



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

**COMPLIANCE INSPECTION REPORT FOR SHEEMA
MUNICIPAL COUNCIL FOR THE FINANCIAL YEAR
2021/22**

OCTOBER 2022

TABLE OF CONTENTS

EXECUTIVE SUMMARY	3
CHAPTER 1: INTRODUCTION	4
1.1. Background.....	4
1.2. Overall Objective	4
1.3. Compliance inspection Scope	4
1.4. Compliance inspection Methodology.....	4
1.5. Reporting.....	5
CHAPTER 2: KEY FINDINGS AND RECOMMENDATIONS	6
CHAPTER THREE: OVERVIEW OF THE PERFORMANCE OF THE ENTITY	21
3.1 Overall Compliance Inspection Conclusion	21
3.2 Entity's Performance.....	21
3.3 Recommended Action Plan	23
ANNEXES.....	
Annex A: Findings and Rating on the Individual Contracts Reviewed	24
Annex B: Risk rating criteria	26
Annex C: Sheema District Local Government Compliance Inspection Sample list for FY 2021-22.....	29
Annex D: Members of the Contracts Committee	30
Annex E: Composition of the Procurement and Disposal Unit.....	30

ACRONYMS

AO	Accounting Officer
FY	Financial Year
HPDU	Head Procurement and Disposal Unit
PDE	Procuring and Disposing Entity
PDU	Procurement and Disposal Unit
PS/ST	Permanent Secretary and Secretary to the Treasury
PPDA	Public Procurement and Disposal of Public Assets Authority
ICT	Information Communications Technology
PO	Procurement Officer
APO	Assistant Procurement Officer
VAT	Value-Added Tax
URA	Uganda Revenue Authority
BEB	Best Evaluated Bidder

EXECUTIVE SUMMARY

The Public Procurement and Disposal of Public Assets Authority carried out a compliance inspection on the procurement and disposal activities of Sheema Municipal Council that covered a representative sample of ten (10) procurement transactions under Financial Year 2021/22.

The overall objective of the procurement and disposal compliance inspection was to assess and establish the degree of compliance of Sheema Municipal Council procurement system and processes with the provisions of the PPDA Act, 2003 as amended and PPDA Regulations and assess the level of procurement performance over the compliance inspection period.

From the findings of the procurement compliance inspection exercise, the performance of Sheema Municipal Council for the Financial Year 2021/22 was **satisfactory** with an overall weighted average risk rating of **42.4%** as per the rating in table 13 in the report.

Despite the Entity's satisfactory performance, the following key exceptions were noted:

1. There was low bidder participation in seven (7) procurements worth UGX 271,403,802 with an average participation of 1.1 bid per procurement. Lack of competition affects value for money at contract implementation and creates low bidder confidence.
2. There was lack of proper accountability in contract management in the procurement for completion of the Administration Block Phase V worth UGX 86,200,000. There was a **financial loss of UGX 856,524** arising after negotiation that led to a reduction in scope of works.
3. The Entity experienced a **financial loss of UGX 18,899,582** due to award of contracts to firms that were not VAT registered in 3 procurements worth UGX 123,717,262.
4. There were irregularities at evaluation in three (3) procurements worth UGX 109,540,766. Such irregularities included introduction of new evaluation criteria at evaluation, evaluation of an unauthorized bid, use of a wrong evaluation methodology and pass of a non-compliant bidders.
5. There was inadequate space for the Procurement and Disposal Unit where several Departments shared the same small space.

In light of the above, the Authority recommends as follows:

1. The Accounting Officer should investigate the reasons for the low bidder participation in the Entity's procurement processes and put in place a mechanism for promoting competition in accordance with Section 46 of the PPDA Act, 2003.
2. The Accounting Officer should **recover UGX 856,524** from Mutara Works Enterprises Ltd using the retention money as payment made due to wrong computation during the construct of Administration Block Phase V.
3. The Accounting Officer should recover **UGX 18,899,582** from Arthur Technical Services, Bush Engineering Services Ltd and Detu Development (U)- SMC Ltd due to payment of VAT to firms not registered for VAT.
4. The Evaluation Committees should evaluate bids in line with the evaluation methodology and criteria stated in the solicitation document in accordance with Section 73 (2) and (3) of the PPDA Act 2003.
5. The Accounting Officer should facilitate the Procurement and Disposal Unit with sufficient and secure office space and filing cabinets for proper storage of procurement and disposal records.

CHAPTER 1: INTRODUCTION

1.1. Background

The Public Procurement and Disposal of Public Assets Authority carried out a compliance inspection on the procurement and disposal activities of Sheema Municipal Council that covered a representative sample of ten (10) procurement transactions under Financial Year 2021/22. 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 Local Government (PPDA) Regulations, 2006.

1.2. Overall Objective

The overall objective of the compliance inspection was to assess and establish the degree of compliance of Sheema Municipal Council procurement system, process, and disposal process with the provisions of the PPDA Act, 2003 as amended and the Local Government (PPDA) Regulations, 2006. and assess the level of procurement performance over the period under review.

The specific objectives of the compliance inspection of Sheema Municipal Council were: -

1. To establish the level of compliance by the Entity with the general provisions of the PPDA Act, 2003, and Local Government (PPDA) Regulations, 2006.;
2. To establish the level of compliance with the PPDA Act, 2003, and Local Government (PPDA) Regulations, 2006. 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

PPDA carried out the procurement and disposal compliance inspection of Sheema Municipal Council which covered a sample of ten (10) procurement transactions worth **UGX 497,896,335** 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 **Annex D**.

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 fit for purpose.

During the Compliance Inspection, the auditors held interviews with the staff from the Procurement and Disposal Unit (PDU) and User Departments that were necessary for 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 **23rd August 2022** before the auditors could embark on the preparation of the management letter. The auditors prepared the

management letter, which was sent to the Entity on **4th October 2022** with a request to submit a management response by **13th October 2022**, which was submitted on **21st October 2022**.

On completion of data collection and before writing the report, the Regional Manager reviewed the working papers for completeness. The working papers contain a 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. Reporting

Reporting is in a format that identifies the findings by exception, the level of risk, and the recommendations. The procurements are rated in four categories according to the weakness identified namely High Risk, Medium Risk, Low risk, and Satisfactory. The definition of the risk rating is in **Annex B**.

CHAPTER 2: KEY FINDINGS AND RECOMMENDATIONS

2.1 To establish the level of compliance with provisions of the PPDA Act, Regulations, and Guidelines

2.1.1 Failure to fully implement previous PPDA audit recommendations

The Authority noted that only 59% of its previous recommendations were fully implemented, 6% partially implemented leaving 35% not implemented.

Table 1: Implementation of PPDA recommendations

S/N	Recommended action plan	Status	Management Response
1.	The Accounting Officer should ensure that all recommendations by the Authority are shared with all Departments of the Entity and institute a mechanism to ensure full implementation.	Not Implemented	The report was shared by the former accounting Officer to all heads of department in senior management meetings to ensure full implementation
2.	The Procurement and Disposal Unit should ensure that complete procurement action files are kept following Regulation 46 of the Local Government (PPDA) Regulations, 2006.	Not Implemented	The Procurement action files are kept well in the procurement cupboard and the store though the Entity is facing a challenge of office space to put in bookshelves for easy accessibility
3.	The Contracts Committee should carry out its oversight function under Regulation 17 of the LG(PPDA) Regulations, 2006.	Partially Implemented	Recommended to comply with this requirement
4.	The Chairperson of the Evaluation Committee should notify bidders of arithmetic corrections made to their bids and inform all participating bidders following Regulation 74 (4) of the LG (PPDA) Regulations, 2006.	Not Implemented	The recommendation was fully implemented because bidders have been notified in case of arithmetic errors found in the bid evidence on current communication hereby attached
5.	The Accounting Officer should ensure that contract managers prepare and submit monthly and progress reports following Regulation 53 (3) (g) and (4) of the PPDA (Contracts) Regulations, 2006.	Not Implemented	Recommended to comply with this requirement

Implication

This implies that the Entity did not fully implement 41% of the previous audit recommendations.

Recommendation

The Authority noted the Entity's response and recommends that the Accounting Officer should ensure that all recommendations by the Authority are shared with all Departments of the Entity and institute a mechanism to ensure full implementation.

2.1.2 Procurement plan implementation rate

The Authority assessed the Entity's procurement plan and the table below includes detailed information about the plan and budget utilization of funds. The procurement plan implementation rate was 73% with a variance of UGX 499,922,019 (27%).

Table 2: Procurement plan implementation rate

Analysis of procurement spend	
Total procurement plan value inclusive of VAT (UGX)	1,854,975,040
Total procurement spend value inclusive of VAT (UGX)	1,355,053,021
Procurement plan implementation rate	499,922,019
Budget variance (UGX)	27%

Implication

This implies that 27% of the planned services were not delivered to the intended beneficiaries.

Management response

The variance was due to the failure to submit revenue quarterly reports to the authority which was part of the procurement plan. We promise to deliver services aiming 100% in FY 2022/2023 as per the recommendation

Recommendations

- The Authority noted the Entity's response and recommends that the Accounting Officer should ensure to submit quarterly reports of all procurement and disposal activities and performance data without fail.
- The Procuring and Disposing Entity should deliver services with an aim of a 100% procurement plan implementation rate for the Financial Year 2022/23.

2.1.3 Irregularities in reporting to the Authority

The Authority noted that the framework contract for the supply of fuel and lubricants was awarded to four firms; Tumuhimbise Peter Service Station, Nepa Investments, Speedway Service Station, and Total Igara Service Station.

However, Nepa Investments was receiving Lion's share of the contract in terms of both amount and number of transactions in comparison to other pre-qualified providers as shown here below:

Table 3: The percentage share of call-off orders on the fuel framework contract

S/N	Name of provider	Total amount reported		Total transactions	
		UGX	%	Number	%
1.	Tumuhimbise Peter Service Station	92,017,330	23.3	37	21.0
2.	Nepa Investments	180,279,557	45.6	98	55.7
3.	Speedway Service Station	92,689,040	23.4	28	15.9
4.	Total Igara Service Station	30,401,498	7.7	13	7.4
TOTAL		395,387,425	100	176	100

Implication

Uneven distribution of business is an indicator of unfairness and it disadvantages other pre-qualified bidders since it may lead to disgruntlement and ultimately to low bidder participation.

Management Response

The difference of not having an equal share of the supply of fuel is because of some service stations lack fuel frequently and for the case of Total Igara service, the distance is not favoring users and sometimes the funds are limited

Recommendations

- The Head Procurement and Disposal Unit should ensure that a bidder is not included in the award unless he or she is expected to satisfy fully the qualification requirements of competence, capacity, resources, and experience required for the execution of the contract as per Regulation 38 (5) (d) of the Local Governments (PPDA) Regulations, 2006.
- The Head Procurement and Disposal Unit and Contracts Committee should ensure that all bidders who have been awarded a contract under the framework arrangement are given an equal share at the time of delivery. This should be monitored by the Internal Audit department in accordance with Regulation 28 of the Local Governments (PPDA) Regulations, 2006.

2.1.4 Inadequate space for the Procurement and Disposal Unit

The inspection noted that the Procurement and Disposal Unit (PDU) was not well facilitated in terms of office space. The PDU which comprises two members namely the Procurement Officer and the Assistant Procurement Officer share an office space with the Planning Unit and ICT as indicated in the pictures.

The inspection noted that both the PO and APO share a small desk where they can hardly sit together and so one of them has to work from outside the office while the other utilizes the desk.

Figure 1: Procurement and Disposal Unit Office space



Above: Inside the small office. The first desk on the right hand next to the door is shared by the PO and the APO. The next desk directly opposite the door is for the Planner while the desk at the forefront of the picture is for the IT Officer.



Above: The entrance to the shared office



Above: The only storage cupboard available in the office for all the procurement action files.

Implication

The security of procurement documents is compromised as they can be easily accessed by anyone visiting the office for any other purposes other than procurement related. This contravenes the principle of confidentiality.

Management Response

Lack of office space is still a challenge; many departments are sharing offices until the new building is constructed

Recommendation

The Accounting Officer should facilitate the Procurement and Disposal Unit with sufficient and secure office space and filing cabinets for proper storage of procurement and disposal records.

2.1.5 Missing records

The Entity failed to avail the following procurement records listed below to the audit team for verification.

Table 4: Procurements with missing documents

S/N	Subject of procurement	Contract amount (UGX)	Missing records
1.	Supply of medical equipment to Kashozi HC IV	180,000,000	<ul style="list-style-type: none"> • Specifications • Bids • Advance payment (30%) • Advance payment guarantee • Appointment of contract supervisor • Contract implementation plan
2.	Collection of revenue from Kabwohe Daily Matooke Market	3,700,000 per month	<ul style="list-style-type: none"> • Submitted bids • Appointment of contract supervisor • Contract implementation plan • Monthly performance reports
3.	Procurement of chairs for the council hall and twin desks for Kagongo Division	34,840,000	<ul style="list-style-type: none"> • Contract implementation plan • Payment records

Implication

Missing records affect the audit trail.

Recommendations

The Authority recommends that the Head Procurement and Disposal Unit should ensure that all records on a procurement transaction are properly archived following Section 31 (o) of the PPDA Act 2003.

Management response

2.2 To establish the level of compliance with the PPDA laws in the conduct of procurement and disposal activities

2.2.1 Irregularities noted at Bidding

The following four (3) procurements worth UGX 79,482,533 had irregularities at bidding as indicated in Table 7 below;

Table 5: Irregularities noted at the bidding

No.	Subject of procurement	Irregularities noted
1.	Collection of revenue from Kabwohe Daily Matooke Market UGX 3,700,000 per month	Failure to fill and sign a requisition form. There was no requisition form and terms of reference for all revenues from the sub-counties (the Lower Local Governments simply submit reserve prices to the Town Clerk).
2.	Design and documentation of drainage channels in	Use of wrong procedures at proposal submission. Whereas the solicitation document emphasized that the form of submission would be one stage two

	Kabwohe Division worth UGX. 64,130,000	envelope method, the sole bidder Kesiks Enterprises Ltd submitted one bid document that included both the financial and the technical proposals. Subsequently, the Entity opened both the technical and financial proposals at the same time and even read out the proposal price before the technical evaluation had been done.
3.	Completion/Expansion of slaughter slab Phase III at Kagango Market worth UGX. 11,652,533	Use of ambiguous evaluation criteria. The detailed evaluation criteria required a bidder to submit evidence of company experience. However, it failed to indicate the amount for each contract or the period for the experience.

Implications

- Failure to sign a requisition form questions the Authorizing approval of the procurement requirement.
- The use of wrong procedures contravenes the provision of the PPDA Regulations
- The use of ambiguous evaluation criteria in the solicitation document hinders bidders from preparing and submitting responsive bids.

Management response

The Entity will follow the recommendations and will use the PPDA website to get standard bidding documents to solve irregularities in bidding.

Recommendations

- The Head Procurement and Disposal Unit should ensure that the solicitation documents prepared have the most appropriate evaluation methodology and criteria in accordance with Regulations 48(2) & 48(4) of the Local Governments (PPDA) Regulations, 2006.
- The Head Procurement and Disposal Unit should ensure to follow the provisions of the Local Government (PPDA) Regulations, 2006 when conducting procurements.

2.2.2 Inconsistencies in the bidding document

The Authority reviewed the bidding document and noted that there were inconsistencies in the eligibility requirements. This was noted between the Section 3 B: Preliminary Examination Criteria and the summary of the Evaluation criteria summarised in the bidding document for the construction of a 5-stance lined latrine at Kashozi Primary School worth UGX 25,786,540 as shown in Table 8 below:

Table 6: Inconsistent criteria

Eligibility requirements under Section 3 B	Eligibility criteria under the summary in the solicitation document	Inconsistences noted
Names and particulars of Directors/Shareholders	Not stated	Bidders may be misguided on whether to submit the information or not
Schedule of key personnel	Not stated	The schedule should have been included in the summary as well

Eligibility requirements under Section 3 B	Eligibility criteria under the summary in the solicitation document	Inconsistencies noted
Certified income tax clearance	Genuine valid income tax or transactional tax clearance certificate	May receive different Transaction Tax Clearance certificates which would both be valid
Certified certificate of registration or incorporation	Copy of certificate of incorporation or its equivalent	Unclear criteria regarding certification
Bid security in form of a bank draft addressed to Sheema MC	Bid security N/A	Bidders may be misguided to believe this requirement is optional.
Experience in similar works in the last three years	Not stated	Experience should have been stated in the summary
Not stated	Company profile, physical address/location of the firm	Items in the summary should be a simplified version of the ones in Section 3 not newly introduced criteria.
Not stated	Audited books of accounts from approved & certified audit firms for the previous 3 years 2018-20	Items in the summary should be a simplified version of the ones in Section 3 not newly introduced criteria.
Not stated	Bidders not insolvent, in receivership, or suspended by the PPDA Authority	Items in the summary should be a simplified version of the ones in Section 3 not newly introduced criteria.

Implication

Inconsistencies in the solicitation document hinder the bidder's ability to prepare responsive bids.

Management response

Recommendations are noted and all the inconsistencies will be avoided

Recommendation

The Head PDU should ensure that the issued solicitation documents are clear and leave no room for assumption by the bidders in accordance with Regulation 48 of the Local Governments (PPDA) Regulations, 2006.

2.2.3 Low bidder participation

There was low bidder participation in the following six (6) procurements worth UGX 267,703,802 and one revenue transaction worth UGX 3,700,000 per month as mentioned in Table 9 below:

Table 7: Level of participation

S/N	Subject of procurement	Procurement method	Contract amount (UGX)	Number of bidders issued with a bidding document	Number of participating bidders
1.	Construction of a 5-stance lined latrine at Kashozi Primary School	Open Domestic Bidding	25,786,540	2	2
2.	Maintenance of building facility at Kikonko primary school	Open Domestic Bidding	32,000,000	1	1
3.	Design and documentation of drainage channels in Kabwohe Division	Open Domestic Bidding	64,130,000	1	1
4.	Completion of administration block phase 5	Open Domestic Bidding	86,200,000	1	1
5.	Supply and installation of solar street lights in Kabwohe CBD	Selective Bidding	19,624,226	2	1
6.	Completion of 2-classroom block at Kagongi Madrasat Primary School Phase II	Open Domestic Bidding	39,963,036	1	1
7.	Collection of revenue from Kabwohe Daily Matooke Market	Open Domestic Bidding	3,700,000	1	1
TOTAL			271,403,802		

Root cause

The bidding documents were sold at UGX 100,000 which was slightly high in comparison to the works/services/supplies.

Implication

Low bidder participation indicates low levels of competition in the procurement processes of the Entity which affects value for money.

Management response

The recommendation has been taken note of and the Procurement and Disposal Unit and the Accounting Officer shall ensure competition.

Recommendations

- The Head Procurement and Disposal Unit should ensure to set realistic prices for bidding documents in accordance with Reg. 48 (6) of the PPDA (Local Governments) Regulations, 2006.
- The Head Procurement and Disposal Unit should also conduct supplier appraisals of providers and develop strategies to maximize competition in accordance with Section 46 of the PPDA Act 2003 as amended.

2.2.4 Irregularities noted during the evaluation

Irregularities at evaluation were noted in the following three (3) procurements worth UGX 109,540,766:

Table 8: Procurements with irregularities at evaluation

No.	Subject of procurement	Findings	Management Responses
1.	Construction of a 5-stance lined latrine at Kashozi Primary School worth UGX 25,786,540 by Leader Investments Ltd	<p>Passing non-compliant bidders The Authority noted that the best-evaluated bidder, Leader Investments Limited, was passed as having submitted a PPDA certificate and the schedule of key personnel yet the two documents were missing in the submitted bid.</p> <p>Introducing new evaluation criteria during the evaluation The Authority noted that the bidders were evaluated on the following criteria which were not stated in the bidding document issued:</p> <ul style="list-style-type: none"> ➤ Traffic management plan to ensure the safety of local communities; ➤ Implementation of the work plan ➤ Water resources protection plan to prevent contamination of water and protection of fragile ecosystems; ➤ Availability of completion schedule; ➤ Boundary marking and protection strategy to prevent offsite adverse impacts; and ➤ Gender-based violence and sexual exploitation and abuse and response action plan 	The new criteria were not introduced at the evaluation stage, all were part of the requirements needed in the Environment and Social Management Plan (ESMP). To determine the compliance of the Best Evaluated Bidder

No.	Subject of procurement	Findings	Management Responses
2.	Design and documentation of drainage channels in Kabwohe Division worth UGX. 64,130,000 by Arthur Technical Services	<ul style="list-style-type: none"> Evaluation of an unauthorized bid It was noted that the technical bid submission sheet submitted by the best-evaluated bidder, Kesika Enterprises Ltd, was not signed by the bidder. The technical bid submission sheet was not signed hence was not binding. Use of a wrong evaluation methodology. Whereas the Entity issued a proposal solicitation document that specified under Section 3 part A, that the methodology to be used was the Quality and Cost Selection method, the Evaluation Committee used the Technical Compliance Selection method during the evaluation. This is an indicator of poor guidance of the Committee from PDU as well as a lack of sensitization of relevant stakeholders within the Entity about proper procurement procedures Passing a non-compliant bidder: The Best Evaluated Bidder should have been eliminated at the technical evaluation stage for failure to provide evidence of experience in the required services. The bid document required that the bidder submits evidence of completion certificates to indicate 3 years of experience. However, the bidder provided evidence of experience in only construction works and not design. There were no completion certificates or evidence of contract agreements for the provision of consultancy services in designs. 	<ul style="list-style-type: none"> It was an oversight since one bidder showed interest, at the bid opening the financial bid was opened which lead the evaluation team to proceed with the financial. The recommendation given will be taken seriously The Evaluation committee looked at it and was advised by the external Auditors that there will be no value for money in re- advertisement since the advert failed to attract many bidders

No.	Subject of procurement	Findings	Management Responses
		<p>The BEB should have been eliminated for failure to submit an Environment Impact Assessment Plan.</p> <p>The BEB did not submit a detailed technical proposal on how the work would be performed. Arthur Technical Services submitted a filled price schedule without evidence of compliance with the set terms of reference or proposed methodology of service delivery. It was noted that even the contract document did not specify the methodology of service delivery that the provider intended to use.</p>	
3.	Supply and installation of solar street lights in Kabwohe CBD worth UGX. 19,624,226 by Detu Developments (U) – SMC LTD	<ul style="list-style-type: none"> • Passing a non-compliant bidder: <p>The BEB should have been eliminated at the preliminary stage for failure to provide the relevant experience. Detu Developments (U) – SMC LTD was incorporated on 4th May 2021, however, the submitted evidence on file indicates experience in the installation of solar lights street lights at Nkore Plcae worth UGX 75,000,000 in June 2020, one year before the company's incorporation. The other experience submitted was for the supply and installation of street lights at Kosiya Hotel with a start date of 9th March 2021, two months before the company's incorporation date. This is an indicator of the laxity of the evaluation committee and poor guidance from PDU.</p>	<ul style="list-style-type: none"> • The Entity did not provide a response

Implication

Passing non-compliant bidders contravenes the principles of fairness and accountability in the evaluation of bids.

Recommendations

- The Procurement and Disposal Unit should ensure that the Evaluation Committee members strictly adhere to the criteria set out in the solicitation document following Regulation 73 (1) and (2) of the Local Government (PPDA) Regulations, 2006.
- The Procurement and Disposal Unit should ensure to provide technical guidance and manage the Evaluation process as stipulated under Regulation 25 (3) (e) of the Local Governments (PPDA) Regulations, 2006.

2.2.5 Award of Value Added Tax (VAT) inclusive contracts to non-VAT registered users.

This was noted in the following three (3) procurements worth UGX. 123,717,262:

- In the design and documentation of drainage channels in Kabwohe Division worth UGX. 64,130,000 by Arthur Technical Services, the BEB quoted UGX 64,310,000 inclusive of the VAT component worth UGX 9,810,000 yet the firm was not registered for VAT. According to the URA Certificate of Registration submitted by the provider, VAT was registered on 01/09/2011 and canceled on 30/11/2017. Therefore, the Evaluation Committee should have taken note to confirm the bidders' VAT status or award based on a VAT-exclusive figure. **This led to a financial loss of UGX 9,810,000 to the Entity.**
- Completion of a 2-classroom block at Kagongi Madrasat Primary School Phase II worth UGX 39,963,036 by Bush Engineering Services Ltd. The contract was awarded at UGX 39,963,036 with a VAT component worth UGX. 6,096,056.4 yet the contractors' URA Certificate of Registration did not indicate VAT registration. **This led to a financial loss to the Entity worth UGX. 6,096,056.4.**
- Supply and installation of solar street lights in Kabwohe CBD worth UGX. 19,624,226 by Detu Development (U)- SMC Ltd. It was noted that the URA certificate of registration submitted by the BEB, Detu Development (U)- SMC Ltd did not have a component of VAT. Taxes registered included TIN Non-individual; Income Tax and Motor vehicle only. The contract was awarded at a total sum of UGX. 19,624,226 with a VAT component worth **UGX 2,993,526 which caused a financial loss to the Entity.**

Implication

The Entity is at risk of a potential financial loss that affects the implementation of other planned activities.

Management response

For the Design and documentation of the drainage, channel payment was not made. Other mentioned companies will take note as per the recommendation

Recommendations

- For the providers where payment has already been effected, the Accounting Officer should task the contractors: Bush Engineering Services Ltd and Detu Development (U)- SMC Ltd, to provide evidence of remittance of this amount of VAT to URA or have them refund UGX. 6,096,056.4 and UGX. 2,993,526 respectively that was erroneously paid to the two contractors as VAT.

- The Accounting Officer should ensure that all providers whose contracts have been signed with a VAT-embedded value are cross-checked for VAT status before any payments have been made to avoid financial losses to Government.

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

2.3.1 Delays at contract signing

The Authority noted that there were an average delay period of 69 working days between the planned and actual date of contract signing in three (3) procurements worth UGX 121,916,540 as detailed below:

Table 9: Delays at contract signing

S/N	Subject of procurement	Contract value (UGX)	Planned date	Actual date	Delay (working days)
1.	Construction of a 5-stance lined latrine at Kashozi Primary School	25,786,540	15 th October 2021	10 th January 2022	62
2.	Maintenance of building facility at Kikonko primary school	32,000,000	15 th October 2021	21 st January 2022	72
3.	Design and documentation of drainage channels in Kabwohe Division	64,130,000	15 th October 2021	10 th January 2022	72
TOTAL/AVERAGE		121,916,540			68.7

Root cause

The Authority noted an elapsed period of 42 working days between the date of bid acceptance 12th November 2021 and the date of contract signing 1st January 2022 in the Construction of a 5-stance lined latrine at Kashozi Primary School worth UGX 25,786,540.

Implications

- Delayed initiation leads to delayed service delivery to the intended beneficiaries leading to ad-hoc procurements which tend to be costly.
- Delayed contracting affects service delivery and could lead to low budget absorption due to non-payment of providers by the end of the financial year.

Management response

Delays at contract signing were due to delays in the release of funds

Recommendations

- The Heads of User Departments should ensure that procurements are initiated within the planned timelines to promote efficiency in service delivery following Section 48 of the PPDA Act, 2003.
- The Accounting Officer should ensure that the planned timelines are adhered to promote efficiency in service delivery in accordance with Section 48 of the PPDA Act, 2003.

2.3.2 Improper computation of the contract price

This was noted in the procurement for completion of Administration Block Phase 5 worth UGX 86,200,000 by Mutara Works Enterprises Ltd. There was an incorrect computation of the negotiated price which resulted in a financial loss worth UGX. 856,524.

During negotiations, the parties agreed to leave out the item for the tank stand that the contractor had quoted at UGX. 4,758,469 (VAT Exclusive). However instead of computing the negotiated price as UGX. 85,343,476, the Evaluation Committee computed it as UGX. 86,200,000.

The negotiated price should have been computed as UGX. 77,083,448 (Initial cost VAT Exclusive) less UGX. 4,758,469 (Cost of the tank stand VAT Exclusive) which would be UGX. 72,324,979 (VAT Exclusive) plus VAT worth UGX. 13,018,496 which would arrive at a negotiated total price of UGX. 85,343,476. The Entity, however, computed UGX 90,958,469 (Original quoted price VAT Inclusive) less UGX. 4,758,469 (Cost of Tank stand VAT Exclusive) arriving at an incorrect cost of UGX. 86,200,000 (VAT Inclusive) leading to a financial loss worth UGX. 856,524 to the Entity.

Table 10: Computation of the contract price

Entity's computation			Right computation		Variance
BEB Price (VAT inclusive)	90,958,469		BEB price (VAT exclusive)	77,083,448	
Tank cost (VAT exclusive)	4,758,469		Tank cost (VAT exclusive)	4,758,469	
A: Contract Price (VAT inclusive)	86,200,000		Contract price (VAT exclusive)	72,324,979	
			B: Contract Price (VAT inclusive)	85,343,476	
Variance (A – B)	86,200,000 – 85,343,476				856,524

Implication

Incorrect computation of the negotiated contract price resulted in a financial loss worth UGX. 856,524 to the Entity.

Management response

The error was made and the variance of 856,524= will be retained when paying retention money.

Recommendation

The Authority recommends that the Accounting Officer submit a report together with supporting evidence of the deduction of the amount of UGX. 856,524 from Mutara Works Enterprises Ltd retention balance.

2.3.3 Lack of accountability for local revenue collection

This was noted in the awarded contract for the collection of revenue from Kabwohe Daily Matooke Market worth UGX 3,700,000 per month where the Entity did not provide evidence of remittance of revenue to the Entity for all the six months that the contract was valid (January – June 2022). The total amount that should have been remitted was UGX. 22,200,000.

Implication

Failure to remit local revenue implies that the Entity cannot proceed to conduct activities that were planned to be funded by the local revenue. This affects service delivery to the community.

Management response

All revenue collections are remitted directly at the division level. The finance officer will be tasked to provide the status of payment to be submitted to the authority.

Recommendations

The Authority noted the Entity's response and recommends that the Accounting Officer endeavors to submit the status report on all local revenue remittances for the financial year 2021/22 not later than 10 working days after receipt of this report.

2.3.4 Lack of proper accountability in contract management

The Authority noted that in the procurement for completion of administration block phase 5 worth UGX. 86,200,000, the contractor Mutara Works Enterprises Ltd was paid UGX 700,000 without executing the corresponding works. Furthermore, Mutara Works Enterprises Ltd quoted and was paid the provisional sum worth UGX. 200,000 for demolishing, finishing, and painting., there was no extra demolishing or painting was done which was not included in the initial BOQs. Furthermore, Mutara Works Enterprises Ltd quoted for an underground water tank worth UGX. 500,000. The contract management records on file did not indicate accountability for these items.

Implication

Such items inflate the contract price leading to a financial loss to the Entity.

Management response

The Entity did not respond to this issue

Recommendations

The Accounting Officer should task the contract manager to provide proper accountability for the above items worth UGX. 700,000 as was quoted and paid to the contractor for completion of administration block phase V.

CHAPTER THREE: OVERVIEW OF THE PERFORMANCE OF THE ENTITY

This chapter will present graphically the scores per area assessed under different inspection questions.

3.1 Overall Compliance Inspection Conclusion

The performance of Sheema Municipal Council was **Satisfactory** with an overall weighted average risk rating of **42.4%** as detailed below:

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 in Table 11:

Table 11: Entity's performance

Risk Category	Number of sampled procurements	Value (UGX)	Rating by No. %	Rating by Value%	Weights %	Total Weighted Score	
High	2	89,900,000	20	18	0.6	12	10.8
Medium	4	97,026,335	40	19.5	0.3	12	5.8
Low	4	310,970,000	40	62.5	0.1	4	6.3
Total	10	497,896,335	100	100	1	28	22.9

$$\text{Weighted Average (By no.)} = \frac{\sum \text{Weighted Score}}{60} \times 100 = \frac{28}{60} \times 100 = 46.7\%$$

$$\text{Weighted Average (By Value)} = \frac{\sum \text{Weighted Score}}{60} \times 100 = \frac{22.9}{60} \times 100 = 38.1\%$$

$$\text{Combined Weighted Average} = \frac{46.7 + 38.1}{2} = 42.4\%$$

Since 42.4% falls within the 21% - 50% risk range, the performance of the Entity is rated **Satisfactory** as detailed in Table 12.

Table 12: Risk rating

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

Figure 2: Risk rating criteria by Number

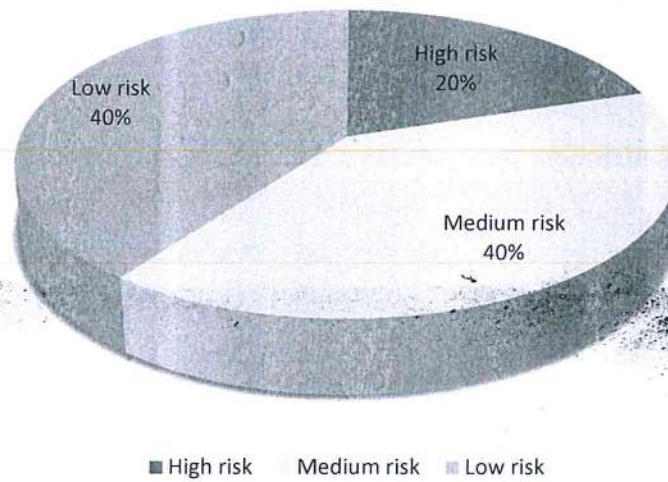
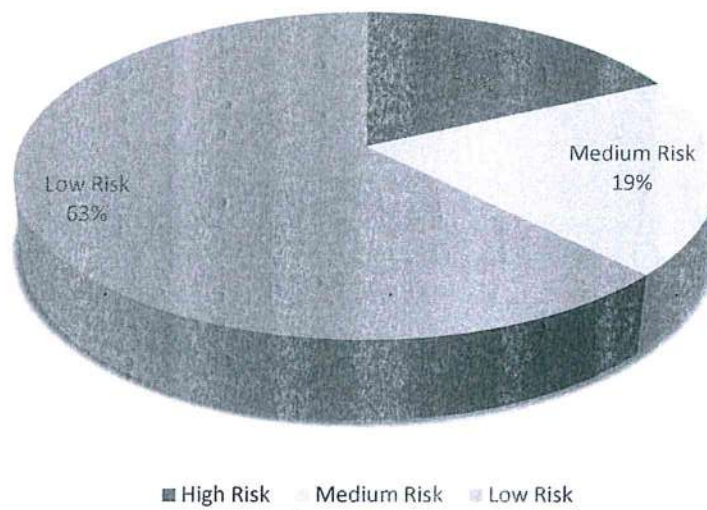


Figure 3: Risk rating criteria by value



3.3 Recommended Action Plan

Sheema Municipal Council should implement the following recommendations within the timeframe given to improve its performance in Procurement and Disposal.

Table 13: Recommended Action plan

SN	Recommended Action	Target Date
1.	The Accounting Officer should ensure that all recommendations by the Authority are shared with all Departments of the Entity and institute a mechanism to ensure full implementation.	April 2023
2.	The Accounting Officer should facilitate the Procurement and Disposal Unit with sufficient and secure office space and filing cabinets for proper storage of procurement and disposal records	
3.	The Procuring and Disposing Entity should deliver services with an aim of a 100% procurement plan implementation rate for the Financial Year 2022/23	April 2023
4.	The Head Procurement and Disposal Unit should ensure that the solicitation documents prepared have the most appropriate evaluation methodology and criteria in accordance with Regulations 48(2) & 48(4) of the Local Governments (PPDA) Regulations, 2006.	April 2023

Annex A: Findings and Rating on the Individual Contracts Reviewed

NO.	HIGH-RISK CONTRACTS	REASONS FOR HIGH RISK
1.	Completion of administration block phase 5 worth UGX. 86,200,000	<ul style="list-style-type: none"> • Low bidder participation. • Improper computation of the negotiated price led to a financial loss worth UGX. 856,524.. • Lack of accountability in contract management.
2.	Collection of revenue from Kabwohe Daily Matooke Market UGX 3,700,000 per month	<ul style="list-style-type: none"> • There was no requisition form or terms of reference for all revenue centers. • The Contracts signed did not state the total contract amount but simply the monthly payment. • There was no evidence of remittance of revenue to the Entity for all the six months the contract was valid (January – June 2022) • Missing documents
	MEDIUM RISK CONTRACTS	REASONS FOR MEDIUM RISK
1.	Supply and installation of solar street lights in Kabwohe CBD worth UGX. 19,624,226	<ul style="list-style-type: none"> • Low bidder participation. • Passing a non-compliant bidder: • Awarding a VAT-inclusive contract to a non-VAT registered user.
2.	Construction of a 5-stance lined latrine at Kashozi Primary School worth UGX 25,786,540	<ul style="list-style-type: none"> • Inconsistencies in the bidding. • There was low bidder participation • Introducing new evaluation criteria during the evaluation • Failure to communicate arithmetic corrections • Poor conduct of post qualification. • Delays at contract signing
3.	Completion of a 2- classroom block at Kagongi Madrasat Primary School Phase II worth UGX. 39,963,036	<ul style="list-style-type: none"> • Low bidder participation. An advert was run in a national newspaper but only one bidder responded. • Award of a VAT Inclusive contract to a non-VAT registered user.
4.	Completion/Expansion of slaughter slab Phase III at Kagango Market worth UGX. 11,652,533	<ul style="list-style-type: none"> • Ambiguous evaluation criteria. The detailed evaluation criteria required a bidder to submit evidence of company experience without indicating the amount for each contract or the period for the experience. • Change of evaluation committee without approval from the Contracts committee.

		Whereas CC approved an evaluation committee of 5 members. Only 3 members participated in the evaluation. 2 members; Nuwagira Innocent and Mushabe Yusifu did not participate in the evaluation and did not provide reasonable justification.
LOW-RISK CONTRACTS		REASONS FOR LOW RISK
1.	Supply of medical equipment to Kashozi HC IV worth 180,000,000	Missing records
2.	Procurement of chairs for council hall and twin desks to Kagongo Division worth UGX 34,840,000	<ul style="list-style-type: none"> • There was no evidence of payment. • Missing documents
3.	Maintenance of building facility at Kikonko primary school worth UGX. 32,000,000	Low bidder participation.
4.	Design and documentation of drainage channels in Kabwohe Division worth UGX. 64,130,000	The procurement was cancelled.

Annex A: Risk rating criteria

RISK	DESCRIPTION	AREA	IMPLICATION
HIGH	Such procurements were considered to have serious weaknesses, which could cause material financial loss or carry a risk to 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 the 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.	This implies the use of less competitive methods which affects transparency, accountability, and value for money.
		Evaluation: Use of inappropriate evaluation methodologies or failure to conduct the evaluation.	This implies financial loss caused by awarding contracts at higher prices or shoddy work caused by failure to recommend an award to a responsive bidder.
		Record Keeping: Missing procurement files and missing key records on the files namely; solicitation documents, submitted bids, evaluation reports, and contracts.	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 a 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	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	This implies a lack of efficiency, standardization, and avoiding competition.

RISK	DESCRIPTION	AREA	IMPLICATION
	management action using the existing management framework to ensure a formal and effective system of management controls are 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.	formats, use of PP Forms and records of issue and receipts of bids, usage of non-pre-qualified firms, and splitting procurement requirements.	
		Procurement Structures: Lack of procurement structures	This implies a 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 million and lack of notices of Best Evaluated Bidders.	This leads to unjustified contract amendments and variations which lead to unjustified delayed contract completion and lack of value for 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 are not covered by the contractor during contract implementation.	
LOW	Procurements with weaknesses where resolution within the normal management	Planning: Lack of procurement reference numbers.	This leads to failure to track the procurements which leads to poor record keeping.

RISK	DESCRIPTION	AREA	IMPLICATION
	framework is considered desirable to improve efficiency or to ensure that the business matches current market best practices. 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.	Bidding Process: Not signing the Ethical Code of Conduct	This leads to failure to declare a conflict of interest and a 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.

Annex C: Sheema District Local Government Compliance Inspection Sample list for FY 2021-22.

No	Reference Number	Subject of Procurement	Method of Procurement	Provider	Contract Value
1.	SHIMC796/WRKS/21-22/00006	Construction of a 5-stance lined latrine at Kashozi Primary School	Open National Bidding	Leader Investments Ltd	25,786,540
2.	SHIMC796/WRKS/21-22/00003	Completion of a 2-classroom block at Kagongi Madrasat Primary School	Open Domestic Bidding	Bush Engineering Services Ltd	39,963,036
3.	SHIMC796/WRKS/21-22/00007	Maintenance of a 2-classroom block at Kikonko P/S	Open Domestic Bidding	Muhwezi Abert Construction Ltd	32,000,000
4.	SHIMC796/SRVCS/21-22/00001	Design and construction of drainage channels in Kabwohe CBD	Open Domestic Bidding	Kesika Enterprises Ltd	64,130,000
5.	SHIMC796/WRKS/21-22/00002	Completion of administration block phase V	Open Domestic Bidding	Mutara works enterprises Ltd	86,200,000
6.	SHIMC796/WRKS/21-22/00017	Supply and installation of streetlights in Kabwohe CBD	Selective Bidding	Detu Development (U) Ltd	19,624,226
7.	SHIMC796/WRKS/21-22/000012	Completion/expansion of slaughter slab at Kagango market	Selective Bidding	Amard engineering & supplies co. ltd	11,652,533
8.	SHIMC796/FRMWRK/21-22/00220/4	Supply of medical equipment to Kashozi HC IV	Open domestic bidding	Rodrisa Supplies Ltd	180,000,000
9.		Procurement of chairs for the council hall and twin desks for Kagongo Division	Framework		34,840,000
10.	SHIMC796/SRVCS/21-22/00002	Collection of revenue from Kabwohe Daily Matooke Market	Reservation scheme	Kabwohe Daily Matooke Market Association	3,700,000
TOTAL					497,896,335

Annex D: Members of the Contracts Committee

No.	Name	Substantive Position	Position on Contracts Committee
1.	Mr. Kaganda Latwif	Senior Education Officer	Chairperson
2.	Mr. Kagurusya Nicholas	Senior Agricultural Officer	Member
3.	Mr. Namanya Richards	Ass. Veterinary Officer	Member
4.	Ms. Ngabirano Shallon	Senior Human Resource Officer	Member
5.	Mr. Biyindo Edward	Community Development Officer	Member

Annex E: Composition of the Procurement and Disposal Unit

No	Name	Job Title
1.	Ms. Maude Katusiime	Procurement Officer
2.	Ms. Nkwatsibwe Annah	Assistant Procurement Officer

