



**REPORT ON THE COMPLIANCE INSPECTION OF THE
FINANCIAL INTELLIGENCE AUTHORITY FOR FINANCIAL
YEAR 2023/2024**

NOVEMBER 2024

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ACRONYMS

AO	Accounting Officer
CC	Contracts Committee
EC	Evaluation Committee
FY	Financial Year
BEB	Best Evaluated Bidder
PDE	Procuring and Disposing Entity
PDU	Procurement and Disposal Unit
HPDU	Head Procurement and Disposal Unit
PPDA	Public Procurement and Disposal of Public Assets Authority

EXECUTIVE SUMMARY

The Public Procurement and Disposal of Public Assets Authority (PPDA) carried out a compliance inspection of Financial Intelligence Authority that covered a representative sample of 11 procurement transactions under Financial Year 2023/24.

The overall objective of the inspection is to ensure that procurement and disposal activities have been conducted in accordance with the laid down public procurement procedures enshrined in the PPDA Act Cap. 205, the PPDA Regulations, 2023 and the PPDA Guidelines, 2024.

The Authority prepared and sent a management letter to your Entity on 4th October, 2024, requesting that you submit management response to preliminary findings by 11th October, 2024. However, your Entity did not respond to the management letter, therefore the Authority has issued the compliance inspection report without your responses.

From the findings of the compliance inspection exercise, the summary performance of the Entity revealed an aggregate risk rating **51.7%** which is **Moderately Satisfactory** performance as per the ranking in Table 8 of the attached report.

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

1. Non adherence to the evaluation criteria in the procurement of provision of an annual license & support services for Microsoft Office 365 for two years worth UGX 91,389,820, contrary to Regulation 5(1) of the PPDA (Evaluation) Regulations, 2023 which leads to award of contracts to ineligible providers who may lack the capacity to deliver.
2. Delays in the procurement process for provision of medical insurance services for three years' worth UGX 480,000,000, contrary to Section 51 of the PPDA, Act Cap. 205 which inefficiency leads to delays in service delivery.
3. Signing two contracts worth UGX 1,002,688,366 above the estimated prices without approval of additional funds contrary to Section 28 (1) (f) of the PPDA Act Cap 205 which leads into increased costs hence budget over runs.
4. Contracting without a performance security contrary to the General Conditions of Contract (GCC) which exposes the Entity to the risk of abandonment of the contract / works without any recourse.
5. Failure to appoint contract managers in all sampled procurements worth UGX 2,217,539,446 which may result into sub-standard deliverables or shoddy/delayed works.

The Authority recommends that:

1. The Head Procurement and Disposal Unit should ensure that Evaluation Committee adheres to the evaluation methodology stated in the bidding document during the evaluation process in accordance with Regulation 5(1) of the PPDA (Evaluation) Regulations, 2023.
2. The Accounting Officer should ensure that there is efficiency in the conduct of procurement processes in accordance with Section 51 of the PPDA, Act Cap. 205.
3. The Accounting Officer should ensure that thorough market assessment and adequate estimation of requirements is conducted at the budgeting stage to ensure that the budgeted funds are sufficient for each particular procurement in accordance with Regulation

3(a)(c) of the PPDA (Rules and Methods for Procurement of Supplies, Works and Non-consultancy Services) Regulations, 2023.

4. The Head Procurement and Disposal Unit should ensure that providers meet all the conditions or requirements as stipulated in the contract to avoid risks of non-performance or abandonment of the site and litigation issues.
5. The Accounting Officer should task Heads of User Departments to nominate persons to be appointed as contract managers in accordance with Regulation 50 (1) of the PPDA (Contracts) Regulations, 2023.
6. The Accounting Officer should caution the Head Procurement and Disposal Unit against for the non-responsiveness to the management letter.

CHAPTER 1: INTRODUCTION

1.1 Structure of the Entity

Financial Intelligence Authority's mandate is to detect and deter money laundering and terrorist financing.

According to Section 28 of the PPDA Act, cap 205, the Accounting Officer has the overall responsibility for the successful execution of procurement, disposal and contract management in a Procuring and Disposing Entity. The Accounting Officer of Financial Intelligence Authority during the financial year 2023/24 was Mr. Wandera Were Samuel.

The PS/ST of Ministry of Finance, Planning and Economic Development approved the following members of the Contracts Committee listed in table 1 below who also acted during the period under review:

Table 1: List of the Contracts Committee members

No	Name	Committee Position	Position in the Entity
1.	Mr. Cyrus Barigye	Chair Person	Director ICT S&S
2.	Mr. James Ssaka	Secretary	Senior PA to ED
3.	Mr. Ivan Bwire	Member	Manager ICT
4.	Ms. Doreen Atuhurra	Member	Ag. Manager Compliance
5.	Mr. Bright Besigye	Member	Manager International Relations

According to Section 33 of the PPDA Act Cap. 205 all procurement or disposal activities of the Procuring and Disposing Entity except adjudication and the award of contract are to be managed by the Procurement and Disposal Unit. The Procurement and Disposal Unit during the financial year under review was headed by Mr. Latiff Ssemukaaya.

1.2 Background

PPDA carried out the procurement and disposal inspection of Financial Intelligence Authority that covered a representative sample of 10 procurement transactions under Financial Year 2023/24. The inspection involved a review of procurement structures, procurement and asset disposal processes, as well as contract performance following the provisions of the PPDA Act Cap. 205 and PPDA Regulations, 2023.

1.3 Objectives of the Compliance Inspection

The overall objective of the procurement and disposal inspection was to assess and establish the degree of compliance of Financial Intelligence Authority procurement system and processes with the provisions of the PPDA Act Cap. 205 and Regulations, 2023 and assess the level of procurement performance over the inspection period.

The specific objectives were to:

1. To establish the level of compliance by the Entity with the general provisions of the PPDA Act Cap. 205 and Regulations 2023 with regard to the performance of the procurement structures and conduct of procurement and disposal processes.
2. To assess the degree of compliance of the Entity's disposal process with the provisions of the PPDA Act Cap. 205 and Regulations 2023.
3. To assess the level of efficiency and effectiveness in contract implementation including the application of Environmental, Social, Health and Safety (ESHS) Requirements in the procurement process.

1.4 Inspection Scope

The inspection involved a review of the procurement process, disposal process, general compliance issues and contract implementation on sample basis. The inspection covered a representative sample of 10 procurement transactions under the Financial Year 2023/24. The list of sampled transactions is contained in **Annex A**.

1.5 I Methodology

The inspection team examined records and documents for each sampled procurement transaction and/or disposal and obtained the relevant evidence to derive inspection conclusions. This involved a review of the Entity's procurement/disposal planning, initiation, bidding, evaluation, contract placement and processes.

A debrief meeting to clear all pending issues that arose during the inspection was held with the Entity management and staff on 11th September 2024 before the inspection team could embark on preparation of the management letter. The inspection team prepared the management letter, which was sent to the Entity on 4th October 2024 with a request to submit a management response by 11th October 2024, however there was no management response received from the Entity.

CHAPTER 2: COMPLIANCE INSPECTION FINDINGS AND RECOMMENDATIONS

2.1 The level of compliance by the PDE with the general provisions of the PPDA Act Cap 205 and Regulations, 2023 with regard to the performance of the procurement structures and conduct of procurement processes

2.1.1 Usurping powers of the Accounting Officer by the Director Monitoring and Analysis

The Authority noted that in two procurements worth UGX 148,331,348, Mr. Lazarus Mukasa Director Monitoring and Analysis approved funding and signed Notice of Best Evaluated Bidder respectively without delegated authority from the Accounting Officer contrary to Section 41(a) (ii) of the PPDA Act. Cap 205 as detailed in Table 2 below:

Table 2: Procurement documents signed by Director Monitoring and Analysis

NO:	Subject of Procurement	Contract Amount (UGX)	Documents Signed
1.	Provision of an annual license & support services for Microsoft Office 365 for two years	91,389,820	Form 5 (Approval of funds)
2.	Procurement of annual licenses for Cisco Firepower and smart net services for two years	56,941,527.51	Notice of the Best Evaluated Bidder
	Total	148,331,348	

Implication

This affects accountability in the procurement process.

Recommendation

The Accounting Officer should ensure that procurement functions are officially delegated to the member of staff in accordance with Section 41 (a) of the PPDA Act Cap. 205.

2.1.2 Procurement plan implementation

The Entity implemented 102% of its planned procurement activities more than what was planned for: procurements worth UGX 6,517,437,417 were implemented out of the planned UGX 6,374,188,000 as detailed in Table 3 below:

Table 3: Procurement Plan Implementation Rate

Analysis of procurement spend	FY 2023/2024
Total procurement plan value inclusive of VAT (UGX)	6,374,188,000
Total procurement spend value inclusive of VAT (UGX)	6,517,437,417

Analysis of procurement spend	FY 2023/2024
Procurement plan implementation rate (%)	102%
Implementation variance (UGX)	143,249,417

Risk Implication

This may lead to creation of domestic areas and affect implementation of other activities.

Recommendation

The Accounting Officer should ensure that the procurement plan is updated in case of any changes in accordance with Regulation (4) of the Public Procurement and Disposal of Public Assets (Procurement Planning) Regulations 2023.

2.1.3 Signing contracts above the estimated prices

In two procurements worth UGX 1,002,688,366, the Accounting officer signed contracts that are above the budget estimates without approval of additional funding contrary to contrary to Section 28 (1) (f) of the PPDA Act Cap, 205 as detailed in Table 4 below;

Table 4: Procurements signed above the budget estimates

NO:	Subject of Procurement	Estimated Amount (UGX)	Contract Amount (UGX)	Variance (UGX)
1.	Partitioning of additional Office space at Rwenzori Towers Wing A, 4 th Floor	900,000,000	948,030,766	48,030,766
2.	Supply of 08 laptops for the Board and 2 Accountants	40,000,000	54,657,600	4,657,600
		940,000,000	1,002,688,366	52,688,366

Risk Implication

This leads into increased costs hence budget over runs.

Recommendation

The Accounting Officer should ensure that thorough market assessment and adequate estimation of requirements is conducted at the budgeting stage to ensure that the budgeted funds are sufficient for each particular procurement in accordance with Regulation 3(a)(c) of the PPDA (Rules and Methods for Procurement of Supplies, Works and Non-consultancy Services) Regulations, 2023.

2.1.4 Non adherence to the evaluation criteria

The Authority noted that in the procurement of Provision of an annual license & support services for Microsoft Office 365 for two years worth UGX 91,389,820, the Evaluation Committee did not adhere to the evaluation criteria stated in the bidding document contrary to Regulation 5(1) of the PPDA (Evaluation) Regulations, 2023. It passed a non-responsive

bidder i.e. Computer Revolution Africa (U) Ltd who did not clearly state the list of services and price schedule.

Risk Implications

- This leads to award of contracts to non-compliant bidders who may fail to deliver to the Entity's expectations, thus affecting achievement of value for money.
- It could also be an indicator of unethical tendencies and practices within the Entity which affects the integrity of the procurement process, which eventually affect the level of competition.

Recommendation

The Head Procurement and Disposal Unit should ensure that Evaluation Committee adheres to the evaluation methodology stated in the bidding document during the evaluation process in accordance with Regulation 5(1) of the PPDA (Evaluation) Regulations, 2023.

2.1.5 Delays in the procurement process

The Authority noted that in the procurement for provision of medical insurance services for three years worth UGX 480,000,000, there were delays in the procurement process i.e the Entity took two (2) months to approve availability of funds as procurement was initiated on 6th November 2023 but approved on 15th January 2024.

Also the Procurement and Disposal Unit took 17 working days to make submission to the Contracts Committee for approval of the Procurement method, Solicitation Document, members of the Evaluation Committee. Funding was approved on 15th January 2024 and submission on 8th February 2024. This is contrary to Section 51 of the PPDA, Act Cap. 205.

Risk Implication

The inefficiency in the procurement process leads to delays in service delivery.

Recommendation

The Accounting Officer should ensure that there is efficiency in the conduct of procurement processes in accordance with Section 51 of the PPDA, Act Cap. 205.

2.1.6 Low bidder participation

The Entity failed to obtain adequate competition in three (3) procurements worth UGX 389,132,000 contrary to Section 49 of the PPDA Act Cap. 205 that requires the Entity to conduct procurements in a manner that maximizes competition and achieves value for money. The procurements are listed in 5 Table below:

Table 5: Procurements with low bidder participation

No:	Procurement	Amount (UGX)	Bids received
1.	Provision of Cloud based Business continuity Services	97,232,000	2
2.	Consultancy services to develop an Enterprise Risk management framework	153,400,000	2

No:	Procurement	Amount (UGX)	Bids received
3.	Retender for provision of ICT penetration of test and vulnerability assessment services	138,500,000	2
Total		389,132,000	

Risk Implications

- This could be a sign of bidder collusion, lack of information to bidders and subjective award of tenders.
- This could also be a sign of possible loss of confidence by bidders in the procurement processes of the Entity due to issues in the Entity such as restrictive requirements introduced after contract award and failure by members of the Evaluation Committees to adhere to the set criteria thus failure to obtain competitive offers.

Recommendations

The Accounting Officer should cause an investigation into the issues that are leading to the low turn up of the bidders whose findings will inform the Entity's next course of action.

2.1.6 Performance security requirements not enforced

The inspection revealed that in the procurement for Partitioning of additional office space at Rwenzori Towers Wing A, 4th Floor worth UGX 948,030,766, the Entity did not enforce the requirement for submission of performance security of 10% contrary to Regulation 12 (a) of the PPDA (Contracts) Regulations, 2023

Risk Implication

Without performance security, the Entity is exposed to the risk of non-performance or abandonment of the contract / works without any recourse.

Recommendations

The Head Procurement and Disposal Unit should ensure that providers meet all the conditions or requirements as stipulated in the contract to avoid risks of non -performance or abandonment of the site and litigation issues.

2.1.7 Poor records management

The Authority noted that in the eight procurement transactions worth UGX 1,915,808,098, there were missing records on file contrary to Section 44 (1) of the PPDA Act, Cap. 205 as listed in the Table 6 below:

Table 6: Procurements with missing records

No.	Subject of procurement	Amount (UGX)	Missing documents
1.	Partitioning of additional Office space at Rwenzori Towers Wing A, 4 th Floor	948,030,766	<ul style="list-style-type: none"> • Completion certificate • Payment records
2.	Provision of Annual web application firewall licenses for 2 years	47,377,000	Payment records

No.	Subject of procurement	Amount (UGX)	Missing documents
3.	Provision of medical insurance services for three years	480,000,000	<ul style="list-style-type: none"> Progress reports Payment records
4.	Provision of group life insurance for new FIA staff	54,542,330	<ul style="list-style-type: none"> Progress reports No payment records
5.	Procurement of IP Phone Solutions	95,468,402	Delivery note
6.	Retender for provision of ICT penetration of test and vulnerability assessment services	138,500,000	<ul style="list-style-type: none"> Payment records Completion certificate
7.	Provision of Cloud based Business continuity Services	97,232,000	<ul style="list-style-type: none"> Completion certificate Payment records.
8	Supply of 08 laptops for the Board and 2 Accountants	54,657,600	Delivery note
	Total	1,915,808,098	

Implication

Missing documents are an indicator of weak internal controls on record keeping by the Entity and raises doubt on the level of transparency and accountability in the Entity.

Recommendation

The Head Procurement and Disposal Unit should maintain and archive all documents pertaining to a particular procurement on their respective files in accordance with Section 44 (1) of the PPDA Act Cap. 205.

2.2 Assess the degree of compliance of the Entity's disposal process with the provisions of the PPDA Act, Cap 205 and Disposal Regulations, 2023.

2.2.1 Failure to prepare a disposal plan

The Authority noted that the Entity did not prepare and submit a disposal plan for the year 2023/2024 as required under Regulation 2 (1) of the PPDA (Disposal of Public Assets) Regulations, 2023.

Risk Implication

This affects scheduling, monitoring and control of the disposal process.

Recommendation

The Accounting Officer should task the Procurement and Disposal Unit to prepare a disposal plan to help in planning and disposing of obsolete items.

2.3 Assess the level of efficiency and effectiveness in contract implementation including the application of Environmental, Social, Health and Safety (ESHS) Requirements in the procurement process.

2.3.1 Failure to manage contracts

The inspection found that the Accounting Officer did not appoint contract managers for all sampled procurements contrary to Regulation 50 (1) of the PPDA (Contracts) Regulations, 2023. Thus, there was no preparation of contract implementation plans and management of contracts.

Risk Implication

Failure to appoint contract managers and failure to prepare management reports to the Accounting Officer may result into sub-standard deliverables or shoddy/delayed works.

Recommendation

The Accounting Officer should task Heads of User Departments to nominate persons to be appointed as contract managers in accordance with Regulation 50 (1) of the PPDA (Contracts) Regulations, 2023.

CHAPTER THREE: OVERVIEW OF THE PERFORMANCE OF THE ENTITY

This section will present the scores per area assessed under different inspection questions

3.1.Overall Compliance Inspection Conclusion

The performance of Financial Intelligence Authority for the Financial Year 2023/24 was **Moderately Satisfactory** with overall weighted average risk rating of **51.7%**.

Entity's Performance

The risk rating was weighted to determine the overall risk level of the Entity. The weighting was derived using the average weighted index as shown below:

Table 7: Summary of performance of Financial Intelligence Authority

Risk category	No.	No. %	Value	Value %	Weights	Total weighted Average	
						By No.	By Value
High	2	18.1	1,039,420,586	45.8	0.6	10.8	27.4
Medium	3	27.2	582,034,600	26.2	0.3	8.1	7.8
Low	6	54.5	596,084,260	26.8	0.1	5.4	2.6
Satisfactory	0	0	0	0	0	0	0
Total	11	100	2,217,539,446	100	1	24.3	37.8

$$\text{Performance by Number} = \frac{24.3 \times 100}{60} = 40.5$$

$$\text{Performance by Value} = \frac{37.8 \times 100}{60} = 63$$

$$\text{The average weighted risk rating} = \frac{40.5 + 63}{2} = 51.7$$

Table 8: Risk rating is as follows:

Risk Rating	Description of Performance
0-30	Satisfactory
31-70	Moderately Satisfactory
71-100	Unsatisfactory

Annex A: Transaction list for FY 2023/2024

NO:	REFERENCE NUMBER	SUBJECT OF PROCUREMENT	METHOD OF PROCUREMENT	PROVIDER	CONTRACT VALUE (UGX)	RISK RATING
1	FIA/WRKS/23-24/00053	Partitioning of additional Office space at Rwenzori Towers Wing A, 4 th Floor	Direct Procurement	Pine Investments Ltd	948,030,766	High Risk
2.	FIA/NCONS/23-24/00049	Provision of Annual web application firewall licenses for 2 years	Request for Quotation	Cyber base Ltd	47,377,000	Medium Risk
3.	FIA/NCON/2023-24/00091	Provision of medical insurance services for three years	Open domestic bidding	Jubilee Health Insurance Co. U Ltd	480,000,000	Medium Risk
4.	FIA/NCONS/2023-24/00056	Provision of group life insurance for new FIA staff	Direct Procurement	Jubilee Life Insurance	54,542,330	Low Risk
5.	FIA/NCONS/23-24/00108	Provision of Cloud based Business continuity Services	Request for Quotation	Computer Revolution Africa (U) Limited	97,232,000	Low Risk
6.	FIA/SUPLS/23-24/00135	Supply of 08 laptops for the Board and 2 Accountants	Request for Quotation	Four Corners Transform Ltd	54,657,600	Medium Risk
7.	FIA/SUPLS/23-24/00095	Procurement of IP Phone Solutions	Request for Quotation	SPIDD Africa Ltd	95,468,402	Low Risk
8.	FIA/NCONS/23-24/00071	Provision of an annual license & support services for Microsoft Office 365 for two years	Request for Quotation	Provider: Computer Revolution Africa (U) Ltd	91,389,820	High Risk
9.	FIA/CONS/23-24/00064	Consultancy services to develop an	Request for Proposal	Afri-Accent Risk Management Solutions	153,400,000	Low Risk

		Enterprise Risk management framework Method: RFP without publication of EOI	Publication of Expression of Interest			
10.	FIA/CONS/23 -24/00029	Retender for provision of ICT penetration of test and vulnerability assessment services	Request for Proposal with Publication of Expression of Interest	Cyber Security Africa (U) Ltd	138,500,000	Low Risk
11.	FIA/NCONS/ 23-24/0148	Procurement of annual licenses for Cisco Firepower and smart net services for two years	Request for Quotation	CWG (U) Ltd	56,941,527.51	Low Risk
	Total				2,217,539,446	

Annex B: Procurement and Disposal Unit and User Departments

List of staff in the Procurement and Disposal Unit

No.	Name	Title
1.	Latiff Ssemukaaya	Head Procurement and Disposal Unit
2.	Ivy Janet Namboowa	Senior Procurement Officer
3.	Charles Barazah	Procurement Officer

List of User Departments

1.	Finance and Administration
2.	Legal, Corporate Affairs and International Relations
3.	Analysis and Monitoring
4.	Internal inspection
5.	Compliance and Inspections.
6.	ICT S & S