

Public Procurement Regulatory Authority

**PROCUREMENT AUDIT REPORT
FOR 30 PROCURING ENTITIES**

June, 2009

1. Introduction

In view of its mandate under Section 7(1)(j) of the Public Procurement Act (PPA), Cap 410, the Public Procurement Regulatory Authority (PPRA) carried out procurement audits in thirty (30) procuring entities (PEs) between July 2008 and May 2009 for procurements made during the financial year 2007/08. The audited procuring entities comprised of thirteen (13) Local Government Authorities (LGAs) and seventeen (17) Ministries, Independent Departments and Agents/ Authorities (MDAs).

The audits were financed from the Public Financial Management Reform Programme (PFMRP) funds and they were intended to determine whether the procedures, processes and documentations for procurement and contracting are in accordance with the provisions of the PPA, Cap 410 its regulations and the standard documents prepared by PPRA and that procurement carried out achieved the expected economy and efficiency (value for money for the allocated resources), and the implementation of contracts conformed to the terms there of.

The primary objective of the procurement audits was to: provide the government with independent information, assurance and opinion about economy, efficiency and effectiveness in the use of public funds; ensure that all eligible suppliers, contractors and service providers are given equal opportunity to compete in providing goods, executing works or providing services, and; ensure that there is integrity, accountability, fairness and transparency in the procurement process. The secondary objective was to identify weaknesses in complying with the provisions in the PPA, Cap 410 and its Regulations to enable appropriate measures to be taken including implementation of appropriate capacity building strategies and improving controls.

2. Procurement Audit Results

Generally, the outcome of the audits indicated an average level of compliance of sixty six percent (66%) computed from thirteen established compliance indicators. The average level of compliance for MDAs was seventy two percent (72%) and sixty five percent (65%) for LGAs. The National Assembly attained the highest average compliance level of ninety two percent (92%) while Longido District Council attained the lowest compliance level of twenty percent (20%).

The areas where PEs performed above average (Above 50%) were: Establishment and composition of Tender Boards; Advertisement of bid opportunities; Establishment and composition of Procurement Management Units (PMUs); Complying with tender preparation times as stipulated in the Regulations; Independence of functions between AO, TB, PMU, Evaluation Committees and User Departments; Preparation of Annual Procurement Plan; Complying with compulsory approvals; The use of Standard Tender Documents; and Contracts implementation; and Complying with the methods of procurements as stipulated in the Regulations. The areas where PEs

performed below average were: Publication of award; Record keeping; and Quality assurance and control.

The good performance is a result of various strategies which are being implemented by the Authority through various funding including ADB, PFMRP and USAID. Specific strategies include the System for Checking and Monitoring and Capacity Building Strategy. Under the implementation of the system for checking and monitoring, twenty five audited procuring entities were visited before the audits to assess their compliance to PPA, CAP 410 and Regulations, and recommendations were provided to remove/minimize the observed weaknesses. All the visited PEs attained compliance levels of above 50%. The observed performance shows that the previous recommended measures were implemented to an acceptable level.

The list of the audited procuring entities and their average compliance levels is shown in **Table 1** and the analysis on the general compliance is provided in **Table 2**. The average performance for all 13 CPIs is shown in **figure 1**.

Table 1: List of Audited Procuring Entities

	Procuring Entity	Average Compliance
1.	Tanzania Food and Drug Authority	87
2.	Institute of Finance Management	89
3.	Mtwara - Mikindani Municipal Council	77
4.	Mvomelo District Council	68
5.	Insurance Supervisory Department	60
6.	Lindi Town Council	70
7.	Institute of Accountancy Arusha	65
8.	Ministry of Livestock Development and Fisheries	81
9.	Prime Minister's Office - Regional Administration and Local Government	79
10.	Shinyanga Municipal Council	72
11.	National Electoral Commission	80
12.	Tanzania Social Action Fund (TASAF)	78
13.	Tabora District Council	52
14.	Shinyanga Urban Water Supply and Sewerage Authority (SHUWASA)	53
15.	National Insurance Corporation	69
16.	Usafiri Dar es Salaam	50
17.	Drilling and Dam Construction Agency	78
18.	Government Chemist Laboratory Agency	82
19.	Temeke Municipal Council	75
20.	Tanzania Public Service College	70
21.	Serengeti District Council	39
22.	Karatu District Council	37
23.	Simanjiro District Council	54

24.	Longido District Council	20
25.	College of African Wildlife Management - MWEKA	35
26.	National Assembly	92
27.	Regional Administrative Secretariat - Dodoma	72
28.	Morogoro District Council	52
29.	Singida Municipal Council	60
30.	Singida District Council	80

Table 2: Outcome of the Procurement Audits as per the established Compliance Indicators

Indicator	PERFORMANCE DATA	Outcome of the review
1. Establishment and composition of tender boards	Existence of a tender board in accordance with the requirements of the Act and Regulations	10% of the PEs have not established tender boards in accordance with the PPA and its Regulations
2. Establishment and composition of PMUs	Existence of a PMU in accordance with the requirements of the Act and Regulations	46% of the PEs have not established PMUs in accordance with the PPA and its Regulation
3. Independence of functions	Percentage of tenders in which there was no interference between individual functions	35% of the audited procurements had interference between the individual functions of the Accounting Officer, Tender Boards, PMU and user Departments.
4. Annual Procurement plan	Prepared and properly implemented annual procurement plan	47% of the PEs did not prepare annual procurement plans for the financial year 2008/09
5. Compulsory Approvals	Percentage of tenders/contracts which received all compulsory approvals in various processes	32% of the audited procurements did not receive all compulsory approvals in the procurement processes contrary to the requirements in the PPA and its Regulations
6. Advertisement of bid opportunities	Percentage of open bidding procedures publicly advertised	17% of the tenders under open bidding process were not advertised to the public contrary to the requirements of

Indicator	PERFORMANCE DATA	Outcome of the review
		the PPA and its Regulations
7. Publication of awards	Percentage of contract awards disclosed to the public	57% of the audited procurements indicated that contract awards were not communicated to the public contrary to the requirements of the PPA and its Regulations
8. Time for preparation of bids	Percentage of tenders complying with the stipulated time in the Act and regulations	10% of the audited procurements indicated that the time provided for the preparation of bids did not comply with the minimum time provided in the PPA and its Regulations
9. Methods of procurements	Percentage of tenders using authorized methods of procurement in accordance with their limits of application	8% of the audited procurements did not use methods of procurement in accordance with their limits of application as provided in the PPA and its Regulations
10. The use of standard tender documents	Percentage of tenders using standard/ approved tender documents	In the 32% of the audited procurements standard tender documents were not used contrary to the requirements of the PPA and its regulations
11. Procurement records	Percentage of tenders with complete records	53% of the audited procurements had either no procurement records or incomplete records.
12. Quality assurance and Control	Percentage of tenders with adequate quality assurance and control systems	56% of the audited procurements indicated that there were no quality assurance and control systems.
13. Contract implementation	Percentage of contracts which have been implemented as per the terms of contract	Contracts in 33% of the audited procurements were not implemented as per the terms of the contract.

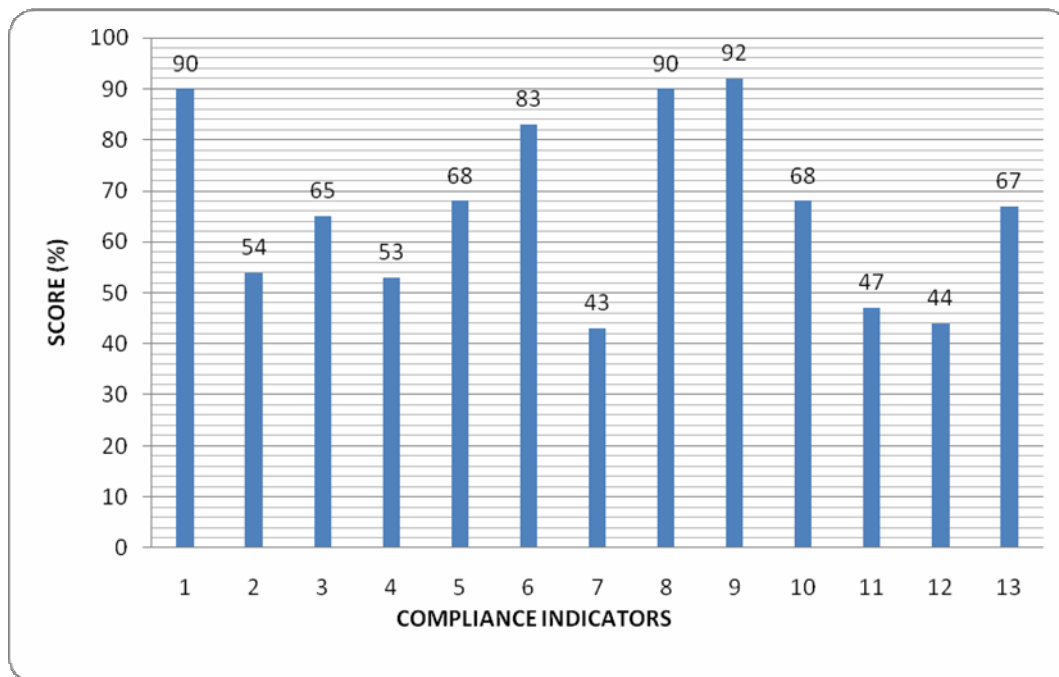


Figure 1: The average performance of the 30 PEs on 13 CPIs

3. Analysis of the Audit Results

Assessment of the observed major weaknesses revealed the following:-

- a) Lack of properly established PMUs was contributed by inadequate qualified procurement specialists in the market, and lack of awareness. The major effects include lack of procurement coordination within the Procuring Entities resulting to inefficiency and mis-procurement.

It is recommended to speed up professionalization of the procurement cadre, enhancing coordination with training institutions to align their curricula to meet the requirements in the market, and to enhance training and compliance monitoring.

- b) Non preparation of Annual Procurement Plans (APP) was contributed by lack of qualified procurement specialists in the PMUs, lack of appropriate skills, lack of coordination between PMUs and user departments, reluctance to change and lack of integration of the APPs preparation with budget preparation process. Lack of APPs contributes to inefficiency, lack of control, increased procurement transaction costs, emergency procurements, splitting of procurements to avoid competitive procurement methods and excessive use of minor value procurement method.

It is recommended to provide appropriate training (with practical exercises), establish PMUs with appropriate skilled staff,

integrating preparations of APPs with budget preparation process and enhance compliance monitoring.

- c) The reasons for not using standard bidding documents (SBDs) were contributed by lack of qualified procurement specialists, lack of awareness on the available SBDs, lacks of skills on how to use SBDs, and some of the SBDs are complex and voluminous compared to the type and value of procurements resulting to high costs of preparing tender documents.

The effects of not using SBDs includes unfair contracts awards, complaints and inappropriate allocations of rights, obligations and risks in the contracts resulting to contract disputes, delayed completion of projects, poor quality of works and services etc.

It is recommended that PEs be required to establish PMUs with appropriate skilled staff, enhance dissemination of SBDs, and simplifying SBDs to match with the conditions and nature of procurements.

- d) Poor record keeping was caused by lack/inadequate record management skills, inadequate facilities, inadequate office space, and deliberate misplacement of documents. The effects of poor record keeping include poor management of procurements, corruption, theft and loss of public properties.

It is recommended that staff in PMUs be trained on record management, establishing procurement record management system, implementing the Procurement Information Management System and providing adequate facilities and offices to PMUs.

- e) Lack of quality control and poor contracts management was contributed by inadequate resources (human, financial, supervision vehicles, quality control tools etc), inadequate project supervision skills, lack of guidelines for community based projects, inadequate contracts management skills and corruption. The effects of poor contracts management and lack of quality control includes poor quality of works, goods and services; projects cost and time overrun; payment delays; payment for undelivered goods, works and services; contract disputes; and not realizing value for money.

It is recommended that PEs should make sure that adequate resources for project supervision are made available; standard guidelines for procurement under community based projects should be prepared, standard project supervision manual should be prepared in line with SBDs, provide training on contracts management; and implement the recently prepared anti-corruption strategy.

4. The Way Forward

Since PPRA's target is to ensure that the average compliance level of procuring entities reaches eighty percent (80%) by the end of the financial year 2010/11, it is imperative to focus the available resources to areas which will bring maximum impact to the capacity of procuring entities in complying with the PPA and its Regulations. These are the areas where compliance levels were below eighty percent (80%).

On the basis of the performance indicators, the following areas (with the compliance levels in brackets) need maximum attention in terms of training and monitoring in the next financial year: Establishment and composition of PMUs (54%); Preparation of Annual Procurement Plan (53%) [*Improvement in this area will automatically increase compliance in areas such as obtaining compulsory approvals in the procurement processes, advertising of bid opportunities, providing adequate time for bidders to prepare bids, and applying appropriate methods of procurements*]; Using standard tender/contract documents (68%); Records keeping (47%); Quality assurance and control (44%); and Contracts management. In addition, issues on tender evaluation should be addressed by providing proper applied training to PEs staff.