June 2020
Procurement and Disposal Unit	<ul style="list-style-type: none"> • The Head Procurement and Disposal Unit should keep a copy of the solicitation/bidding document approved by the Contracts Committee on each procurement action file in accordance with Regulation 46 (2) (c), of the Local Governments (PPDA) Regulations, 2006. • The Head Procurement and Disposal Unit should therefore endeavor to issue all bidders with bid invitation notices and obtain proof of receipt. • The Head, Procurement and Disposal Unit should send the notices of best evaluated bidders to all bidders who participate in a procurement process in accordance with Regulation 85 (1) and (5) of the Local Governments (PPDA) Regulations, 2006. • The Head Procurement and Disposal Unit should desist from issuing addenda without the involvement of the Contracts Committee and contrary to the Local Governments (PPDA) Regulations, 2006. 	June 2020

Origin	Recommended Action	Target Date
Contracts Committee	<ul style="list-style-type: none"> • The Contracts Committee should desist from approving prequalification lists for each Financial Year without first satisfying itself that the list was prepared in a fair and transparent manner. • The Entity should adhere to requirements in Guideline 10/2014 on use of framework contracts to procure supplies, works and non-consultancy services. • Where performance securities are required as part of the contractual obligations, the Accounting Officer should task all providers to furnish the Entity with the required performance securities before contracts are signed with the firms in accordance with Regulation 102 of the Local Governments (PPDA) Regulations, 2006. • Contracts Committee should approve contract extensions for only valid contracts. 	June 2020
Evaluation Committees	<ul style="list-style-type: none"> • The Evaluation Committees should always comply with Regulation 80 (7) of the Local Governments (PPDA) Regulations, 2006 which provides that alternative bids shall not be considered unless indicated in the bidding document. • The Chairpersons of evaluation committees should always communicate arithmetic corrections in accordance with Regulation 74 (3) & (4) of the Local Governments (PPDA) Regulations, 2006. 	June 2020
User Departments	<ul style="list-style-type: none"> • User Departments should initiate all procurement requirements with clear statements of requirements in accordance with RegS. 26 (1) (c) and 65 (1) (a) of the LG (PPDA) Regs. 2006. • User Departments should nominate contract supervisors for all contracts in accordance with Regulation 119 (1) and (2) of the Local Governments (PPDA) Regulations, 2006. 	June 2020
Procurement planning	Procurement and Disposal Unit should where necessary update the procurement plan in accordance with Section 31 (f) of the PPDA Act, 2003 to match the resources and needs of the Entity.	June 2020
Disposal	The Accounting Officer should ensure that Council assets are reviewed on an annual basis, to identify those which are due for disposal in accordance with Reg. 122 (6) of the LG ((PPDA) Regulations, 2006.	June 2020

4.2 Procurement Performance

Origin	Recommendation	Action date
Competition	The Accounting Officer should urgently address the issue of low bidder participation and ensure that all procurement transactions are conducted in a fair, transparent and competitive manner in accordance with Section 45 and 46 of the PPDA Act, 2003.	June 2020
Cost Ratio	The Head Procurement and Disposal Unit should properly archive all records on a procurement transaction in accordance with Section 31 (o) of the PPDA Act, 2003.	January 2020

ANNEXES:**Annex 1: Transaction list of audited contracts**

No	Reference No.	Subject of Procurement	Procurement method	Provider	Contract value (UGX)	Weighted average score	Compliance rating
1.	LIRA 758/WRKS/18- 19/000049	Fencing of Ayago Primary School, Railway Division	Open National Bidding	Richen Services (U) Ltd.	88,450,723	69.5	Satisfactory
2.	LIRA 758/WRKS/18- 19/00054	Construction of a 5 stance lined VIP latrine at Ober Primary School	Selective Bidding	SB Engineering and Construction Co. Ltd	23,769,970	83.3	Satisfactory
3.	LIRA 758/WRKS/18- 19/00053	Construction of a 4 stance lined VIP latrine at Lira Police Primary School	Selective Bidding	Combined Holdings Services (U) Ltd	20,003,159	81.8	Satisfactory
4.	LIRA 758/WRKS/18- 19/00051	Construction of a 4 stance lined VIP latrine at Alok Market	Selective Bidding	Iyama Enterprises Limited	19,888,800	50.4	Unsatisfactory
5.	LIRA 758/WRKS/18- 19/00052	Construction of a Slaughter stab at Umoja Market	Selective Bidding	Jora Investment Holdings Limited	14,652,414	70.3	Satisfactory
6.	LIRA 758/SRVCS/18- 19/000044	Installation and maintenance of electrical system (including solar works) in the main market	Selective Bidding	Nyonymac Enterprise Limited	18,000,000	34.3	Unsatisfactory
7.	LIRA 758/SRVCS/18- 19/000022	Provision of security services	Selective Bidding	Blue Fox Guards Services	12,600,000	29.0	Highly Unsatisfactory
8.	LIRA 758/SRVCS/18- 19/00002	Supply of Fuel, Oil and Lubricants	Selective Bidding	1. Total Fuel Station and Lubricants 2. Shell Lira Service Station	200,000,000	49.2	Unsatisfactory

No	Reference No.	Subject of Procurement	Procurement method	Provider	Contract value (UGX)	Weighted average score	Compliance rating
9.	LIRA 758/SRVCS/18-19/00005	Routine Repair, Servicing and maintenance of motor vehicle, motor cycle, plant and machinery and equipment	Selective Bidding	Ms Maxon Investment Co. Ltd, Beatro Links Limited Parts Lands International Ltd, Action Construction Co. Ltd Shangai Repairs Ltd	72,000,000	42.9	Unsatisfactory
10.	LIRA 758/SUPLS/18-19/000012	Supply of Road Furniture	Selective Bidding	Bold Investment Company Limited	103,600,000	51.3	Unsatisfactory
11.	LIRA758/SUPLS /18-19/00003	Supply of general office stationery, tonner and small office equipment	Selective Bidding	Maosam Investment Limited, Muhumuza Contracts and Stationers, Upcountry Multimedia (U) Ltd	11,700,000	35.8	Unsatisfactory
12.	LIRA758/SRVCS /18-19/00013	Repair and servicing of I.T equipment	Selective Bidding	Megatrends Computers & accessories, Paradiso Adjumani Investments Limited	14,000,000	52.6	Unsatisfactory
13.	LIRA758/WRKS/ 18-19/00045	Construction of a 3 classroom block at Ojwina Primary School	Open National Bidding	Paradiso Adjumani Investment Limited	74,528,948	59.5	Unsatisfactory
14.	LIRA758/WRKS/ 18-19/00043	Rehabilitation of dormitory with sanitation facilities at Lango Collage	Open National Bidding	Oryem Can Co. Ltd.	159,041,757	38.9	Unsatisfactory
15.	LIRA758/WRKS/ 18-19/00046	Renovation of One Block with 6 classrooms at Ireda Primary School	Open National Bidding	Kasese Enterprises Ltd	107,495,640	53.8	Satisfactory
16.	LIRA758/WRKS/	Renovation of classroom	Open National	Maxon Investment	82,000,737	66.3	Satisfactory

No	Reference No.	Subject of Procurement	Procurement method	Provider	Contract value (UGX)	Weighted average score	Compliance rating
	18-19/00048	block at Ambalal P/S	Bidding	Co. Ltd			
17.	LIRA758/WRKS/18-19/00047	Construction of a 2 classroom block fully furnished at Starch Factory Primary school	Open National Bidding	Amen Enterprises Hardwares Ltd	84,273,683	57.8	Unsatisfactory
18.	LIRA758/SUPLS/18-19/00035	Supply of Cement and Lime	Open National Bidding	Goodlord Hardwares Co. Limited	88,375,000	71.1	Satisfactory
19.	LIRA758/SUPLS/18-19/00040	Supply of Construction Pit Sand and Firewood for Road Works	Open National Bidding	Richden Services Ltd	16,400,000	46.2	Unsatisfactory
20.	LIRA758/SUPLS/18-19/00039	Supply of Bitumen and Primer	Open National Bidding	Destiny Civil Engineering Co. Ltd	121,100,000	58.4	Unsatisfactory
21.	LIRA758/SUPLS/18-19/00004	Supply of recipient Media/Printing and Production of staff identity cards/ banners/ Corporate wares/capes /engraving & embroidery	Selective Bidding	Geosavanna Company Ltd, Muhumuza Contracts & Stationers Upcountry Multimedia (U) Ltd	16,949,000	49.3	Unsatisfactory
22.	LIRA758/SRVC/18-19/000017	Provision of Cemetery services	Selective Bidding	A.B Trading and Construction Ltd	7,000,000	45.5	Unsatisfactory
23.	LIRA758/SUPLS/18-19/00044	Supply of motorcycles for Education Dept and Railway division	Open National Bidding	Simba Automotives Limited	19,960,000	67.7	Satisfactory
24.	LIRA758/SUPLS/18-19/00036	Supply of Aggregates/chippings, Stone dust and hard core	Open National Bidding	JH Associates Ltd	98,182,100	82.4	Satisfactory
25.	LIRA758/WRKS/18-19/00042	Hire of road construction Equipment	Open National Bidding	Shajapa Technical Works Limited	70,000,000	72.0	Satisfactory
26.	LIRA758/SUPLS/18-19/00038	Supply of stone gravel (on site and at barrow pit	Open National Bidding	Shajapa Technical Works Limited	299,935,000	71.2	Satisfactory

No	Reference No.	Subject of Procurement	Procurement method	Provider	Contract value (UGX)	Weighted average score	Compliance rating
		within radius of 10km from the center)					
27.	LIRA758/SUPLS /18-19/00037	Supply of Culverts (900mm and 600mm) for road work	Open National Bidding	Ogur Millers Limited	28,168,000	73.3	Satisfactory
Total					1,872,074,931		

Revenues

28.	LIRA 758/SRVCS/1 8-19/00034	Collection of revenue from stalls and lockups at Lira Municipal market	Selective Bidding	Lira Municipal Market Vendors	10% of actual collection	44.2	Unsatisfactory
29.	LIRA 758/SRVCS/1 8-19/00056	Collection of revenue from Public conveniences at Lira Main Market	Selective Bidding	Lira Municipal Market Vendors Saving and Credit Society Limited	1,600,000	48.2	Unsatisfactory
30.	LIRA 758/SRVCS/1 8-19/00032	Collection of daily market revenue from markets within Lira Municipal markets and entrances	Selective Bidding	Lira Central Market Traders Cooperative Society Limited	25,120,000	32.9	Unsatisfactory
Total					26,720,000		

Summary of case compliance rating

No	Performance Score (%)	Performance Rating	Number	Value (UGX)
1	90-100	Highly Satisfactory	0	-
2	60-89	Satisfactory	12	955,653,157
3	30-59	Unsatisfactory	17	930,541,774
4	0-29	Highly Unsatisfactory	01	12,600,000
Total			30	1,898,794,931
<i>Note: The total amount does not include Collection of revenue from stalls and lockups at Lira Municipal market</i>				

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

No.	Name	Title	Date of Appointment
1	Mr. Ochen Bernard Billish (RIP)	Procurement Officer	2008
2.	Ms. Adong Roseline Shaw	Procurement Officer (Caretaker)	4 th October 2019

Annex 3. List of the Contracts Committee members

No.	Name	Title
1.	Mr. Denis Nixon Opio	Senior Planner
2.	Dr. Nelson Okello	Municipal Veterinary Officer
3.	Ms. Rebecca Acen	Senior Assistant Town Clerk
4.	Ms. Sarah Adong	Assistant Engineering Office
5.	Mono Constantine	Ass Community Development Officer

Annex 4. List of user departments

No.	Name
1.	Administration and Planning
2.	Education
3.	Production and Marketing
4.	Health
5.	Works
6.	Finance
7.	Community Based Services
8.	Commercial
9.	Central
10.	Adyel
11.	Ojwina
12.	Railways Division
13.	Internal Audit
14.	Environment

Annex 5: Physical verification of procurements undertaken by the Lira MC

1.Reference number: LIRA758/WRKS/18-19/00043

Procurement: Rehabilitation of dormitory with sanitation facilities at Lango Collage

Provider: Oryem Can Co. Ltd.

Contract Supervisor: Mr. Okino Sammy Bob

Contract value: UGX 159,041,757



Status of works: Incomplete although contract expired

Exceptions Noted:

- No environmental mitigation measures like tree planting had been taken.
- According to the Head Master, the school had attempted to use the facility but due to shortage of water supply students had to leave the dormitory. This questions value for money spent on the project.

Management response

- *The project was handed over, please find attached the handover report annex 19*
- *Environment Mitigation was not well handled, but management will take this up for improvement and the water shortage has been handled*

Authority's comment

Annex 19 was not attached. There was no evidence to prove that the water shortage had been handled.

2.Referencenumber: LIRA758/WRKS/18-19/00047

Procurement: Construction of a 2 classroom block fully furnished at Starch Factory Primary school

Provider: Amen Enterprises Hardwares Ltd

Contract Supervisor: Atto Joyce Oweka

Contract value: UGX 84,273,683





Status of works: The works were completed

- Class rooms were in use.
- Labeling of the project was done by the contractor
- Soft bords which were part of the BOQs had been installed

3.Reference number: LIRA758/WRKS/18-19/00045

Procurement: Construction of a 3 classroom block at Ojwina Primary School **Provider:** Paradiso Adjumani Investment Limited

Contract value: UGX 74,528,948



Status of works: The project was completed but was not in use

Exceptions Noted:

- Project was not yet handed despite its completion
- There was no value for money spent on the environmental mitigation measures such as tree planting since the trees did not grow.
- The team noted that no labelling of the project was done by the contractor

Management response

- The labelling of the project was done by the contractor.
- The trees were planted but was eaten up by termites, the contractor will plant new ones on the onset of the rainy season.

Authority's comment: There was no evidence that handover and labelling had been done.

Recommendation

The contract supervisor should monitor implementation the of all aspects of the contract paying attention to Bills Of Quantities.