



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

**PROCUREMENT AND DISPOSAL COMPLIANCE
INSPECTION REPORT FOR FINANCIAL YEAR 2020/21**

MBALE REGIONAL REFERRAL HOSPITAL

MAY 2022

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ACRONYMS

AO	Accounting Officer
BEB	Best Evaluated Bidder
BOQs	Bill of Quantities
CC	Contracts Committee
FY	Financial Year
LTD	Limited
MOU	Memorandum of Understanding
PDE	Procuring and Disposing Entity
PDU	Procurement and Disposal Unit
PPDA	Public Procurement and Disposal of Public Assets Authority
PS/ST	Permanent Secretary/ Secretary to the Treasury
RRH	Regional Referral Hospital
UGX	Uganda Shillings
(U)	Uganda
VAT	Value Added Tax

EXECUTIVE SUMMARY

The Public Procurement and Disposal of Public Assets Authority carried out the procurement and disposal Compliance Inspection of Mbale Regional Referral Hospital that covered the total population of (7) macro procurement transactions under the Financial Year 2020/21.

The overall objective of the procurement and disposal Compliance Inspection was to assess and establish the degree of compliance of Mbale Regional Referral Hospital's procurement system and processes with the provisions of the PPDA Act, 2003 as amended and PPDA Regulations 2014 and assess the level of procurement performance over the compliance inspection period.

From the findings of the procurement Compliance Inspection exercise, the performance of Mbale Regional Referral Hospital for the Financial Year 2020/21 was **Satisfactory** with an overall weighted average risk rating of **38.5%**. The risk assessment criteria is detailed in chapter 3 of the report.

Despite the satisfactory performance, the following exceptions were noted:

1. The Procurement and Disposal Unit was understaffed with one substantive staff at the level of Procurement Officer, and was being assisted by an Office Attendant in acting capacity of Assistant Procurement Officer during the period under review. This is contrary to the Entity's procurement structure of two (2) substantive staff in the Unit including; one Senior Procurement Officer and a Procurement Officer. Under staffing leads to inefficiencies in the Entity's procurement processes.
2. The Entity procured above the market price by UGX 8,041,356 representing 4% of the Accounting Officer's assessed marked price of UGX 185,000,000 in the procurement for renovation of toilets, roof and ceiling of wards and TB ward worth UGX 193,041,356. This is an indicator of poor market price assessment which leads to procurements at exorbitant prices.
3. The procurement for renovation of toilets, roof and ceiling of wards and TB ward worth UGX 193,041,356 was conducted outside the Entity's procurement plan contrary to Section 58 (7) of the PPDA Act, 2003 as amended which affects the other planned activities budgets through encroachment on resources planned for other activities thus leading to domestic arrears and failure to complete projects due to lack of funds.
4. The Entity issued bidding documents that lacked clear specifications, clear terms and conditions and contained brand names in two procurements worth UGX. 226,741,356 contrary to Regulation 25 (2) of the PPDA (Rules and Methods for Procurement of Supplies Works and Non-consultancy Services) Regulations 2014.
5. The Authority noted an irregularity at evaluation in the procurement of carpentry materials and tools worth UGX 33,700,000 in which the best evaluated bidder M/s Site Tech (U) Limited was awarded the contract against a forged tax clearance contrary to Regulation 7 (2) of the (PPDA) Evaluation Regulations 2014.
6. Delayed payment of about 90 days was made to the service provider beyond the stipulated contractual payment timeframe in the procurement for hospital cleaning services contrary to Regulation 49 (3) of the (PPDA) Contracts Regulations, 2014 that requires providers to be paid within thirty (30) days from certification of invoice. This delays execution of contracts, compromises quality and discourages providers from participation in public procurement.

7. Irregular variation of contractual delivery terms and conditions was noted by the Authority in the procurement for supply, installation and engraving of assorted medical equipment worth UGX 199,950,000. The Authority noted that M/s Crown Health Care (U) Limited delivered less quantities. 10 one touch Glucometers instead of 15 and 6 blood pressure machines instead of 12 that was evidenced by the goods received notes contrary to Regulation 53 (b) of the PPDA (Contracts) Regulations 2014. Failure to ensure that contractors implement the terms and conditions of the contracts deprives effective service from the intended beneficiaries.

Recommendations:

1. The Accounting Officer should follow up with the relevant line Agencies and Ministries to ensure that the Procurement and Disposal Unit is adequately constituted and staffed to appropriate capacity in accordance with Section 26 (1) (c) of the PPDA Act, 2003 as amended.
2. The Accounting Officer should ensure that adequate estimation of requirements is conducted at budgeting to ensure that budgeted funds sufficiently cover the procurements and in case the Best Evaluated Bidder's price is above the market price, the Accounting Officer should conduct a re-assessment of the market price and confirm additional funds, otherwise the procurement process should be cancelled in accordance with Section 74 (3) (a) of the PPDA Act, 2003 as amended.
3. The Contracts Committee should always ensure that any procurement transaction is reflected in the Entity's procurement plan before approving it in accordance with Section 28 (1) (bb) of the PPDA Act, 2003.
4. The Accounting Officer should task the Contracts Committee, the Head, Procurement and Disposal Unit and User Departments to adhere to Regulations 23, 25, 27 and 37 of the PPDA (Rules and Methods for Procurement of Supplies, Works and Non-Consultancy Services) Regulations, 2014 in the preparation of solicitation documents.
5. The Head Procurement and Disposal Unit should ensure that the Evaluation Committees conduct evaluations in line with the set criteria in the bidding document in accordance with Section 71 (3) of the PPDA Act, 2003 and in a manner that promotes fairness and transparency while conducting due diligence on documents submitted by bidders to ascertain their authenticity.
6. The Accounting Officer should ensure timely payment to contractors in accordance with Regulation 53 (3) (iii) of the (PPDA) contracts Regulations 2014.
7. The Accounting Officer should caution the User departments for failing to ensure that contractual terms and conditions such as delivery of the right quantities and specifications of requirements are adhered to at contract execution in accordance with Regulation 53 (b) of the PPDA (Contracts) Regulations 2014.

Mbale Regional Referral Hospital should implement the recommended action plan on page 16.

CHAPTER 1: INTRODUCTION

1.1 Background

The Public Procurement and Disposal of Public Assets Authority carried out the procurement and disposal Compliance Inspection of Mbale Regional Referral Hospital that covered the total population of (7) macro procurement transactions under the Financial Year 2020/21. The compliance inspection involved a review of procurement structures, procurement and asset disposal processes, as well as contract performance following the provisions of the Public Procurement and Disposal of Assets Act 2003 and Central Governments (PPDA) Regulations 2014.

1.2 Overall Objective

The overall objective of the procurement and disposal compliance inspection was to assess and establish the degree of compliance of Mbale Regional Referral Hospital procurement system and processes with the provisions of the PPDA Act 2003 and Regulations 2014 and assess the level of procurement performance over the compliance inspection period.

The specific objectives were:

1. To establish the level of compliance by the Entity with the general provisions of the PPDA Act 2003 as amended and PPDA Regulations 2014;
2. To establish the level of compliance with the PPDA Act, 2003 and Regulations 2014 as amended in the conduct of procurement and disposal activities; and
3. To assess the level of efficiency and effectiveness in contract implementation.

1.3 Compliance inspection Scope

The Compliance Inspection involved a review of the procurement process, disposal process, general compliance issues and contract implementation on sample basis. The compliance inspection covered seven (7) procurement transactions worth UGX 1,731,331,009 under the Financial Year 2020/21.

1.4 Compliance inspection Methodology

The Compliance Inspection exercise examined records and documents for each sampled procurement transaction and/or disposal and obtained the relevant evidence to derive compliance inspection conclusions. This involved a review of the Entity's procurement/disposal planning, initiation, bidding, evaluation, contract placement and processes. At the end of the document review, a physical verification was undertaken to ascertain the level of contractual delivery and fitness for purpose. Special attention was given to reporting mechanisms within the Entity and internal controls due to repeated failures by the Entity as highlighted in previous reports.

During the Compliance Inspection, the auditors held interviews with the staff from the Procurement and Disposal Unit (PDU) and User Departments that were necessary in obtaining crucial qualitative information about the internal control system and processes in place.

A debriefing meeting to clear all pending issues that arose during the compliance inspection was held with the Entity management and staff on **5th October 2021** before the auditors could embark on preparation of the management letter. The auditors prepared the management letter,

which was sent to the Entity on **26nd January 2022** with a request to submit a management response by **7th February 2021**, which was submitted on **7th February 2021**.

On completion of data collection and before writing the report, the Regional Manager reviewed the working papers for completeness. The working papers contain detailed chronology of findings on each of the sampled transactions. The compliance inspection report presents the key findings and conclusions arising from the compliance inspection.

1.5 Structure of the Entity

The Entity had a substantive Accounting Officer, a Procurement and Disposal Unit with one substantive staff for the period under review and adhoc Evaluation Committees appointed for each procurement transaction. The Entity's substantive Accounting Officer during the Financial Year was the Hospital Director Dr. Tugaineyo Emmanuel.

Composition of the Contracts Committee

The PS/ST of Ministry of Finance, Planning & Economic Development approved the following members of the Contracts Committee who also acted during the period under review:

Table 1: List of Contracts Committee Members

No	NAME	JOB TITLE	APPOINTMENT DATE
1.	Twinomuhangi J. William	Medical Officer	22 nd December 2021
2.	Andama Isaac	Psychiatric Clinical Officer	4 th January 2021
3.	Limio Christine	Principal Nursing Officer	22 nd December 2021
4.	Watenyeri Julius	Principal Clinical Officer (Member CC)	15 th July 2019
5.	Emmanuel Eric	State Attorney	25 th January 2021

CHAPTER 2: KEY FINDINGS AND RECOMMENDATIONS

2.1 To establish the level of compliance by the PDE with the general provisions of the PPDA Act, 2003 as amended and Regulations, 2014

2.1.1 Inadequate composition of the Procurement and Disposal Unit

During the year under inspection, the Entity had only one substantive member of staff in the Unit, who was at the level of Procurement Officer, and another in acting capacity of Assistant Procurement Officer. This is contrary to the Entity's procurement structure of two (2) substantive staff in the Unit including; one senior procurement officer and a procurement officer.

Following up from the previous audit report issued by the Authority in the FY 2019-2020, the management of the Entity stated that the Ministry of Finance had indicated to have the Unit fully staffed following a recruitments and promotions exercise that had been carried out. However, the status of the Procurement Unit has not changed to date.

Table 2: Staff in the Procurement and Disposal Unit

S/no	Name	Job Title	Academic Qualification	Date of Appointment
1.	Mr. Ebasu Joseph	Procurement Officer	Bachelors of Procurement & Logistics Management	29 th September 2017
2	Omurangi Jesca	Office Attendant/ Ag. Procurement Assistant	Bachelors of Procurement & Logistics Management	11 th March 2016

Implication

An inadequately staffed Procurement and Disposal Unit could lead to inefficiencies that might cripple the procurement system hence failure by the Entity to deliver services optimally to the intended beneficiaries.

Recommendation

The Accounting Officer should follow up with the relevant line Agencies and Ministries to ensure the unit is adequately constituted in accordance Section 26 (1) (c) of the PPDA Act, 2003, which requires establishing a Procurement and Disposal Unit staffed at an appropriate level.

Management Response

Observation noted, however, the responsibility of filling this position lies entirely on the Ministry of Finance, Planning and Economic Development. Several efforts have been made by the Entity to have this position filled but have not yet yielded any fruits. However, management is making a follow up with Ministry of Finance to have it filled up.

2.1.2 Failure to implement 50% of the previous audit recommendations

The Authority noted that the Entity had been issued its previous audit report for the Financial Year 2019/20. Out of the 6 recommendations made, three (50%) recommendations were implemented and the remainder were partially implemented as detailed in the table below:

Table 3: Status of implementation of previous audit recommendations

No	Recommended Action	Status
1.	The Accounting Officer should ensure that the Contracts Committee and the Procurement and Disposal Unit are fully constituted in accordance with Section 26 (1) (a) and (c) of the PPDA Act, 2003.	Implemented
2.	The Accounting Officer should in accordance with Section 26 (4) of the PPDA Act 2003 ensure that thorough market assessment is conducted prior to commencement of procurement processes and the User Departments should involve the respective subject matter experts such as Engineers at planning such that the estimated amounts are realistic and reflect the prevailing prices in the market.	Partially Implemented
3.	The Head Procurement and Disposal Unit and the Contracts Committee should ensure that no solicitation document is issued to bidders with reference to a particular trademark, brand name, patent, design, type specific origin, producer or manufacturer.	Implemented
4.	The Accounting Officer and Management should regularly carry out a review of the implementation of the procurement plan and update the procurement plan to include requirements that were not anticipated at the beginning of the Financial Year in accordance with Section 58 (4) of the PPDA Act, 2003.	Partially Implemented
5.	The Head Procurement and Disposal Unit should always employ the direct procurement method in accordance with the conditions stipulated in the Fourth Schedule of the PPDA Act, 2003.	Implemented
6.	The Accounting Officer, Contracts Committee, Procurement and Disposal Unit and User Departments should improve efficiencies in executing their specific and respective roles without any delays in order to enable timely service delivery and value for money.	Partially Implemented

Implication

Failure to fully implement audit recommendations affects performance of the procurement function and is an indicator of a weak implementation mechanism by the Entity.

Recommendation

The Accounting Officer with support from Internal Audit should come up with a strong mechanism such as constituting a task that will ensure that all audit recommendations are regularly monitored and implemented so as to improve the Entity's performance.

Management response

Management noted the observation and stated that the Entity will in future ensure that all the audit recommendations are regularly monitored and implemented with support from the Internal Audit.

2.1.3 Procurement plan implementation rate

The table below summarizes information about the procurement plan, budget, and utilization of funds. The procurement plan implementation rate was 129% whereas procurements amounting to UGX 446,901,059 representing 29% were implemented outside the procurement plan.

Table 4: Analysis of procurement plan performance

Analysis of procurement spend	
Total procurement plan value inclusive of VAT (UGX)	1,519,565,053
Procurement spend value inclusive of VAT (UGX)	1,966,466,112
Procurement plan Absorption Rate (%)	129
Procurements conducted outside the procurement plan	446,901,059

Note: Total procurement spend was established basing on the reports provided to the Authority.

Implication

Conducting unplanned procurements may affect the other planned activity budgets through encroachment on resources that would have been available for already planned activities and may also lead to domestic arrears and failure to complete projects due to lack of funds.

Recommendations

The Authority noted the Entity's response and would like to note that this observation was arrived at basing on the updated Procurement and Disposal Work plan dated 19th April 2021. The Authority therefore recommends as follows:

- The Accounting Officer should investigate this variance and provide an explanation on how it came about within two months of receipt of this report.
- The Head Procurement and Disposal Unit together with User Departments should in accordance with Section 58 (4) and (5) of the PPDA Act, 2003 ensure that on a quarterly basis and in any other case, wherever necessary, they review and update the procurement plan to include new procurement requirements and also ensure that the Secretary to the Treasury and the Authority are notified of any changes made to the procurement plan and submit the updated and approved plan to the Authority.

Management Response

Observation of the Audit noted. Procurement plan is normally updated to include new procurements required. Evidence is attached.

2.2 To establish the level of compliance with the PPDA Act, 2003 as amended and Regulations, 2014 in the conduct of procurement and disposal activities

2.2.1 Delayed initiation of procurements

There was a delay noted between the planned and actual initiation dates in the procurement for supply, installation and engraving of assorted medical equipment worth UGX 199,950,000. Whereas the planned initiation date was 6th October 2020, actual initiation was done on 25th November 2020 causing a delay of two months.

Implication

This leads to delays in service delivery to the intended beneficiaries.

Recommendations

The Authority noted the Entity's response; however, the purported initiation date of 28th October 2020 was the date of expression of need by the User Department while the Accounting Officer approved the procurement on 25th November 2020. The Authority recommends that:

- The Accounting Officer should ensure efficiency in approval of requirements from the User Departments to avoid unnecessary delays.
- The User departments should ensure that procurements are executed as per the timelines indicated in the procurement plan.

Management Response

Observation noted. However, whereas the planned initiation date was 6th October 2020, actual initiation was done on 28th October 2020 and not on 25th November 2020 as per attached evidence. Management will continuously ensure that User Departments initiate their requirements in time so that procurements are executed as per the timelines indicated in the procurement plan.

2.2.2 Poor market price assessment

The Authority noted that there was poor market price assessment by the Accounting Officer in the procurement for renovation of toilets, roof and ceiling of wards and TB ward worth UGX 193,041,356. The assessed market price at initiation was UGX 185,000,000 resulting into a variance of UGX 8,041,356 (4%) between the estimated price and the actual contract price.

Implication

This may lead to signing of contracts at inflated prices and could also result into creation of domestic arrears.

Recommendation

The Authority noted the Entity's response and advises that thorough needs assessment should be made before initiation of any procurement to ensure that the procurement estimate at initiation includes all the needs of the user and ensure that budgeted funds sufficiently cover the procurements and in case the Best Evaluated Bidder's price is above the market price, the Accounting Officer should conduct a re-assessment of the market price and confirm additional

funds, otherwise the procurement process should be cancelled in accordance with Section 74 (3) (a) of the PPDA Act, 2003 as amended.

Management Response

Observation noted. A thorough market assessment was carried out and use of technical expertise of the Hospital Engineer was sought to get adequate estimation of requirements (BOQ). It was however noted that the existing roof of Paediatric ward had a leakage and rotten ceiling board at that time and therefore necessitated replacement to facelift the status of the Ward. Management will endeavour to conduct a re-assessment of the market price and confirm additional funds where necessary.

2.2.3 Conducting procurements not on the Entity's procurement plan

Section 58 (7) of the PPDA Act, 2003 as amended provides that a procurement shall not be carried out outside the procurement plan except in cases of emergency situations. The Authority noted that the procurement for renovation of toilets, roof and ceiling of wards and TB ward worth UGX 193,041,356 was conducted outside the Entity's procurement plan contrary to the above requirement.

Implication

Conducting unplanned procurements may affect the other planned activity budgets through encroachment on resources that would have been available for already planned activities and may also lead to domestic arrears and failure to complete projects due to lack of funds.

Recommendations

In line with the Entity's response the Authority recommends as follows:

- The Head Procurement and Disposal Unit should desist from lumping procurement requirements in the work plan. Each requirement in the work plan that is going to be initiated separately should appear separately in the work plan.
- The Contracts Committee should ensure that a procurement is stated clearly in the procurement plan before approving it in accordance with Section 28 (1) (bb) of the PPDA Act, 2003.
- The Accounting Officer should ensure that before approving procurement requisitions, all requirements are on the Entity's procurement plan in accordance with Section 58(7) of the PPDA Act 2003.

Management Response

Observation noted. However, the renovation of toilets, roof and ceiling of wards and TB ward are under maintenance in the Hospital Budget.

1.2.5 Approval of inadequate solicitation documents

The Authority noted that contrary to Regulation 25 (2) of the PPDA (Rules and methods for procurement of supplies works and non-consultancy services) Regulations 2014, the Entity issued bidding documents that lacked clear specifications, clear terms and conditions and contained brand names in two procurements worth UGX. 226,741,356 as detailed in the table below:

Table 5: Procurements in which inadequate solicitation documents were issued

No	Subject of Procurement	Contract Amount (UGX)	Issue
1	Renovation of toilets, roof and ceiling of wards and TB ward	193,041,356	<ul style="list-style-type: none"> Inadequate solicitation documents; the following were not filled under the special conditions of contract: the start date, intended completion date, site possession date. These were also not stated in the contract.
2	Supply of carpentry materials and tools	33,700,000	Poor specifications; The specifications included brand names such as Orlando locks and in other instances were inadequate such as requiring the provider to supply padlocks without elaborating the strength or size.
Total		226,741,356	

Implications

- Inadequate solicitation documents make it difficult for bidders to prepare and submit responsive bids, thus reducing the level of competition and can also result to awarding contracts to providers that are not capable of delivering as per the requirements of the user.
- The works or supplies may not be fit for the purpose for which they are being procured and of the appropriate quality.

Recommendation

The Authority studied the Entity's response and notes that:

In the Renovation of toilets, roof and ceiling of wards and TB ward, the evidence attached relates to evaluation criteria and could not be used to disprove the observation raised. The Authority recommends that:

The Accounting Officer should task the Contracts Committee, the Head, Procurement and Disposal Unit and User Departments to adhere to Regulations 23, 25, 27 and 37 of the PPDA (Rules and Methods for Procurement of Supplies, Works and Non-Consultancy Services) Regulations, 2014 in the preparation of solicitation documents.

Management Response

Management stated the following:

- In the Renovation of toilets, roof and ceiling of wards and TB ward the start date, intended completion date, and site possession date are stated in the contract. Evidence is attached.
- In the Supply of carpentry materials and tools the User did not provide clear specifications; management will ensure improvement in this area.

1.2.6 Irregularity at evaluation

The Authority noted an irregularity at evaluation in one procurement transaction worth UGX 33,700,000 in which the best evaluated bidder was found compliant yet they had a forged tax

clearance certificate as per the details in the table below contrary to Regulation 7 (2) of the (PPDA) Evaluation Regulations 2014.

Table 6: Irregularity at evaluation

No	Subject of Procurement		Observation noted
1.	Supply of carpentry materials and tools	33,700,000	The Best Evaluated Bidder; Site Tech (U) Limited submitted an invalid tax clearance certificate referenced UGND2100314491 and another referenced LI02200051785 for the FY 2019-2020 instead of FY 2020-2021.
Total		33,700,000	

Implications

- Irregularities at evaluation could result into award of contracts to incompetent and non-compliant bidders and could be an indicator of unethical tendencies amongst the evaluation committee members.

Recommendations

- The Head Procurement and Disposal Unit should ensure that the Evaluation Committees conduct evaluations in line with the set criteria in the bidding document in accordance with Section 71 (3) of the PPDA Act, 2003 and conducts due diligence on documents submitted by bidders to ascertain their authenticity.
- The Contracts Committee should ensure that the principles of efficiency, fairness and transparency are observed in the evaluation process in accordance with Section 45 of the PPDA Act, 2003 before approving the evaluation reports.

Management Response

- Management acknowledged the anomaly and promised to do due diligence in future on records submitted by bidders.

1.2.7 Inadequate evaluation criteria

The evaluation criteria contained in the solicitation documents issued to bidders in the following three procurements worth UGX 426,691,356 was inadequate as it lacked parameters of assessing the financial capacity of the bidders to execute the contracts. These are detailed below:

Table 7: Procurements with inadequate evaluation criteria

No	Subject of Procurement	Contract Amount (UGX)
1.	Supply, installation and engraving of assorted medical equipment	199,950,000
2.	Renovation of toilets, roof and ceiling of wards and TB ward	193,041,356
	Supply of carpentry materials and tools	33,700,000
Total		426,691,356

Implication

This may result in to awarding contracts to providers that lack financial capacity to execute the works as per the bills of quantities.

Recommendation

The Authority noted the Entity's response however, experience and financial capacity are different parameters and should be assessed differently. The Authority therefore recommends that;

The Head Procurement and Disposal Unit and User Departments should ensure that the evaluation criteria set in the solicitation documents is sufficient and comprehensive enough to assess the bidders' financial capabilities to execute the contract. ie. having a given minimum amount of cash or ability to access a line of credit from a reputable bank of a certain specified amount.

Management Response

Observation noted. However, management always ensures that the evaluation criteria set in the solicitation documents is sufficient and comprehensive enough to assess the bidders' technical and financial capabilities to execute the contract.

In the Supply, installation and engraving of assorted medical equipment, the evaluation criteria set in the solicitation documents required the supplier to provide evidence of completion of similar contracts (similar in specifications complexity or financial value) with government or a reputable entity in form of copies of corresponding delivery notes; LPO's, Contracts and/or certificates of completion/acceptance of the supplies to the tune of UGX 150 million. Proof that the company has supplied and installed similar equipment to at least two organizations. Evidence is attached.

1.2.7 Delayed publication of an invitation to bid

In the procurement for Hospital cleaning services under framework, there was a delay of one month between Contracts Committee approval of procurement method, document and evaluation committee and publication of an invitation to bid notice. Whereas the Contracts Committee approved on 25th October 2019, the notice was published on 21st November 2019.

Implication

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

Recommendation

The Head, Procurement and Disposal Unit should ensure efficiency in the procurement process and avoid unnecessary administrative delays in accordance with Section 43 (e) of the PPDA, Act 2003.

Management Response

Management noted the observation and stated that this was as a result of delayed commitment of funds to enable publish the bid notice. However, in future management will ensure that there are no administrative delays in the procurement process.

2.3 To assess the level of efficiency and effectiveness in contract implementation

2.3.1 Delayed payment

In the procurement for Hospital cleaning services under framework, much as the contract required the Entity to pay the provider within 30 days after receipt of an invoice and certification of deliverables, the Authority noted that payments were effected averagely 90 days late beyond the stipulated contractual payment timeframe. This was also contrary to Regulation 49 (3) of the (PPDA) Contracts Regulations, 2014 that requires providers to be paid within thirty (30) days from certification of invoice. The details are provided below:

Table 8: Invoices for which payment was delayed

No.	Month	Observation noted
1.	February	Payment request was dated 26 th February 2021 but approved for payment on 18 th may 2021.
2.	November	Payment request was dated 30 th November 2020 was approved for payment on 17 th March 2021.

Implications

- Failure to timely pay providers delays execution of contracts, compromises quality and discourages them from participation in public procurement.
- This could be an attempt to cajole bidders into unethical practices such as bribery.

Recommendation

The Authority found the Entity's response unsatisfactory. The Accounting Officer should ensure that officers involved with the administration of payments to contractors closely follow the provisions of the contract, and exercise due vigilance at all times, and that no irregular payments or late payments are made to contractors in accordance with Regulation 53 (3) (iii) of the (PPDA) contracts Regulations 2014.

Management Response

Observation is noted. The delay in the payment was due to insufficient funds at that time and was waiting for release in the next quarter. Management will ensure that officers involved with the administration of payments to contractors closely follow the provisions of the contract.

2.3.2 Failure to ensure adherence to contractual terms and conditions

This was noted in the following procurements:

- a) In the procurement for supply, installation and engraving of assorted medical equipment worth UGX 199,950,000, the provider Crown Health Care (U) Limited did not fully adhere to the contractual terms and conditions. The Authority noted variations between the contractual

terms provided in the contract and the actual deliveries by the contractor stipulated in the goods received notes. There was no attempt by the Entity to mitigate this breach of contract contrary to Regulation 53 (b) of the PPDA (Contracts) Regulations 2014. Details are provided in the table below:

Table 9: Installation of deviations from contract terms

No	Contractual terms in the revised contract	Actual deliveries per the goods received notes
1	15 Glucometer one touch at UGX 2,250,000	10 Glucometer one touch at UGX 1,500,000
2	12 blood pressure machines at UGX, 4,200,000 provided for in the contract	6 were delivered at UGX 2,100,000

- b) In the procurement for supply of carpentry materials and tools worth UGX 33,700,000, two bow saw blades were delivered at UGX 100,000 each, yet the unit price in the contract was UGX 50,000 and spanners were delivered at UGX 181,000 instead of UGX 150,000 indicated in the contract. This caused a financial loss to the Entity of UGX 131,000 as illustrated in the table below:

Table 10: Showing the financial losses in the procurement for supply of carpentry materials and tools

No	Item	Quantity	Unit price in the contract	The Unit price at delivery	Financial loss
1.	Bow saw blades	2	50,000	100,000	100,000
2.	Spanners	1	150,000	181,000	31,000
Total					131,000

- c) The Authority noted that there was delayed execution in the procurement for remodeling of third floor of a surgical complex into an intensive care unit worth UGX 1,272,181,653. The progress report dated January 2022 indicated that the physical progress was at 34.8% against time elapsed of 149% (268days)

Implication

- Failure to ensure that contractors implement the terms and conditions of the contracts deprives effective service from the intended beneficiaries.
- This caused a financial loss to the Entity of UGX 131,000.

Recommendation

The Authority studied the documentation provided and noted that it did not conclusively disprove the observation of the audit team since only 10 Glucometers one touch were indicated as delivered and there was no documentary evidence provided for the carpentry materials and tools. The Authority therefore recommends that:

The Accounting Officer should caution the User departments for failing to ensure that contractual terms and conditions are adhered to at contract execution in accordance with Regulation 53 (b) of the PPDA (Contracts) Regulations 2014.

Management Response

Observation is noted. In the procurement for supply, installation and engraving of assorted medical equipment worth UGX 199,950,000, the provider Crown Health Care (U) Limited fully adhered to the contractual terms and conditions by delivering all the required equipment's. Evidence attached.

2.3.3 Failure to maintain complete procurement action files.

In the procurement for renovation of toilets, roof and ceiling of wards and TB ward worth UGX193,041,356, there were no payment records on file.

Implications

- Lack of contract management reports/progress reports and other records casts doubt on whether contracts were executed in accordance with contractual requirements and terms and conditions.
- This indicates failure by the Entity to account for public funds.

Recommendations

The Authority noted the Entity's response as unsatisfactory since no documents were submitted for verification and therefore recommends that;

- The Accounting Officer should task the Heads of User Departments to submit progress reports/contract management reports to the Procurement and Disposal Unit in accordance with Regulation 46 of the Local Governments (PPDA) Regulations, 2006.
- The Accounting Officer should direct the Finance Department to always share copies of payments records with the Procurement and Disposal Unit in order for procurement action files to be closed off.

Management response

Observation of the Audit findings noted. However, due other ongoing Audit at that time to Copies of progress reports/contract management reports and copies of payments records were available but being shared and are available for verification.

CHAPTER THREE: OVERVIEW OF THE PERFORMANCE OF THE ENTITY

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

3.1 Entity's Risk Assessment

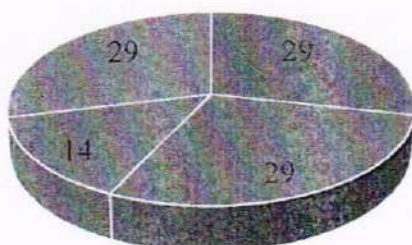
The table below shows the Entity's performance per risk category based on the sampled procurements:

Table 11: Showing summary of risk assessment of Mbale Regional Referral Hospital

Risk Category	Number of Sampled Procurements	%Number	Value (UGX)	% Value
High	2	29	233,650,000	13
Medium	2	29	198,894,156	11
Low	1	14	1,272,181,653	73
Satisfactory	2	29	32,458,000	2
Total	7	100	1,737,183,809	100

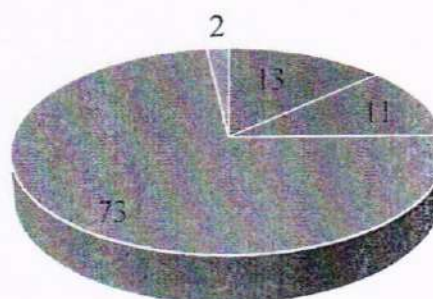
Figure 1: Showing graphical representation of the Entity's risk assessment

Risk rating by number



■ High
■ Low
■ Medium
■ Satisfactory

Risk rating by value



■ High ■ Medium ■ Low ■ Satisfactory

3.2 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 12: Showing the Entity's risk score both by number and value of sampled procurement

Risk category	Rating (By Number)	Weights	Total weighted Average	Rating (By Value)	Weights	Total weighted Average
High	29	0.6	17	13	0.6	8
Medium	29	0.3	9	11	0.3	3
Low	14	0.1	1	73	0.1	7
Satisfactory	29	0	0	2	0	0
Total	100	1	27	100	1	19

$$\text{Weighted Average (By no.)} = \sum \text{Weighted Score} \times 100 = \frac{27}{60} \times 100 = 45\%$$

$$\text{Weighted Average (By Value)} = \sum \text{Weighted Score} \times 100 = \frac{19}{60} \times 100 = 32\%$$

$$\text{Combined Weighted Average} = \frac{45+32}{2} = 38.5\%$$

3.3 Risk rating criteria

The table below shows the risk rating criteria:

Table 13: Showing the risk rating criteria

Risk Rating	Description of Performance
0-20%	Highly Satisfactory
21-50%	Satisfactory
51-80%	Unsatisfactory
80-100%	Highly Unsatisfactory

3.4 Overall Compliance Inspection Conclusion

The performance of Mbale Regional Referral Hospital for the Financial Year 2020/21 was **Satisfactory** with overall weighted average risk rating of **38.5%**.

3.5 Recommended Action Plan

Mbale Regional Referral Hospital should implement the following recommendations within the timeframe given in order to improve its performance in Procurement and Disposal.

Table 14: Recommended Action Plan

No.	Recommendation	Target Date
1.	The Accounting Officer should ensure that adequate estimation of requirements is conducted at budgeting to ensure that budgeted funds sufficiently cover the procurements and in case the Best Evaluated Bidder's price is above the market price, the Accounting Officer should conduct a re-assessment of the market price and confirm additional funds, otherwise the procurement process should be cancelled in accordance with Section 74 (3) (a) of the PPDA Act, 2003 as amended.	June 2022
2.	The Accounting Officer should follow up with the relevant line Agencies and Ministries to ensure the unit is adequately constituted in accordance Section 26 (1) (c) of the PPDA Act, 2003, which requires establishing a Procurement and Disposal Unit staffed at an appropriate level.	June 2022
3.	The Accounting Officer should task the Contracts Committee, the Head, Procurement and Disposal Unit and User Departments to adhere to Regulations 23, 25, 27 and 37 of the PPDA (Rules and Methods for Procurement of Supplies, Works and Non-Consultancy Services) Regulations, 2014 in the preparation of solicitation documents.	June 2022
4.	The Contracts Committee should ensure that a procurement is stated clearly in the procurement plan before approving it in accordance with Section 28 (1) (bb) of the PPDA Act, 2003.	June 2022
5.	The Head Procurement and Disposal Unit should ensure that the Evaluation Committees conduct evaluations in line with the set criteria in the bidding document in accordance with Section 71 (3) of the PPDA Act, 2003 and in a manner that promotes fairness and transparency while conducting due diligence on documents submitted by bidders to ascertain their authenticity.	June 2022
6.	The Accounting Officer should ensure timely payment of contractors in accordance with Regulation 53 (3) (iii) of the (PPDA) contracts Regulations 2014.	June 2022
7.	The Accounting Officer should caution the User Departments for failing to ensure that contractual terms and conditions are adhered to	June 2022

No.	Recommendation	Target Date
	at contract execution in accordance with Regulation 53 (b) of the PPDA (Contracts) Regulations 2014.	

Annex A: Findings and rating on the individual contracts reviewed

	HIGH RISK CONTRACTS	REASONS FOR HIGH RISK
1.	Supply installation and engraving of assorted medical equipment Procurement method: Restricted Domestic Bidding Contractor: Crown Health Care (U) Limited Contract Amount: 199,950,000	<ul style="list-style-type: none"> • Delayed initiation: Planned date of initiation was 6th October 2020 but actual was on 25th November 2020. This caused a delay of 60 days. • The evaluation criteria were inadequate. The Entity did not seek to assess the financial capacity of the bidders to deliver. • Under delivery was made as only 10 Glucometer one touch were received at UGX 1,500,000 as per the Goods received notes whereas the revised list after negotiations provided for 15 at UGX 2,250,000; Twelve blood pressure machines at UGX, 4,200,000 provided for in the contract but only six (6) were delivered at UGX 2,100,000.
2.	Supply of carpentry materials and tools Procurement method: Restricted Domestic Bidding Contractor: Site tech (U) Limited Contract Amount: 33,700,000	<ul style="list-style-type: none"> • Inadequate technical evaluation criteria; It did not seek to assess the financial capacity of the bidders to deliver. • Poor specifications; The specifications included brand names such as Orlando locks and in other instances were inadequate such padlocks without elaborating the strength or size. • The Best Evaluated Bidder; site tech (U) Limited submitted an invalid tax clearance certificate referenced UGND2100314491 and another referenced LI02200051785 for the FY 2019-2020. • Two bow saw blades were delivered at UGX 100,000 each, yet in the contract and the bid the Unit price was 50,000; spanners were delivered at 181, 000 instead of UGX 150,000 indicated in the contract. Leading to financial loss.

No	MEDIUM RISK CONTRACTS	REASONS FOR MEDIUM RISK
1.	Renovation of toilets, roof and ceiling of wards and TB ward Procurement method: Request for Quotation Contractor: Birime Construction Company Limited Contract Amount: 193,041,356	<ul style="list-style-type: none"> • Item not on plan. • Inadequate solicitation documents; the following were not filled under the special; conditions of contract: the start date, intended completion date, site possession date. These were also not stated in the contract. • Inadequate technical evaluation criteria; It did not seek to assess the financial capacity of the bidders to deliver. • The contract was signed above the assessed market price; the contract amount was UGX 193,041,356 but the Market price was UGX 185,000,000.
2.	Hospital cleaning services under framework Procurement method: Open National	<ul style="list-style-type: none"> • Delay: There was a delay of one month between contracts committee approval of method, document and evaluation committee and publication of an invitation

	Bidding Contractor: Safi Cleaning Services Contract Amount: 5,852,800	to bid notice; CC approved on 25 th October 2019 but the notice was published on 21 st November 2019. <ul style="list-style-type: none"> • Evaluation was delayed; The bid opening date was 19th December 2019 but evaluation was concluded on 10th February 2020, a period of 36 working days. The maximum period for valuation of supplies and services is 20 working days. • Delayed payments: whereas the payment period was 30 days after certification of invoice; the invoice for the month of February was dated 26th February 2021 but approved for payment on 18th May 2021. Likewise, the invoice for the month of November 2021, dated 30th November 2021 was approved for payment on 17th March 2021.
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NO	LOW RISK	REASONS FOR LOW RISK
1.	Remodelling of third floor of the surgical complex into an intensive care unit Procurement method: Direct Procurement Contractor: Zhongmei Engineering Group Limited Contract Amount: 1,272,181,653	The Authority noted that there was delayed execution in the procurement for remodeling of third floor of a surgical complex into an intensive care unit worth UGX 1,272,181,653. The progress report dated January 2022 indicated that the physical progress was at 34.8% against time elapsed of 149% (268days)

NO	SATISFACTORY	REASONS
1.	Supply of lab reagents for Masaba Private Wings Procurement method: Direct Procurement Contractor: Medisell (U) Limited Contract Amount: 15,498,000	Satisfactory
2.	Supply of lab haematology reagents Procurement method: Open National Bidding Contractor: AM sales and Services Limited Contract Amount: 16,960,000	Satisfactory

Annex B: Sample list for the compliance inspection of Mbale Regional Referral Hospital rating per case for FY 2020/21

S/N	Procurement	Subject	of	Method	Provider	Contract	Rating
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o	Ref No.	Procurement			Value (UGX)	
1	MBLRH/SPLS /2020-2021/00028	Supply, installation and engagement of assorted medical equipment	Restricted Domestic Bidding	Crown Health Care (U) Limited	199,950,000	High Risk
2	MBLRH/SRV CS/19-20/0003	Hospital cleaning services under framework	Open National Bidding	Safi Cleaning Services	5,852,800	Medium Risk
3		Supply of lab reagents for Masaba Private Wings	Direct Procurement	Medisell (U) Limited	15,498,000	Satisfactory
4		Supply of lab hematology reagents	Open National Bidding	AM Sales and Services Limited	16,960,000	Satisfactory
5	MBLRH/WRK S/2020-2021/00026	Renovation of toilets, roof and ceiling of wards and TB ward	Request for Quotation	Birime Construction Company Limited	193,041,356	Medium Risk
6	MBLRH/SPLS /2020-2021/00045	Supply of carpentry materials and tools	Restricted Domestic Bidding	Site Tech (U) Limited	33,700,000	High Risk
7	MBLRH/WRK S/20-21/00001	Remodelling of third floor of the surgical complex into an intensive care unit	Direct Procurement	Zhongmei Engineering Group Limited	1,272,181,653	Low

