



**PUBLIC PROCUREMENT AND DISPOSAL
OF PUBLIC ASSETS AUTHORITY**
"Procurement That Delivers"

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

**COMPLIANCE AUDIT REPORT FOR BUSHENYI-ISHAKA
MUNICIPAL COUNCIL FOR THE FINANCIAL YEAR
2021/2022**

MAY 2023

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ACRONYMS

AO	Accounting Officer
FY	Financial Year
HC	Health Centre
Ltd	Limited
MC	Municipal Council
P/S	Primary School
PDE	Procuring and Disposing Entity
PPDA	Public Procurement and Disposal of Public Assets Authority
SUPLS	Supplies
UGX	Uganda Shillings

EXECUTIVE SUMMARY

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

The overall objective of the procurement and disposal audit was to assess and establish the degree of compliance of the Bushenyi District Local Government's procurement system and processes with the provisions of the PPDA Act, 2003, and Local Governments (PPDA) Regulations, 2006 and assess the level of procurement performance over the inspection period.

From the findings of the procurement audit exercise, the performance of the Bushenyi-Ishaka Municipal Council for the Financial Year 2021/22 was **satisfactory** with an overall weighted average risk rating of **13.1%**. The risk rating was weighted to determine the overall risk level of the Entity as detailed in Chapter 3 of the audit report.

Despite this satisfactory performance, the following key exceptions were noted:

1. Various procurement procedural forms and documents were missing from their respective procurement action files in seven sampled procurement transactions worth UGX 346,456,297.
2. 40% of the sampled procurements either had a sole or two (2) bidders responding to bid invitations.
3. Two procurement transactions' worth UGX 23,381,200 had incomplete bidding forms.
4. The estimated timelines in the procurement plan were exceeded during implementation in the completion of a two in one staff House at Kashenyi HC Ilworth UGX 44,111,954.

In light of the above, the Authority recommends the following:

1. The Procurement and Disposal Unit should prepare and maintain complete procurement action files with all relevant procurement forms and documentation following Regulation 46 (2) of the Local Governments (PPDA) Regulations, 2006.
2. The Accounting Officer should organize a bidder conference to attract new bidders to Bushenyi-Ishaka Municipal Council and provide reassurance to existing bidders that procurement processes are fair, transparent and competitive.
3. The Procurement and Disposal Unit should use the standard forms issued by the Authority to record all details of the procurement or disposal process in accordance with Section 56 (2) of the PPDA, Act 2003.
4. The Procurement and Disposal Unit should efficiently implement all procurement processes following Section 48 of the PPDA Act, 2003.

CHAPTER ONE: INTRODUCTION

1.1 Structure of the Entity

According to Section 26 of the PPDA Act, 2003, the overall responsibility for the successful execution of procurement, disposal, and contract management in a Procuring and Disposing Entity is the Accounting Officer. The Accounting Officer of Bushenyi-Ishaka Municipal Council during the financial year under review was the Town Clerk, Mr. Mukobi Seleverio Byarufu.

According to Section 31 (a) of the PPDA Act, 2003 all procurement or disposal activities of the Procuring and Disposing Entity except adjudication and contract award are to be managed by the Procurement and Disposal Unit.

1.2 Background

The Public Procurement and Disposal of Public Assets Authority carried out a compliance inspection of Bushenyi-Ishaka Municipal Council that covered a representative sample of ten procurement transactions under the Financial Year 2021/22. The 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 Governments (PPDA) Regulations, 2006.

1.3 Objective of the compliance Audit

The overall objective of the procurement and disposal audit was to assess and establish the degree of compliance of the Bushenyi-Ishaka Municipal Council procurement system and processes with the provisions of the PPDA Act, 2003, and Local Governments (PPDA) Regulations, 2006 and assess the level of procurement performance over the inspection period.

The specific objectives of the inspection were to:

- a) Establish the level of compliance by the PDE with the general provisions of the PPDA Act and Regulations;
- b) Establish the level of compliance with the PPDA Act, 2003 in the conduct of procurement and disposal activities; and
- c) Assess the level of efficiency and effectiveness in contract implementation.

1.4 Scope of the Compliance audit

PPDA carried out the procurement and disposal compliance audit of the Bushenyi-Ishaka Municipal Council. The exercise covered a sample of ten (10) procurement transactions worth UGX462,051,017 conducted during the Financial Year 2021/2022, a review of procurement structures, and a review of the procurement plan performance. The list of sampled transactions is contained in **Appendix 1**.

1.5 Methodology

Bushenyi-Ishaka Municipal Council was notified about the upcoming exercise on 2nd February 2023. A sample of ten procurement transactions was selected based on stratified random sampling using Contracts Committee minutes, the contracts register, and quarterly procurement and disposal reports.

Two Senior Performance Monitoring Officers conducted the exercise under the supervision of the Regional Manager Western Region. 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. 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 audit report presents the key findings and conclusions arising from the audit.

CHAPTER TWO: FINDINGS OF THE AUTHORITY

2.1 LEVEL OF COMPLIANCE BY THE ENTITY WITH THE GENERAL PROVISIONS OF THE PPDA ACT, 2003, AND REGULATIONS, 2006

The inspection revealed the following exceptions;

2.1.1 Records Management

The Authority observed that various procurement procedural forms and documents were missing from their respective procurement action files in seven sampled procurement transactions worth UGX 346,456,297 contrary to Regulation 46 (2) of the Local Governments (PPDA) Regulations, 2006. The procurements and missing records are detailed in Table 1 below:

Table 1: List of documents missing on procurement action files

No	Subject of Procurement	Amount (UGX)	Missing records
1.	Construction of a 5 stance VIP lined latrines at Bushenyi Town School, Rwenjeru, Kanyababoono and Kashenyi PS	125,457,010	Contract implementation plan
2.	Construction of ring beam at Nyakabirizi Administration Block	13,381,200	<ul style="list-style-type: none"> • Contract implementation plan • Appointment of a contract manager • Measurement sheets • Payment vouchers • Invoices • Progress reports
3.	Construction of a double staff house at Ruharo HC II	85,987,393	<ul style="list-style-type: none"> • Contract implementation plan • Appointment of a contract manager • Measurement sheets • Invoices • Progress reports • Payment voucher
4.	Supply of Bitumen and Primer	22,108,800	<ul style="list-style-type: none"> • Payment voucher • Delivery note
5.	Establishment and fencing of a weekly livestock market at Nyakabirizi Division	19,440,000	<ul style="list-style-type: none"> • Contract implementation plan • Appointment of a contract manager
6.	Supply and Installation of 3 no. solar street lights along Kabirisi Road in Ishaka Division	35,969,940	<ul style="list-style-type: none"> • Payment voucher • Measurement sheets • Invoices • Progress reports
7.	Completion of a two in one staff House at Kashenyi HC II	44,111,954	<ul style="list-style-type: none"> • Solicitation document
Total		346,456,297	

Implication

The lack of records on the procurement process is a sign of laxity and lack of effective supervision of the Procurement and Disposal Unit.

Recommendation

The Procurement and Disposal Unit should prepare and maintain complete procurement action files with all relevant procurement forms and documentation following Regulation 46 (2) of the Local Governments (PPDA) Regulations, 2006.

Management Response

All missing records are in place and available for verification.

PPDA Comment

The records were eventually submitted for verification. Since the records were not on their respective files at the time of the inspection. The Authority considered this as a sign of poor record keeping and non-compliance. Hence the query was maintained.

2.2 COMPLIANCE WITH THE PPDA ACT, 2003, AND REGULATIONS IN THE CONDUCT OF PROCUREMENT AND DISPOSAL ACTIVITIES

The audit revealed the following exceptions:

2.2.1 Low bidder Participation

The Authority observed that there was low bidder participation within the sampled procurement transactions conducted by the Entity. 40% of the sampled procurements either had a sole or two bidders responding to bid invitations. These are indicated in Table 2 below:

Table 2: Low Bidder Participation

No.	Subject of procurement	Method of Procurement	Number of bidders invited	Number of bids received
1.	Construction of 2 classroom block at Bunyarigi P/S	Open Domestic Bidding	Open to all	2
2.	Construction of chain link fence around Bushenyi H/C IV	Open Domestic Bidding	Open to all	1
3.	Construction of a 5 stance VIP lined latrines at Bushenyi Town School, Rwenjeru, Kanyababooona and Kashenyi P/S	Open Domestic Bidding	Open to all	2
4.	Establishment and fencing of a weekly livestock market at Nyakabirizi Division	Open Domestic Bidding	Open to all	2

Implications

- There is a potential risk that bidders are colluding at the time of bidding.
- Loss of confidence by bidders in the procurement processes of the Entity.

Recommendation

The Accounting Officer should organize a bidder conference to attract new bidders to Bushenyi-Ishaka Municipal Council and provide reassurance to existing bidders that procurement processes are fair, transparent and competitive.

Management response

It was under open bidding where we expected all the eligible bidder to participate.

2.2.2 Incomplete PPDA Bidding Forms

The Authority found that two procurement transactions' worth UGX 23,381,200 had incomplete bidding forms as detailed in Table 3 below:

Table 3: Procurements with incomplete bidding forms

No.	Subject of procurement	Findings
1.	Construction of ring beam at Nyakabirizi Administration Block worth UGX 13,381,200	The record of bid opening (LG PP Form 10) had the following areas left blank: bid prices for Be-Camel (U) Ltd and Mwetrust& 4P Ent Ltd
2.	Supply of 3-seater twin desks to Bushenyi-Ishaka MC selected Primary Schools worth UGX 10,000,000	The record of bid opening (LG PP Form 10) did not record the bid submitted by Nemm Eng.

Implication

The above is a red flag for potential negligence, non-transparency, and no accountability at the bidding stage.

Recommendation

The Procurement and Disposal Unit should use the standard forms issued by the Authority to record all details of the procurement or disposal process in accordance with Section 56 (2) of the PPDA, Act 2003.

Management response

It was an oversight we did not write the bid prices. Filling the form was delegated to an intern and this was an oversight.

2.3 LEVEL OF EFFICIENCY AND EFFECTIVENESS IN CONTRACT IMPLEMENTATION

The following anomalies were found:

2.3.1 Delayed procurement processes

The Authority observed that the estimated timelines in the procurement plan were exceeded during implementation in the completion of a two in one staff House at Kashenyi HC II worth UGX 44,111,954 as shown in the table below:

Table 4: Procurements whose planned timelines were exceeded during implementation

No	Subject of procurement	Amount (UGX)	Planned duration	Actual Duration	Procurement time overrun
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No	Subject of procurement	Amount (UGX)	Planned duration	Actual Duration	Procurement time overrun
1.	Completion of a two in one staff House at Kashenyi HC II	44,111,954	14 days	29 days	15 days

Implication

The entity's planned procurement timelines were unrealistic and could result in poor service delivery to the community served.

Recommendation

The Procurement and Disposal Unit should efficiently implement all procurement processes following Section 48 of the PPDA Act, 2003.

Management Response

The Entity shall try as much as possible to encourage User Departments to initiate procurement transactions as per the planned dates.

CHAPTER THREE: OVERVIEW OF THE PERFORMANCE OF THE ENTITY

This section presents graphically the compliance inspection scores.

3.1. Overall Compliance Inspection Conclusion

The performance of Bushenyi-Ishaka Municipal Council for the Financial Year 2021/22 was **satisfactory** with an overall weighted average risk rating of **13.1%**.

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 7: Risk Score

Risk Rating	No.	%No	Value (UGX)	%Value	Weights	Total Weighted Score	
						By No.	By Value
High	-	-	-	-	0.6	-	-
Medium	-	-	-	-	0.3	-	-
Low	8	80	356,456,297	77	0.1	8	7.7
Satisfactory	2	20	105,594,720	23	0	-	-
Total	10	100	462,051,017	100	1	8	7.7

$$\text{Performance by Number} = \frac{8 \times 100}{60} = 13.3\%$$

$$\text{Performance by Value} = \frac{7.7 \times 100}{60} = 12.8\%$$

$$\text{The average weighted risk rating} = \frac{13.3 + 12.8}{2} = 13.1\%$$

Table 1: Risk Rating

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

Figure 1: Risk Rating by Number

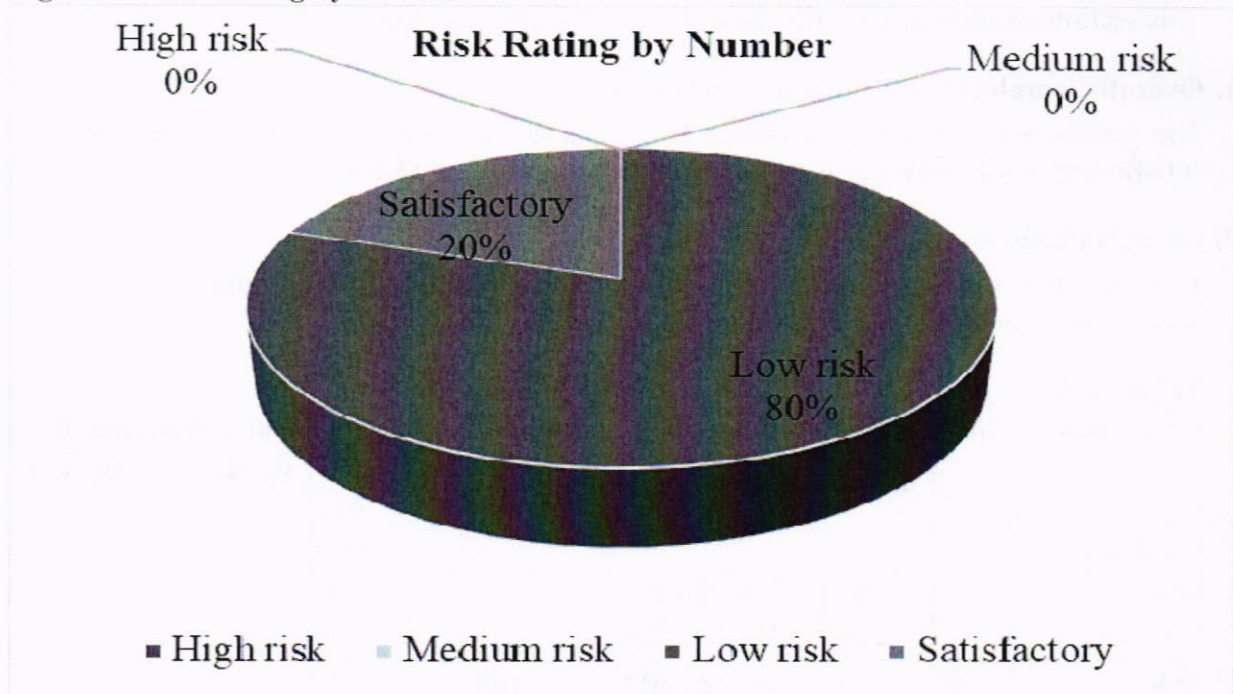
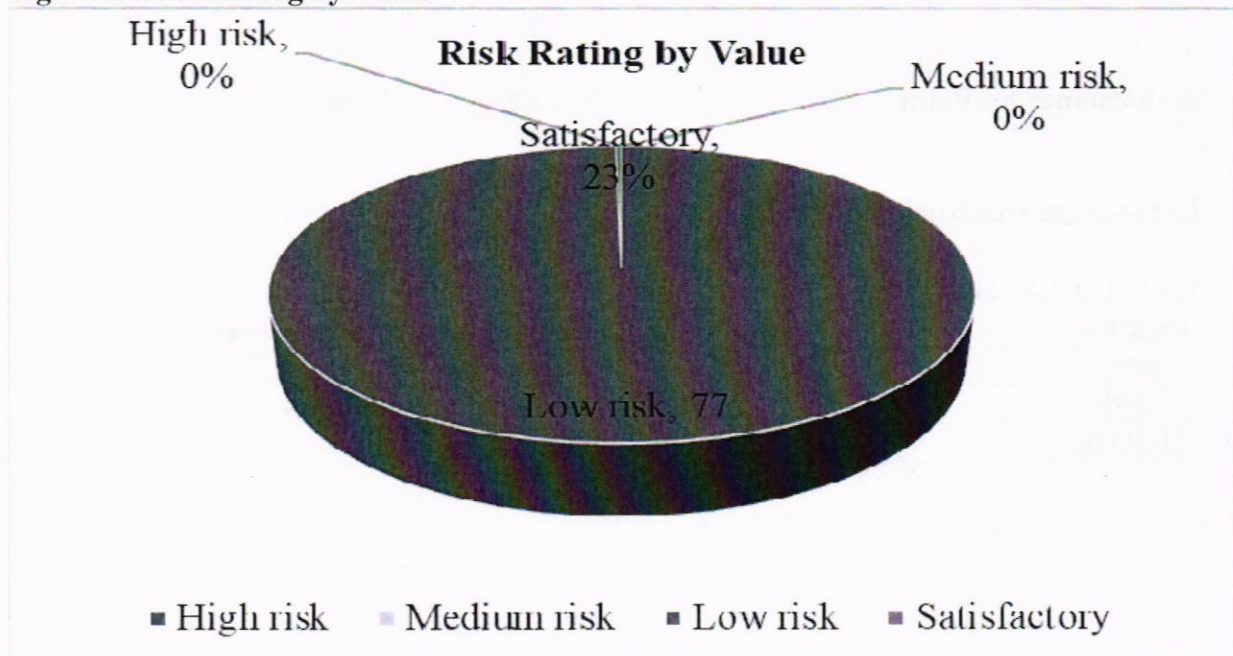


Figure 2: Risk Rating by Value



Appendix 1: Sample list of Bushenyi-Ishaka Municipal Council for Financial Year 2021-22

No	Subject of Procurement	Method of Procurement	Provider	Amount (UGX)	Risk Rating
1.	Construction of 2 classroom block at Bunyarigi P/S	Open Domestic Bidding	Muhwezi Albert Construction Ltd	56,030,000	Satisfactory
2.	Construction of chain link fence around Bushenyi HC IV	Open Domestic Bidding	Exim Engineering Limited	49,564,720	Satisfactory
3.	Construction of a 5 stance VIP lined latrines at Bushenyi Town School, Rwenjeru, Kanyababooona and Kashenyi P/S	Open Domestic Bidding	Muhwezi Albert Construction Ltd	125,457,010	Low Risk
4.	Supply of 3-seater twin desks to Bushenyi-Ishaka MC selected Primary Schools	Open Domestic Bidding	Twinomugisha Ronald Furniture Workshop	10,000,000	Low risk
5.	Construction of ring beam at Nyakabirizi Administration Block	Open Domestic Bidding	Charm Partners Limited	13,381,200	Low risk
6.	Construction of a double staff house at Ruharo HC II	Open Domestic Bidding	NemmEng and Surveying Co. Ltd	85,987,393	Low risk
7.	Supply of Bitumen and Primer	Open Domestic Bidding	Kavooma Holdings Ltd	22,108,800	Low Risk
8.	Establishment and fencing of a weekly livestock market at Nyakabirizi Division	Open Domestic Bidding	Lambigil Investment Ltd	19,440,000	Low Risk
9.	Supply and Installation of 3 no. solar street lights along Kabirisi Road in Ishaka Division	Selective Bidding	Kenvic Enterprise Limited	35,969,940	Low risk
10.	Completion of a two in one staff House at Kashenyi HC II	Selective Bidding	Lambigil Investment Ltd	44,111,954	Low risk
Total				462,051,017	

Appendix 2: Risk Rating Criteria

RISK	DESCRIPTION
HIGH	Such procurements are 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".
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.
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.
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.