



PUBLIC PROCUREMENT AND DISPOSAL
OF PUBLIC ASSETS AUTHORITY

"Procurement That Delivers"

THE PUBLIC PROCUREMENT AND DISPOSAL OF PUBLIC ASSETS AUTHORITY

COMPLIANCE INSPECTION REPORT FOR NATIONAL DRUG AUTHORITY FINANCIAL YEAR 2021/2022

NOVEMBER 2022

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Acronyms

AO	Accounting Officer
CC	Contracts Committee
FY	Financial Year
HPDU	Head, Procurement and Disposal Unit
LPO	Local Purchase Order
NDA	National Drug Authority
ODB	Open Domestic Bidding
PDE	Procuring and Disposing Entity
PDU	Procurement and Disposal Unit
PPDA	Public Procurement and Disposal of Public Assets Authority
RDB	Restricted Domestic Bidding
RFP	Request for Proposals
SBD	Standard Bidding Document
SPLS	Supplies
WRKS	Works

EXECUTIVE SUMMARY

The Public Procurement and Disposal of Public Assets Authority carried out a compliance audit on the procurement and disposal activities of National Drug Authority. The exercise covered a sample of ten (10) procurement transactions carried out during the Financial Year 2021/2022. The compliance inspection exercise involved a review of the procurement system, procurement processes following the Public Procurement and Disposal of Assets Act, 2003 and Regulations, 2014.

From the findings of the compliance inspection exercise, the summary performance of the Entity revealed an aggregate risk rating of **16.15%** which is **highly satisfactory** performance.

Despite the satisfactory performance the following key exceptions were noted:

1. Failure to fully implement previous audit recommendations. It was noted that the Entity had been issued its previous audit report for the Financial Year 2021-2022 in December 2021. The audit noted that 33% of the previous audit recommendations were partially implemented. Failure to fully implement audit recommendations affects improved performance of the procurement function.
2. Delays in the procurement process. The Authority observed that there were delays across the different stages of the procurement process of three (3) transactions. Delays in the procurement process create a lengthy lead time which consequently impedes timely service delivery
3. Funds availability section not completed by User Departments. The Authority found that in the procurement of supply, delivery, qualification and training for the ICP-MS Testing System, the funds availability section of the requisition form was left blank contrary to Regulation 3 (1) (c) of the PPDA (Rules and Methods for Procurement of Supplies, Works and Non-Consultancy Services), 2014. The funds availability section acts as the budget tracker for any particular procurement transaction and therefore failure to fill the budget tracker deprives the Accounting Officer of vital information on funds availability while confirming availability of funds.
4. Delayed delivery in the procurement of Supply, Delivery, Operational Qualification, Installation Qualification and training of the sievers M9 Laboratory Total Organic Carbon (TOC) Analyzer worth UGX USD 57,740 by three months. Delays in the procurement process create a lengthy lead time which consequently impedes timely service delivery.

The Authority recommends that:

1. The Accounting Officer should ensure that all audit recommendations are implemented so as to improve the Entity's performance.
2. The Accounting Officer should ensure that all procurements are conducted in a manner which promotes economy, efficiency and value for money in accordance with Section 48 of the PPDA Act, 2003.
3. User Departments should always indicate the amount of funds available at initiation from their budget allocation prior to confirmation of funding by the Accounting Officer.

4. The Head Procurement and Disposal Unit should maintain all procurement records on file in accordance with Section 31 (o) of the PPDA Act, 2003. Once delivery of the Total Organic Carbon (TOC) Analyzer is effected, evidence of the same should be submitted to the Authority.

CHAPTER 1: INTRODUCTION

1.1 Background

The Public Procurement and Disposal of Public Assets Authority (PPDA) conducted a compliance inspection exercise on the procurement and disposal activities of National Drug Authority. The exercise covered a sample of ten (10) procurement transactions carried out during Financial Year 2021/2022. The exercise involved a review of the procurement system, procurement processes following the Public Procurement and Disposal of Assets Act, 2003 and Regulations, 2014.

1.2 Objective of the compliance inspection

The primary objective of the exercise was to provide assurance on full and correct application of the PPDA Act, Regulations and Guidelines by National Drug Authority.

The specific objectives were:

1. To establish the level of compliance of the procurement and disposal activities with provisions of the PPDA Act, Regulations and Guidelines.
2. To establish the level of efficiency in the conduct of the procurement and disposal process up to contracting in the Entity.
3. To assess the level of achievement of Value for Money (efficiency, cost and effectiveness) in contract execution.

1.3 Structure of the Entity

Mr. David Nahamya, the Secretary to the Authority is the Accounting Officer of the Entity.

a. User Departments

The Entity is subdivided into the following departments:

Table 1: User Departments

Directorate	Title of Director	Name of Director	Number of staff
Office of the Secretary to the Authority (SA)	Secretary to the Authority	Mr. David Nahamya	30
Directorate of Corporate Services (DCS)	Director	Mr. Rogers Kayita	64
Directorate of Product Safety (DPS)	Director	Ms. Helen Ndagije Byomire	24
Directorate of Product Assessment & Registration (DPAR)	Director	Ms. Juliet Okecho	30
Directorate of Laboratory Services (DLS)	Director	Mr. Wilber Kwiringira	40
Directorate of Inspectorate & Enforcement (DIE)	Director	Mr. Denis Mwesigwa	114

b. Budget and source of funding

The Entity is funded by Government of Uganda. The Entity's total budget for Financial Year 2021/2022 was UGX 104,790,247,888 and the procurement budget was UGX 36,508,857,889

1.4 Scope of the Compliance Inspection

PPDA carried out the procurement and disposal Compliance Inspection of National Drug Authority from 19th July 2022 to 25th July 2022. The exercise covered a sample of eleven (11) procurement transactions worth **UGX 8,501,021,435** conducted during the FY 2021/2022, review of procurement structures and review of the procurement plan performance. The list of sampled transactions is contained in **Appendix 1**.

1.5 Methodology

National Drug Authority was notified about the upcoming exercise on 12th July, 2022. A sample of eleven (11) procurement transactions was selected based on stratified random sampling using Contracts Committee minutes, the contracts register, and monthly procurement and disposal reports.

Two (2) officers conducted the exercise under the supervision of the Manager Procurement Audit. During the exercise, the team examined records and documents for each of the ten (10) sampled procurement transactions. The team also reviewed the procurement plan for the Financial Year 2021/2022.

On completion of data collection, members of the team met with various stakeholders such as the Accounting Officer, Contracts Committee members, Procurement and Disposal Unit staff and User Department representatives to discuss and get clarifications on some of the preliminary findings. A management letter was issued by the Authority on 13th September 2022 and responses were received on 11th October 2021.

CHAPTER TWO: FINDINGS OF THE AUTHORITY

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

2.1.1. Procurement planning and procurement plan management

1. Insufficient planning

Procurement plan implementation rate

The following table summarizes information about the procurement plan, budget and utilization of funds. The procurement plan implementation rate was 56% while the variance was worth UGX 16,056,449,852 (56%) as indicated below:

Table 2: Procurement Plan Implementation Rate

Analysis of procurement spend	
Total procurement plan value inclusive of VAT (UGX)	36,508,857,884
Total procurement spend value inclusive of VAT (UGX)	20,449,408,032
Procurement plan implementation rate (%)	56.01%
Implementation variance (UGX)	16,059,449,852

Implication

The Entity failed to deliver services worth UGX 16,059,449,852 to the intended beneficiaries.

Management Response

The observation has been noted.

The low implementation was majorly as a result of the planned procurements that could not be implemented due to effects of Covid pandemic that affected global operations, interdependence of activities.

The variance between the planned procurement requirements value and the actual was further brought about by the procurement process economy and efficiency.

The Accounting Officer shall continue to carry out periodic reviews of the procurement plan performance as recommended.

Recommendations

The Accounting Officer should carry out a periodic review of the Entity's procurement plan to ensure full implementation of planned activities in accordance with Section 58 (4) of the PPDA Act, 2003.

2. Failure to fully implement previous audit recommendations

It was noted that the Entity had been issued its previous audit report for the Financial Year 2021-2022 in October 2019. The audit noted that 33% of the previous audit recommendations were partially implemented as indicated in Table 3:

Table 3: Status of implementation of previous audit recommendations

No.	Recommendation	Status of Implementation
1.	The Accounting Officer should ensure that procurement processes are conducted in a timely manner that promotes efficiency in accordance with Section 43 of the PPDA Act, 2003	Partially implemented
2.	The Head Procurement and Disposal Unit should ensure that all records are maintained on the procurement action files in accordance with Section 41 (1) (a) of the PPDA Act 2003	Partially implemented

Implication

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

Management response

- i. *Management takes note of the audit observations and appropriate mechanisms shall be put in place to ensure timely procurement process initiation.*
- ii. *All procurement files have complete records and the relevant documents are on file further review and confirmation.*

Recommendation

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

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

Procuring and Disposing Entities are required to apply the public procurement and disposal rules set out in the PPDA Act 2003 as amended, Regulations 2014 and Guidelines. The following areas of non-compliance were noted during the audit.

2.2.1. Efficiency

1. Delays in the procurement process

The Authority observed that there were delays across the different stages of the procurement process of three (3) transactions as shown below:

Table 4: Delays in the procurement process

No	Subject of procurement	PPDA Findings
1.	Supply and delivery of spare parts for Agilent HPLC,GC and UV worth USD 36,468.81	Delayed Initiation: Delayed initiation by two months, the planned initiated date according to the procurement plan was 14 th July 2021, while the actual start date was 22 nd September 2021.

No	Subject of procurement	PPDA Findings
2.	Consultancy services for the development of a web based Monitoring and evaluation system worth UGX 349,000,000	<ul style="list-style-type: none"> • Delay in Contracts Committee submission: The Accounting Officer confirmed availability of funds on 26th October 2021, but the Contracts Committee approved the method, Evaluation Committee and request for proposals with expression of interest on 19th January 2021. • Delayed procurement process: According to the initiation form, the date the system was required was in February 2022, however, the contract was signed on 30th June 2022.
3.	Supply, delivery and installation of two servers (hardware) for Head Office Data Center worth UGX 219,480,000	Delayed Initiation: According to the procurement plan, the bid invitation date was supposed to be 6 th July 2021, but it was initiated six months later, on 21 st January 2022.
	TOTAL	UGX 568,480,000

Implication

Delays in the procurement process create a lengthy lead time which consequently impedes timely service delivery.

Management response

Management takes note of the audit observations and appropriate mechanisms shall be put in place to ensure timely procurement process initiation.

Recommendation

The Accounting Officer should ensure that all procurements are conducted in a manner which promotes economy, efficiency and value for money in accordance with Section 48 of the PPDA Act, 2003.

2. Funds availability section not completed by User Departments

The Authority found that in the procurement of supply, delivery, qualification and training for the ICP-MS Testing System, the funds availability section of the requisition form was left blank contrary to Regulation 3 (1) (c) of the PPDA (Rules and Methods for Procurement of Supplies, Works and Non-Consultancy Services), 2014

Implication

The funds availability section acts as the budget tracker for any particular procurement transaction and therefore failure to fill the budget tracker deprives the Accounting Officer of vital information on funds availability while confirming availability of funds.

Management response

The observation has been noted and going forward, the Entity will ensure that procurement requisitions (PPDA Form 5 and 18) are completed including indicating the balance remaining as required.

Recommendation

User Departments should always indicate the amount of funds available at initiation from their budget allocation prior to confirmation of funding by the Accounting Officer.

3. Delayed delivery

The Authority noted that in the Supply, Delivery, Operational Qualification, Installation Qualification and training of the sievers M9 Laboratory Total Organic Carbon (TOC) Analyzer worth UGX USD 57,740, the provider delayed to deliver by three months. The contract document stated that the contract would commence upon contract signature and last for a period of 4-10 weeks from contract signature. Whilst the contract was signed on 16th May 2022, at the time of audit in August 2022, there was no evidence of delivery or contract management report on file.

Implication

This results in delayed service delivery to the intended beneficiaries.

Management Response

The procurement process in question is still under implementation. Delivery has not yet been made due to global supply chain challenges. The contract performance progress reports are on file. However, payment documents are expected to be filed once delivery and payment is done.

Recommendation

In consideration of the management response, Head Procurement and Disposal Unit should maintain all procurement records on file in accordance with Section 31 (o) of the PPDA Act, 2003.

CHAPTER THREE: OVERVIEW OF THE PERFORMANCE OF THE ENTITY

This section presents the scores per area assessed under different inspection questions.

3.1 Overall Compliance Inspection Conclusion

The performance of National Drug Authority for the Financial Year 2021/22 was **highly satisfactory** with overall weighted average risk rating of **16.15%**.

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 5: Summary of Performance

Risk category	No.	No. %	Value (UGX)	Value %	Weights	Total weighted Average	
						By No	By Value
High	0	0	0	0	0.6	0	0
Medium	2	18.2	2,738,505,184	32	0.3	5.5	9.66
Low	3	27	1,333,441,878	16	0.1	2.7	1.57
Satisfactory	6	55	4,429,074,373	52	0	0	0.00
Total	11	100.0	8,501,021,435	100	1	8.2	11.23

$$\text{Performance by Number} = \frac{8.2 \times 100}{60} = 13.6\%$$

$$\text{Performance by Value} = \frac{11.23 \times 100}{60} = 18.71\%$$

$$\text{The average weighted risk rating} = \frac{13.6 + 18.71}{2} = 16.15\%$$

Table 6: Overall Entity Ranking

Risk Rating	Description of Performance
0-20%	Highly Satisfactory
21-50%	Satisfactory
51-80%	Unsatisfactory
81-100%	Highly Unsatisfactory

Figure 1: Graphical representation of the cases by value

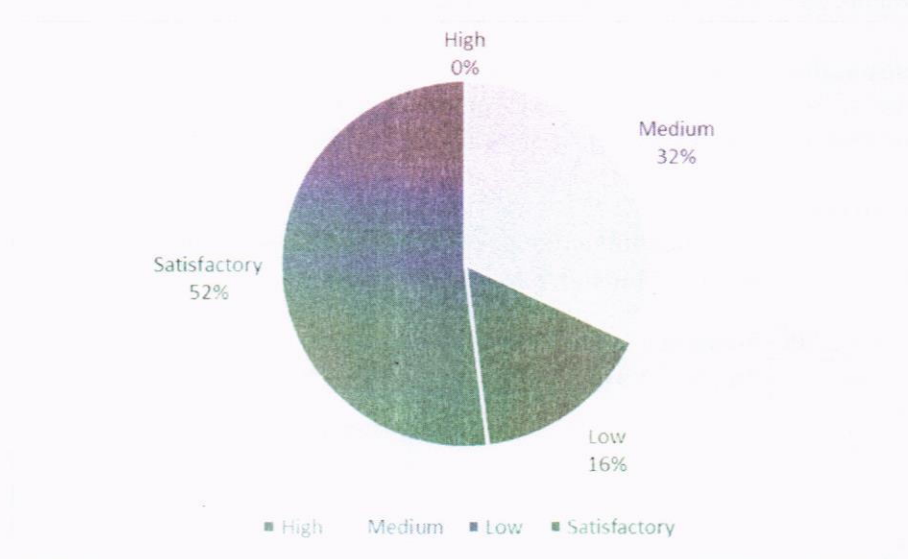
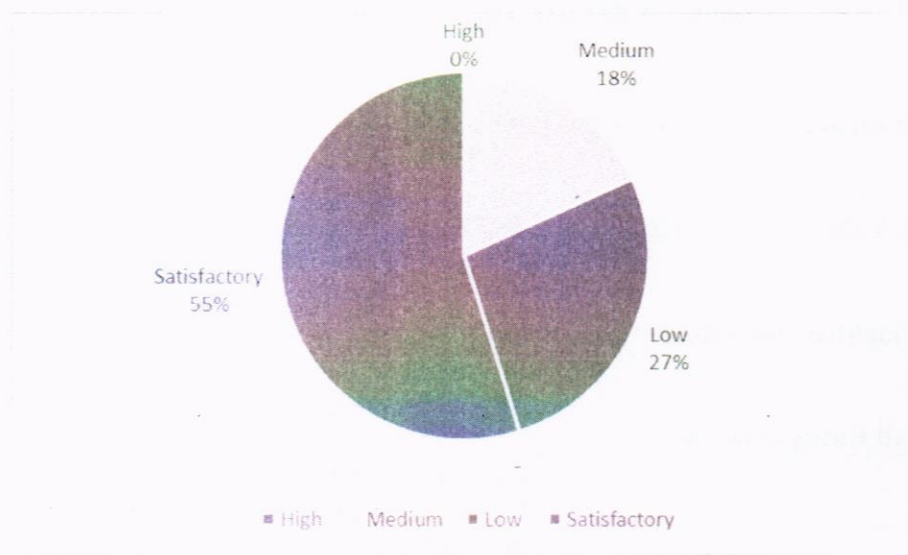


Figure 2: Graphical representation of the cases by number



Appendix 1: Findings and rating on the individual contracts reviewed

No.	MEDIUM RISK CONTRACTS	REASONS FOR MEDIUM RISK
1.	Supply, Delivery, Operational Qualification, Installation Qualification and training of the sievers M9 Laboratory Total Organic Carbon (TOC) Analyzer worth UGX USD 57,740	Delayed delivery. At the time of the audit, the supplier had not delivered the item despite the agreed delivery period of up to 10 weeks.
2.	Provision of consultancy services for the proposed National Drug Authority Laboratory equipment layout, design, specification, office design and supervision of equipment installation Method: Amount Supplier:	<p>Delay in Contracts Committee submission: The Accounting Officer confirmed availability of funds on 26th October 2021, but the Contracts Committee approved the method, Evaluation Committee and request for proposals with expression of interest on 19th January 2021.</p> <p>Delayed procurement process: According to the initiation form, the date the system was required was in February 2022, however, the contract was signed on 30th June 2022.</p>

No.	LOW RISK CONTRACTS	REASONS FOR LOW RISK
1.	Supply and delivery of spare parts for Agilent HPLC, GC and UV Method:	Delayed Initiation: Delayed initiation by two months, the planned initiated date according to the procurement plan was 14th July 2021, while the actual start date was 22 nd September 2021.
2.	Supply, delivery and installation of two servers (hardware) for Head Office Data Center worth UGX Procurement method: Contractor: Contract Value: 219,480,000	Delayed Initiation: According to the procurement plan, the bid invitation date was supposed to be 6 th July 2021, but it was initiated six months later, on 21 st January 2022.
3.	procurement of supply, delivery, qualification and training for the ICP-MS Testing System	Funds availability section was left blank

No.	SATISFACTORY CONTRACTS
1.	Supply, delivery, Installation, Qualification and Training of Automated Media fill and Media Preparator System Method: Direct Provider: Achelis Uganda Ltd Amount: UGX 426,887,354
2.	Supply, Delivery, Installation and Commissioning of Male Condom Automated Inflation System (AIS) Method: Direct Provider: Enersol Amount : UGX 636,082,000
3.	Designing and Development of an Online Web based Monitoring and Evaluation Management Information System for NDA Method: Shortlist EOI Provider: Future Technologies Ltd Amount: 335,762,667
4.	Provision of group personal accident and workman's compensation insurance scheme to nda staff Method: Open Domestic Bidding Provider: Sanlam Uganda Life Insurance Limited Amount: UGX 399,047,352
5.	Supply and delivery of assorted furniture for NDA offices Method: Restricted Bidding Provider: Nina Interiors Limited Amount UGX: 151,295,000
6.	Supply and Delivery of Motor vehicles and Motorcycles Method: Open Domestic Bidding Provider: Maybach Motors Ltd Amount: UGX 2,480,000,000

Appendix 2: List of sampled procurements for National Drug Authority for Financial Year 2021/2022

No.	Procurement Reference Number	Subject of Procurement	Method of procurement	Provider	Contract Value (UGX)	Rating
1.	NDA/SUPLS/21-22/00216	Supply, delivery, Installation, Qualification and Training of Automated Mediafill and Media Preparator System	Direct	Achelis Uganda Ltd	426,887,354	Satisfactory
2.	NDA/SUPLS/21-22/00179	Supply delivery Qualification and Training for the ICP-MS Testing System	Direct	M/S HTS SAS (High Detection Systems)	759,460,400	Low
3.	NDA/SUPLS/21-22/00103	Supply, Delivery, Installation and Commissioning of Male Condom Automated Inflation System (AIS)	Direct	Enersol	636,082,000	Satisfactory
4.	NDA/SUPLS/21-22/00081	Supply and delivery of Spare Parts for the Agilent HPLC, GC and UV	Direct	Chematrix Export (PTY) Limited	138,581,478	Low
5.	NDA/SUPLS/21-22/00037	Supply, delivery, operational qualification, installation and training of the Sievers M9 Laboratory Total Organic Carbon Analyzer	Direct	Chematrix Export (PTY) Limited	212,905,184	Medium
6.	NDA/SUPLS/21-22/00191	supply, delivery and installation of 2 servers (hardware) for head office data center	Open Domestic Bidding	MFI Document Solutions Limited	435,400,000	Low
7.	NDA/CONS/21-22/00006	Provision of consultancy services for the proposed National Drug Authority Laboratory equipment layout, design, specification, office	Shortlist EOI	Symbion Uganda Ltd in Association with Volts Vita PVT Lt	2,525,600,000	Medium

No.	Procurement Reference Number	Subject of Procurement	Method of procurement	Provider	Contract Value (UGX)	Rating
		design and supervision of equipment installation				
8.	NDA/CONS/21-22/00009	Designing and Development of an Online Web based Monitoring and Evaluation Management Information System for NDA	Shortlist EOI	Future Technologies Ltd	335,762,667	Satisfactory
9.	NDA/NCONS/21-22/00076	provision of group personal accident and workman's compensation insurance scheme to NDA staff	Open Domestic Bidding	Sanlam Uganda Life Insurance Limited	399,047,352	Satisfactory
10.	NDA/SUPLS/21-22/00017	Supply and Delivery of Motor vehicles and Motorcycles	Open Domestic Bidding	Maybach Motors Ltd	2,480,000,000	Satisfactory
11.	NDA/SUPLS/21-22/00121	supply and delivery of assorted furniture for NDA offices	Restricted Bidding	Nina Interiors Limited	151,295,000	Satisfactory
			TOTAL		8,501,021,435	

Appendix 3: List of the Contracts Committee members

No	Name	Designation	Directorate	Date of PSST appointment
1.	Mr. Swizin Byamugisha	Principal Accountant	DCS	29 th October 2022
2.	Ms. Diana Kabuzire	Head Legal Services	SA	3 rd September 2022
3.	Mr. Andrew Rutebuka	Ag. Head ICT	DCS	3 rd September 2022
4.	Mr. Fredrick Ssekyaana	Public Relations Officer	SA	3 rd September 2022
5.	Mr. William Boogere Wakaalo	Senior Analyst	DLS	3 rd September 2022

Appendix 4: Procurement and Disposal Unit Members

No	Name	Qualification	Date of appointment
1.	Mr. Patrick Omony Okema	MCIPS, Master's Degree in Public Administration, Bachelor's Degree in Procurement and Logistics Management	12 th August 2019
2.	Mr. Abiah Atuhairwe	MCIPS, Master's Degree in Logistics, Bachelor's Degree in Social Sciences (Economics & Social Administration)	29 th April 2009
3.	Mr. Siraje Mbuga	MCIPS, Bachelor's Degree in Procurement and Supply Chain Management	17 th June 2019
4.	Mr. Charles Nsamba	CIPS UK, Bachelor's Degree of Procurement and Logistics Management	04 th July 2017
5.	Mr. Dorothy Namuwonge	Bachelor's Degree in Procurement and Supply Chain Management	04 th July 2017

Appendix 5: Risk Rating Criteria

RISK	DESCRIPTION	AREA	IMPLICATION
HIGH	Such procurements were considered to have serious weaknesses, which could cause material financial loss or carry risk for the regulatory system or the entity's reputation. Such cases warrant immediate attention by senior management. Significant deviations from established policies and principles and/or generally accepted industry standards will normally be rated "high".	Planning: Lack of or failure to procure within the approved plan	This implies emergencies and use of the direct procurement method which affects competition and value for money.
		Bidding Process: Use of wrong/inappropriate procurement methods, failure to seek Contracts Committee approvals and usurping the powers of the PDU. Evaluation: Use of inappropriate evaluation methodologies or failure to conduct evaluation.	This implies use of less competitive methods which affects transparency, accountability and value for money. This implies financial loss caused by awarding contracts at higher prices or shoddy work caused by failure to recommend award to a responsive bidder.

RISK	DESCRIPTION	AREA	IMPLICATION
		Record Keeping: Missing procurement files and missing key records on the files namely; solicitation document, submitted bids, evaluation report and contract.	This implies that one cannot ascertain the audit trail namely; whether there was competition and fairness in the procurement process.
		Fraud/forgery: Falsification of Documents	This implies lack of transparency and value for money.
		Contract Management: Payment for shoddy work or work not delivered.	This implies financial loss since there has been no value for money for the funds spent and the services have not been received by the intended beneficiaries
MEDIUM	Procurements that were considered to have weaknesses which, although less likely to lead to material financial loss or to risk damaging the regulatory system or the entity's reputation, warrant timely management action using the existing management framework to ensure a formal and effective system of management controls is put in place. Such procurements would normally be graded "medium" provided that there is sufficient evidence of "hands on management control and oversight" at an appropriate level of seniority.	Planning: Lack of initiation of procurements and confirmation of funds.	This implies committing the Entity without funds thereby causing domestic arrears.
		Bidding Process: Deviations from standard procedures namely bidding periods, standard formats, use of PP Forms and records of issue and receipts of bids, usage of non-pre-qualified firms and splitting procurement requirements.	This implies lack of efficiency, standardisation and avoiding competition.
		Procurement Structures: Lack of procurement structures	This implies lack of independence of functions and powers and interference in the procurement process.
		Record Keeping: Missing Contracts Committee records and incomplete contract management records.	This implies that one cannot ascertain the audit trail namely; whether the necessary approvals were obtained in a procurement process.
		Contract and Contract Management: Failure to appoint Contract Supervisors, failure to seek the Solicitor General's approval for contracts above UGX. 200	This leads to unjustified contract amendment and variations which lead to unjustified delayed contract completion and lack of value for

RISK	DESCRIPTION	AREA	IMPLICATION
		million and lack of notices of Best Evaluated Bidders.	money. Bidders are not given the right of appeal.
		Failure by the Entity to incorporate in the solicitation document aspects of gender, social inclusion, environment, health and safety. Aspects of gender, social inclusion, environment, health and safety not covered by the contractor during contract implementation.	
LOW	Procurements with weaknesses where resolution within the normal management framework is considered desirable to improve efficiency or to ensure that the business matches current market best practice. Deviations from laid down detailed procedures would normally be graded "low" provided that there is sufficient evidence of management action to put in place and monitor compliance with detailed procedures.	Planning: Lack of procurement reference numbers.	This leads to failure to track the procurements which leads to poor record keeping.
		Bidding Process: Not signing the Ethical Code of Conduct	This leads to failure to declare conflict of interest and lack of transparency.

SATISFACTORY

Relates to following laid down procurement procedures and guidelines and no significant deviation is identified during the conduct of the procurement process based on the records available at the time.