PERFORMANCE AUDIT REPORT
OF THE AUDITOR GENERAL

HIGH VALUE PROCUREMENT PROCESS OF VEHICLES FOR MISE, MELAD AND MFED

REPORT NO. 1/2024

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The Speaker
Maneaba ni Maungatabu
Ambo, Tarawa

Dear Madam Speaker

Subject: Performance Audit Report- High value procurement process of Vehicles for MFED, MISE and MELAD

I am pleased to forward to you a Performance Audit Report titled 'High value procurement process of Vehicles for MFED, MISE and MELAD' for tabling in the Maneaba ni Maungatabu pursuant to Subsection 41(2) of the Kiribati Audit Act 2017.

The audit has been conducted in accordance with the requirements of the Kiribati Audit Act 2017 and relevant professional standards including ISSAI 3000- Performance Audit Standard.

Yours sincerely

Eriati Tauma Manaima
Auditor General

ACRONYMS

CPU	Central Procurement Unit
ITT	Invitation to Tender
MFED	Ministry of Finance and Economic Development
APP	Annual Procurement Plan
CPO	Chief Procurement Officer
MISE	Ministry of Infrastructure and Sustainable Development
MELAD	Ministry of Land and Agricultural Development
KSWMP	Kiribati Solid Waste Management Project
ECD	Environment and Conservation Division
PPU	Project and Planning unit
RFQ	Request for Quotation
SSP	Single Source Procedure
OCP	Open Competitive Procedure
SPO	Senior Procurement Officer
CCAB	Central Contract Award Board
MCIC	Ministry of Commerce and Industry Cooperatives

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EXECUTIVE SUMMARY

Public procurement is governed and enforced by the Public Procurement Act 2019. The procurement regulation and a more detailed public procurement manual provide guidance in the execution of procurement. These rules and procedures are enforced and supported by the Central Procurement Unit (CPU) of the Ministry of Finance and Economic Development (MFED).

The Public Procurement Manual sets out the processes for government purchasing, encompassing procurement planning, tender execution, and Award and Contracting across all procurement thresholds categorized as very low, low, medium, and high value.

High value procurements are defined as those exceeding or equaling $50,000. In 2021, they accounted for $32m which represents 94% of total procurement expenditure. And in 2022 they reached $46m which representing approximately 96% of total procurement spend of the year.

The Audit considered three high value procurement of vehicles undertaken by three government ministries (one each) during the year from 2021 to 2022. The selected procurements are from the Ministry of Finance and Economic Development (MFED), Ministry of Infrastructure and Sustainable Energy (MISE) and the Ministry of Environment, Land and Agricultural Development (MELAD).

Conclusions

The three selected procuring entities did not implement effective processes for the procurement of their selected/audited vehicles. Management and staff did not adequately consider and apply the public procurement manual.

PLANNING:

All three ministries have failed to properly plan and prepare for the procurement of their vehicles. Their need analysis was not carried out effectively and sufficiently documented. The market assessment was barely carried out, with lack of understanding and insufficient support from CPU on it resulted in ignoring the process.

There is a recurring pattern of inadequately outlining requirements, evidenced by a lack of documentation for needs analysis and market assessment. Planning and preparation for tenders often fall short of compliance with procurement manuals, indicating deficiencies in comprehensiveness, relevance, and adherence to controls and approval processes. Environmental and safety considerations are frequently overlooked during the planning phase, reflecting systemic issues in addressing critical aspects of procurement.

However, the audit has found that not only did the procuring entities have failed to complete the invitation to tender (ITT) template comprehensively but also CPU lack of controls and being too complacent in allowing incomplete ITT documents to be published due to the rush hour of the end of year.

TENDER EXECUTION:

In light of the comprehensive analysis conducted on the tender execution across these three ministries several critical findings have been brought to light. These findings underscore significant deficiencies in adherence to the procurement manual, raising concerns regarding transparency, integrity, and efficiency in the procurement process.

Firstly, the absence of approval from the chief procurement officer prior to the publication of the request for quotation invitation to tender highlights a fundamental oversight in governance and accountability. This failure to obtain proper authorization undermines the credibility and legality of the procurement process from its inception.

Furthermore, the inability of all three ministries to provide signed declarations of conflict of interest for the evaluation committee, coupled with the misplacement of these essential documents, raises serious doubts about the impartiality and objectivity of the evaluation process. Such lapses in documentation management not only compromise the integrity of the evaluation process but also erode public trust in the fairness of procurement decisions.

The discrepancies identified in the evaluation of tenders, particularly the incorrect application of financial evaluation formulas and incomplete evaluation reports, further highlight systemic weaknesses in the evaluation and reporting mechanisms. These errors not only distort the assessment of value for money but also call into question the reliability and accuracy of procurement outcomes.

Moreover, specific instances of procedural irregularities, such as the failure to share the request for quotation with single-source suppliers and deviations from established time schedules, underscore a lack of adherence to prescribed protocols and standards. These deviations not only increase the risk of inflated costs and disparities with procured goods but also undermine the principles of fair competition in procurement practices.

AWARD AND CONTRACTING:

The award decisions across these three procurements were primarily based on the recommendations of evaluation committees. However, the findings highlight significant deficiencies in compliance to the procurement manual, integrity, transparency, and accountability, compromising the fairness and effectiveness of the award.

The absence of integrity considerations in the award board, failure to implement conflict of interest declarations, and discrepancies between the procurement manual and legal directives underscore systemic weaknesses within the procurement framework.

Moreover, the lack of adherence to procurement principles such as transparency and accountability is evident in the failure to publish signed contracts on procurement portals, incomplete award notifications to tenderers, and inadequate communication regarding procurement outcomes. These shortcomings not only impair transparency but also undermine trust in the procurement process, potentially deterring future participation from suppliers.

Specifically, the issues identified insufficient communication with tenderers, and absence of documented delegations of authority, highlight the need for comprehensive reforms and strengthened oversight mechanisms. The misplacement of crucial authorization documents reflects organizational inefficiencies that must be addressed to ensure accountability and legal compliance.

It is essential for procuring entities, and most importantly MFED, to adhere strictly to procurement rules and regulations to maintain trust and ensure fair competition. Failure to do so not only affect individual procurements but also risks undermining confidence in the entire procurement system.

Key findings

Procurement planning

Common Findings

According to the advice received by Central Procurement Unit (CPU) staff during the interview, the annual procurement plan (APP) has not been approved by the Chief procurement officer (CPO) since the new Public Procurement Act is approved in 2019.

All three ministries overlooked safety and environment when planning for their vehicle. Additionally, the CPU, being within MFED failed to integrate green procurement practices into their planning.

The overall scope of the procurement was not put up to the CPO for approval. Instead, CPU advised that it conduct reviews of the scope of the procurement before publishing it on the procurement web portal.

The selection of the evaluation committee appeared to rely on availability rather than qualifications. Evaluators are not assessed based on the required capacity for conducting evaluation of tenders. And CPO approval was not sought for the evaluation committee.

Ministry of Finance and Economic Development (MFED)	**Paragraph (s)**
The need for MFED identified was for only 1 minibus but the letter of invitation for Request for quotation, signed by the secretary of MFED, requested quotes for one double cab and two minibuses.	2.5
MFED did not effectively conduct and document a market assessment. The senior procurement officer advised that they sometimes approach the MCIC for licensed business vendors both domestically and internationally. However, there is no documented evidence of this process during the procurement of the two minibuses.	2.7

The overall scope of the procurement lacked important aspects of the procurements scoping required by the procurement manual. It lacked specification of the minibuses, with no documented approval of reduced tender period, and in compliances with the procurement manual on the appointment process of the evaluation committee. Planning was insufficient and not well documented, lacked comprehensiveness, relevance and compliance to the controls and approvals process outlined in the procurement manual. There was no documented approval of the scope from the Chief Procurement Officer (CPO) primarily due to conflicts of interest arising from the dual role of the Secretary of MFED. 2.25

Ministry of Infrastructure and Sustainable Energy (MISE)

MISE demonstrates good practices by having transport taskforce in place to take care of the ministry's vehicles. It improves accountability and transparency on the use of government vehicles. Although the transport taskforce identifies and analyze issues with old vehicles, which is directly related to the need to improve and procure new vehicles, it does not identify the need and requirements of the new vehicles to be procured. There is no documented evidence that the need and requirements of the vehicles to be procured are identified and discussed. 2.33

The overall scope of the procurement lacked important aspects of the procurements scoping required by the procurement manual. The scope of the procurement did not consider the appointment of the evaluation committee. Also, the specification for the RAV 4 specifies the brand of the vehicle, directly limiting competition and compromising open competitive procedure. There are in compliances with the procurement manual on the appointment process of the evaluation committee. Most importantly, there was no documented approval from the CPO on the scope of the procurement. Staffs from the Central Procurement Unit (CPU) advised that they usually conduct reviews of the procurement scope before publishing the invitation to tender documents on the web portal. *2.47*

Ministry of Environment, Land and Agricultural Development (MELAD)

MELAD's intention to procure a wheel loader was outlined in the activity design document for the Kiribati Solid Waste Management Project (KSWMP), providing details solely on the scheduled procurement date and budget. Despite identifying the wheel loader as necessary for the project, the document lacked an in-depth analysis of its specific requirements. Moreover, subsequent documents to assess the appropriate type of wheel loader were not produced. 2.55

MELAD advised through the staffs from Environment Conservative Division (ECD) and Project and Planning Unit (PPU) that the only supplier considered is Porter NZ 2.57

since, it is also the supplier of the first wheel loader used. During an interview with ECD staff they advised that MELAD have very good experience and excellent support service from Porter NZ.	
The overall scope of the procurement was not approved by the Chief Procurement Officer (CPO). There are several non-compliances of the procurement manual especially on the appointment of the evaluation committee.	2.71
The single source procurement was approved by CPO on 30 March 2022, but no mention of the single selected supplier was included and approved.	2.74

Tender Execution

Common Findings

The request for quotation (RFQ) invitation to tender (ITT) was not approved by the CPO prior to its publication.

All three ministries could not provide signed declaration of conflict of interest for the evaluation committee. According to the procuring entities, the evaluation committee did sign a declaration of conflict-of-interest form however, they have misplaced it.

During the evaluation, tenders were not evaluated according to the financial evaluation formula established during the planning and published as part of the request for quotation (RFQ) documents. All three ministries have performed incorrect calculations on the financial evaluation. As a result of incorrect financial evaluation, the value for money score was also incorrect.

All three ministries have developed an incomplete evaluation report. The evaluation report was incomplete due to some required documents and information not included in it.

Ministry of Finance and Economic Development (MFED)	**Paragraph (s)**
MFED tender evaluation for its minibuses was not conducted in accordance with the procurement manual. There were missing documents throughout the tender process. There was also no evidence that confirm that tenders were evaluated according to the technical criteria established and published in the request for quote documents. Incorrect financial scoring and incomplete evaluation report lacking the chairman's signature were also noted. Although this does not change the outcome of the tender, it has compromised the value for money and integrity of the procurement process.	3.16

Ministry of Infrastructure and Sustainable Energy (MISE)

The tender evaluation process for the procurement of double cab and Rav4 vehicles by MISE did not adhere to the procurement manual. While the evaluation was conducted based on the technical criteria published, the evaluation report appears to favor the Toyota brand for both vehicles, which was not part of the technical evaluation criteria. Furthermore, there was an error in the financial scoring, leading to a significant change in the evaluation outcome. Consequently, Aileen received a higher value for money score than LMTA, the awarded contractor. These errors, combined with an incomplete evaluation report, compromised the integrity of the procurement process and value for money.	3.31

Ministry of Environment, Land and Agricultural Development (MELAD)

MELAD share the request for quotation during the open competitive procedure. However, it did not share it with its single selected supplier during the single source procurement. Without sharing a request for quotation with the single selected supplier, it has based its procurement on what the supplier can provide and not on what the procuring entity want. Which may impose risk of increase cost and provision of goods not meeting the need of the entity.	3.35
According to the procurement manual, there is no clear process on the single source procurement following the approval of using the procedure. There is a lack of clarity in the procurement manual and Public Procurement Act on the Single Source Procedure (SSP).	3.36
The tender opening and prequalification process was not consistent with the time schedule developed during the scoping of the procurement. It is evident that additional time was allowed to pre-qualified tenderers to submit all the required tender documents. There was no documented approval of the extension of deadline for tender submissions by the chief procurement officer (CPO).	3.44
The evaluation of tenders was conducted during an open competitive procedure (OCP) but not during the SSP. During the OCP, MELAD evaluation of tender process was not conducted according to the published evaluation criteria. There were changes to the maximum scores given on each technical criterion and the financial scoring did not correctly apply the formula published in the Invitation to Tender (ITT). Additionally, the evaluation report developed was incomplete.	3.55
The single source procurement starts after the SSP approval from CPO on 30 March 2022. With no evaluation carried out hence no evaluation report was developed	3.60

and put up to CCAB for award

Award and Contracting

Common Findings

There is no integrity consideration in the award board. The advice from Senior Procurement Officer (SPO) of the Central Procurement Unit (CPU) says that currently CPU does not implement the signing of the declaration of conflict of interest for the Central Contract Award Board (CCAB). This is an oversight from CPU as they did not strengthen their Act and policies to be followed by the CCAB.

There was a conflict between the procurement manual and the Public Procurement Act 2019 regarding the responsible person for communicating the award notification. The procurement manual says that a secretariat to the award board, which is the SPO however, the Public Procurement Act 2019 states that it's the responsibility of the procuring entity. Since the Public Procurement Act is the supreme authority in carrying out procurement it overrides the direction of the procurement manual in this regard and therefore instead of SPO, a procuring entity should be the one disseminating award outcome to the tenderers.

The signed contract was not published on the procurement web portal. According to CPU's advice, this was not yet implemented because of lack of skill of the CPU procurement officer to do it. This has impaired the transparency of the award decision and procurement process.

There was no contract management carried out after the completion of the contract signing and therefore no contract management report along with the procurement report.

Ministry of Finance and Economic Development (MFED	**Paragraph (s)**
There was no evidence of an award notice distributed to all participating tenderers. However, MFED advised that they communicate the outcome of the tender award with the winning supplier by phone. There were no documents to show award notification to the unsuccessful suppliers.	4.7
The contact signing was not in compliance with the procurement manual and procurement principles of transparency and accountability. Because there is no documented delegation of authority given to the Secretary of MFED to sign the high value contract. And no witnesses to cosign the contract as required by the contract template. Also, transparency was compromised when the CPU did not publish the signed contract on the website.	4.16

Ministry of Infrastructure and Sustainable Energy (MISE)

On 18 December 2022, an email was circulated to all tenderers of the outcome of the procurement. The information disseminated did not include all the necessary information required under the procurement manual. And only allow 5 days for complains which is not enough time for tenderers to lodge a complaint and not in compliance with the procurement manual. No complaints received could have been a result of insufficient information provided to the tenderers. Poor communication to the tenderers could potentially result in low number of participants in MISE future tenders.	4.26
Ministry of Environment, Land and Agricultural Development (MELAD)	
The award notice sent through email to all the successful and unsuccessful tenderers did not include all relevant information as required by the procurement manual section 7.10.1	4.35
There is no documented delegation of authority provided to the Secretary of MELAD for signing the high-value contract on behalf of the Minister of MELAD. MELAD has sought guidance from CPU on the appropriate procedures for delegating authority for contract signing. Following CPU's advice, MELAD has initiated correspondence with the Minister of MFED to obtain approval for delegating authority to the Secretary of MELAD for signing high-value contracts. Unfortunately, the written authorization has been misplaced and cannot be located.	4.40

Recommendations

The following are recommendations to CPU and to MFED, MISE and MELAD. The recommendations to these three ministries are relevant to the rest of the procuring entities that are not audited. They may assess their own process and use the recommendations for the three ministries to improve their procurement process.

Recommendation to CPU:

1. Review and Update procurement manual and regulations:

- Review and update procurement manuals, templates, and guidelines to align with current practices and regulations.
- Ensure all planning documents undergo proper approval processes. The Chief Procurement Officer (CPO), who is also the Secretary of Finance, should delegate the approval of the scope of procurement including the evaluation and approval of the evaluation committee to

the Senior Procurement Officer (SPO). Regulations should allow for this delegation, ensuring smoother evaluation processes.

2. **Standardized Procedures and Templates:**

- Develop and distribute standardized templates for needs analysis and market analysis taking into consideration Environment and safety. Develop and distribute standardized evaluation reports.
- Provide clear guidelines on the single-source procedure, to include briefings of the suggested supplier for approval by the CPO and emphasizing the need for evaluation even in cases with only one tender. This ensures transparency and value for money.
- Develop guidelines for the evaluation and awarding process to ensure due diligence.

3. **Training and Capacity Building:**

- Conduct frequent training sessions for procuring entities designated procurement officers on using templates, evaluation procedures, integrity, and conflict-of-interest management.
- Establish a pool of trained officers for procurement evaluations. Procuring entities can then select from this pool when forming their evaluation committees, ensuring competency and consistency.
- Provide training on the financial evaluation formula.
- Provide training to CPU procurement officer on how to publish signed contracts on the procurement web portal.

4. **File Management and Documentation:**

- Enhance file management processes to ensure proper documentation of all procurement activities then disseminate improved processes for all procuring entities to follow.

5. **Integrity and Conflict-of-Interest Management:**

- Provide training programs that include modules on maintaining integrity and managing conflicts of interest effectively. And emphasize the importance of declaring conflicts of interest and require CCAB members to sign a declaration of conflict-of-interest document before participating in the award process.

6. **Awarding Process:**

- Guarantee tenderers receive complete information on the award outcome.
- Ensure CCAB members thoroughly read and understand evaluation reports before granting final approval. Require CCAB members to declare their understanding of the evaluation report before awarding contracts, especially when conducting CCAB through email.

Consolidated recommendation across ministries: MFED, MISE and MELAD:

7. Procurement Planning and Documentation:

- Designate a procurement officer for comprehensive planning, considering safety, environmental concerns, and actual needs, with thorough documentation following the procurement manual.
- Strengthen compliance with annual procurement forecasts and internal file management processes aligned with CPU guidelines.

8. Capacity Building:

- Provide training programs for designated procurement officers and staff on procurement planning, adherence to the procurement manual, and comprehensive evaluation procedures.

9. Selection and Capacity Building of Evaluation Committee:

- Select evaluation committee members during planning, ensuring endorsement by the Senior Responsible Officer (SRO) and possessing necessary technical, financial, and administrative capacities.
- Nominate and endorse evaluators from a trained pool by CPU.

10. Integrity of Evaluation Process:

- Develop agendas, record minutes, and ensure comprehensive documentation during evaluation, including conflicts of interest declarations and committee queries.
- Prioritize integrity by ensuring committee members declare conflicts of interest, understand roles and ethical requirements, and agree to confidentiality before accessing tender documents.

11. Communication and Documentation During Procurement:

- Seek written confirmations for all procurement-related communications, ensuring copies are saved in the procurement file/database. And originals are stored in the Central Procurement Unit (CPU)

12. Contract Management and Reporting:

- Ensure timely completion and submission of contract management reports and procurement reports.
- Submit necessary documentation to CPU for archiving.

Response from entities

The audit reached out to the auditees to provide an overall comment on the audit conducted. The following are the comments received from the auditees to be included in the executive summary.

Ministry of Infrastructure and Sustainable Energy (MISE)

The Ministry carried out the procurement in line with the CPU's recommendations; nevertheless, because the methods followed were predicated on the CPU's guidance, the recommendations turned out to be insufficient and noncompliant with the Procurement Manual.

With that being said, the Ministry will conduct its future procurements in a manner that considers the shortcomings that have been found. Additionally, with the procurement officer reserved position under the ER for 2024, this could potentially enhance the Ministry's procurement process as all of MISE's procurements will be managed and overseen by a dedicated person in accordance with the Procurement Manual.

Ministry of Finance and Economic Development (MFED)

The Ministry

The Ministry agreed to the issues specified in the report regarding the non-compliance of the Ministry’s high value procurement with the Procurement Act and Regulations. It is true that Procurement in question was initiated rather late in the year as the months of November and December were usually occupied with Budget preparations and budget approval in Parliament. The delay in the finalization of the Ministry’s budget balance due to the capacity constraints of the Ministry’s Account unit also contributed to the delayed initiation of the procurement process.

In terms of procurement, the SMM agreed to a long wish list of items including 1 big bus and 1 minibus, but the big bus was taken out in order to comply with the PSO’s transport policy which encourages outsourcing of staff transportation to the private bus operators. Unfortunately, there was no written minutes to confirm the SMM’s resolution. The SRO, who is also the CPO, decided that priority should be given to transportation and since the Ministry could not buy a big bus, the SRO opted to buy 2 minibuses instead. The requisition form also included 1 double cap but had to be declined due to budget limitations. The Ministry wished to confirm that procurement of several other items provided in the list went ahead but through the low value procurement process.

The Ministry agrees with the comments and observations of MISE, and the report stressing the ineffective execution of CPU’s role in providing guidance and advice throughout the procurement process. Additionally, the dual responsibility of the Secretary of Finance as the SRO of the procuring entity and the Chief Procurement officer is indeed conflicting however, such matters should be dealt with professionally.

Finally, the Ministry is very grateful for the insightful comments and recommendations of the Kiribati Audit Office specified in this report and agrees to adopt the recommendations to strengthen compliance and value for money procurements. The Ministry is also pleased to confirm that there is significant improvement in the compliance of the Ministry with its procurement activities and this is due to the effective execution of the CPO and CPU's roles and responsibilities and the familiarization of the Ministry with the procurement rules and regulations.

Central Procurement Unit

The CPU acknowledges and agrees to the issues and deficiencies identified in this report which resulted from the ineffective execution of the Central Procurement Unit (CPU) and the Chief Procurement Officer's (CPO) roles and responsibilities as prescribed in the Procurement Act and Regulation. The Ministry confirmed that this was due to the high staff turnover within the CPU and the limited capacity of the unit to guide, facilitate and coordinate all Public Procurements. It is important to note that during those times, the CPU was manned by only three staff with two being very new to the unit. This makes it difficult for the staff to execute their roles effectively especially during peak periods.

Usually, the peak period for the CPU is towards the end of the financial year, whereby most procuring entities/Ministries try to utilize their recurrent budget savings to procure needed items before the MFED payment cut - off date at the end of the year. Given the limited number of staff of the CPU coupled with their capacity issues at that time, it was quite difficult and challenging for the staff to deal with large number of time sensitive procurements and so the chance of making errors and oversights throughout the process were very high. This consequently led to the non-compliance of the two high value procurements for MISE and MFED.

The CPU agreed to the issues raised against the dual responsibility of the Secretary being the Chief Procurement Officer and the SRO of a Procuring Entity which is conflicting. The Ministry also agreed that the workload of the Secretary has contributed to the ineffective execution of the CPO's role and responsibilities which is to oversee and ensure that all public procurements follow the Procurement legislation and Regulation.

The CPU accepts the recommendations specified in this report but would also like to confirm that there have been significant improvements to the Unit and the increase in overall compliance of Procuring Entities to the procurement rules and procedures at present compared to the past. This is owed to the creation of two additional positions within the unit (Procurement Officers) which increased the capacity of the unit to carry out its responsibilities more effectively, the improvement of the unit's administrative systems as well as the adoption of IFMIS which strictly requires approved procurement documents to support payments and the growing institutional knowledge within the unit as well as the Procuring Entities. These enabling factors coupled with the adoption of the report's recommendations will allow CPU and the CPO to effectively execute their mandated roles and responsibilities ensuring that all Public Procurements are carried out in accordance with the Procurement Act and Regulation and good value for money is attained.

1 INTRODUCTION

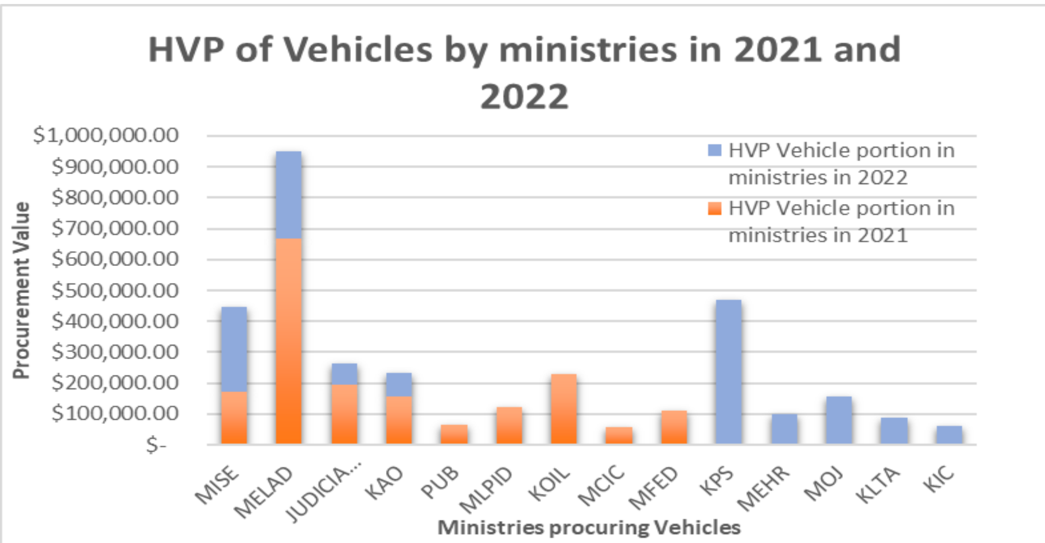
Who we select and why.

1.1 The audit is focused on the high value procurement of vehicles of the three ministries, namely the Ministry of Finance and Economic Development (MFED), Ministry of Infrastructure and Sustainable Energy (MISE) and the Ministry of Environment, Land and Agricultural Development (MELAD).

1.2 High value procurements are those procurements which are greater than or equal to $50,000 as specified in the Public Procurement Act 2019. In 2021, high value procurements accounted for 94% which is approximately $32m of total procurement of the year. And in 2022 its 96%, approximately $46m of total procurement of the year. A 2% increase ($14m) in high value procurements in 2022 compared to 2021 shows an increasing significant amount of public funds being used in high value procurements, making it relevant to effective public administration.

1.3 The selection of these three ministries stems from their consistent position among the leading ministries with repetitive high-value procurement for vehicles over the past two consecutive years (2021-2022). These three ministries, each representing distinct procurement scenarios, are poised to serve as exemplary case studies for other ministries not included in the audit. By shedding light on common key issues encountered during their high-value procurement process they offer invaluable lessons for improvement of procurement practice. Most importantly, the inclusion of MFED will undoubtedly play a pivotal role in improving procurement practices. As the lead ministry with oversight of the Central Procurement Unit (CPU), it has both the capacity and authority to establish good public procurement standards for improved procurement practice across all public agencies.

Figure 1-1: High value procurement by Ministries in 2021-2022



Background information of the selected procurements

1.4 The audit is focused on MFED, MELAD and MISE high value procurement of Vehicles. The Vehicles are Wheel loader procured by MELAD, a double cab and RAV 4 procured by MISE and two minibuses procured by MFED.

1.5 MFED has only one single procurement in 2021 procuring 2 minivans. According to the advice from the Secretary of MFED, the minivans were intended for assisting normal runs within the ministry. The tender was open to the public through an open competitive procedure on 23 December 2021. There were 4 bids received, which are Austrade, LMTA, PVU, and Hanan. All bids were evaluated on 30th December 2021 and Hanan won the tender with a bid of $110,680.17. The CCAB approves the outcome of the evaluation on 31st December 2021 and on the same day the contract was signed with Hanan.

1.6 MELAD procured a wheel loader for the solid waste management phase 2 project in 2020. The need for the tender was for waste compaction in landfills. The tender was opened for submissions through a request for quotation approach on September 7, 2020. There were 4 suppliers who submitted their tender including Porter NZ, Shinyo, Kasabias and KCMS. Both Porter NZ and KCMS were disqualified for tender evaluation. And Kasabias won the tender with a bid of $279,000 AUD. On May 27th, 2021, the contract was signed and after 3 days the 1st payment was paid to the contractor. In a letter received by MELAD from Kasabias dated 27 November 2021, the contractor was requesting cost escalations of up to $90,000AUD. A response from MELAD about contract termination was conveyed through a letter to Kasabias dated 13 December 2021. The contract cancellation was agreed upon on both parties and the first payment paid to the contractor was returned to the government. The procurement was deemed unsuccessful. On March 30th, 2022, MELAD's request for a single source procedure was approved by the CPO and the procurement process for the wheel loader commences. The single selected supplier was Porter NZ. In May 2022 the contract with Porter was signed with a total contract value of $282, 326.04 AUD.

1.7 MISE publish on the procurement web portal a Request for Quotation (RFQ) for Double Cab & Toyota Rav 4 on 18th November 2022 and closed on 28th November 2022. The aim of this proposal is to procure 1 Double Cab to assist MISE in carrying out its legal and administrative responsibilities and 1 RAV 4 Vehicle for the secretary. From the tender publication there were 3 bids received. The 3 bidders are LMTA, KTM/AILEEN LTD, and TERAURAOI Trading Ltd. The suppliers were all qualified to the evaluation stage and after a thorough evaluation carried out, LMTA was recommended for award with a total bid of $137, 025 (Double cabin is $67,275 and RAV 4 Vehicle is $69,750). The CCAB award decision was issued on 16 December 2022 and the contract was signed on 21st December 2022.

1.8 Table B in the Appendices presents a comparative analysis of procurement activities conducted by the three chosen procuring entities by showing audit opinions on these procurements in accordance with the established audit criteria.

Roles and responsibilities

Central Procurement Unit (CPU)

1.9 Has the legislative responsibility for the management and administration of the Public Procurement Act 2019. It is a center of excellence in the country for procuring goods, services and works, and is responsible for carrying out procurement training and support to procuring entities. The CPU is one of the divisions within the Ministry of Finance and Economic Development and is headed by the Senior Procurement Officer (SPO) who provides support to procurement activities with a team of four Procurement Officers (POs). There are currently five (5) staff within the procurement unit and are open to expand and increase capacity in order to meet goals and services required.

Chief Procurement Officer (CPO)

1.10 is responsible for making sure best practices are followed, and the Public Procurement Act and regulations are effectively implemented. In the new Public Procurement legal framework, the CPO is the Secretary for the Ministry of Finance and Economic Development.

Procuring Entities (PEs) – MELAD, MISE, MFED

1.11 are responsible for preparing and submitting Annual Procurement Plans (APP) to the CPU and to ensure that their procurement activities are effective and efficient and are in line with the Public Procurement Act and regulations. Procuring entities conduct very low and low value procurement activities with the approval of their secretaries, head of office or senior responsible officer. Meanwhile, medium value and high value procurement activities must go through the CPU.

Central Contract Award Board (CCAB)

1.12 is responsible for reviewing and awarding decisions on High-Value Procurement Contracts or Framework Agreements, in accordance with the Regulations.

Procurement Complaints Board (PCB)

1.13 is responsible for reviewing complaints regarding High-Value Procurement received from Tenders, in accordance with the Regulations.

High value procurement legislation and guidance

1.14 Procurements which cost more than $50,000 are classified as High Value Procurements. The thresholds are defined in Annex I of the Regulations

1.15 The procurement thresholds include the following rule:

Very low value procurement	<1000
Low value procurement	1,000-9,999
Medium Value procurement	10,000-49,999
High Value procurement	50,000>

1.16 For high value procurements, the procuring entity must involve the Central Procurement Unit (CPU) at all stages of the procurement for early detection and correction purposes. The approvals for high value procurements are stricter and involve high management officials to sign off. Annex I of the public procurement regulation 2020 give a clear delegation of authorities under each threshold.

1.17 For every procurement carried out, it has to follow the public procurement process.

Figure 1-2: Procurement process

1.18 During the tender preparation, a procuring entity with the advice from CPU choose the method to request for invitations to tender. For procuring standard goods like Vehicles, a Request for Quotation is the most suitable method. A Request for Quotation is a set of documents used for an Invitation to Tender to invite Economic Operators to submit a quotation for standard Goods, Services or Works.

1.19 The main steps and timeline for the Request for Quotation (RFQ) process are:

i. Preparation of the draft Invitation to Tender (in this case the RFQ) by the Procuring Entity 1 week.

ii. Approval of the RFQ by the CPU – 1-2 weeks (depending on quality and availability)

iii. Posting or submission of invitation (for Limited Competitive Procurement) – 1 week

iv. Tender time for Tenderers – 4 weeks (25 calendar days)

v. Complaints or clarifications during the process, which might postpone the last date for submission – unknown.

vi. Receipt, Opening, registration and distribution to the Procuring Entity (PEPO) should be done by CPU– 2 days.

vii. Evaluation by the Procuring Entity – 1-2 weeks (depending on availability of the Evaluation Committee members, clarification requests, etc.)

viii. Award by the Contract Award Committee (CAC) for medium value procurement or the Central Contract Award Board (CCAB) for high value procurements, including communication of the award decision – 1 week (depending on availability of the CAC or the CCAB)

ix. 'Stand still' period for possible complaints – 2 weeks (14 calendar days)

x. If complaints received, the settlement time, including appeals – 1-3 weeks (depending on the complexity of the case)

xi. Finalization of the Contract by the Procuring Entity – 1 week (unless the Contract Terms & Conditions have to be approved by the OAG, if the Standard Contract templates have not been used, then a delay will depend on the time needed for the OAG)

xii. Signing process by both parties – 1 week

xiii. Lead time for start of execution/establishment.

Before initiating a medium and high value procurement, the procuring entity should submit their annual procurement forecast[1] to the central procurement unit before the beginning of the year.

Roles of the Auditor General.

The audit on MFED, MELAD and MISE high value procurement of Vehicles was carried out as part of my statutory duty mandated under section 114 of the Kiribati Constitution and Part IV section 24 of the Kiribati Audit Act, 2017.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAI). The standard requires that we access the efficiency, effectiveness and economy of a government undertaking, system, or process. The audit was conducted with technical assistance from the Australian Capital Territory Audit Office.

[1] A procurement forecast should be included in the budget request to NEPO at the end of each fiscal year. After approval of budget from NEPO an annual procurement plan is developed by CPU based on what is approved.

Audit objective and scope

Audit objective

The objective of the audit is to provide an independent opinion to the Mwaneaba ni Maungatabu on the effectiveness of the Ministry of Finance and Economic Development (MFED), the Ministry of Environment and Land Development (MELAD) and the Ministry of Infrastructure and Sustainable Energy (MISE) procurement process on High Value Procurements (HVP) for Vehicles.

Audit scope

The scope of the audit includes consideration of

- The needs analysis of the procuring entity which results in the procurement of vehicles.
- The public procurement process in compliance with the public procurement framework in Kiribati.

This audit will consider the review of three (3) out of twenty-nine (29) high value procurement of vehicles conducted by MFED, MISE and MELAD with a total procurement value of $419,351.04. The period that will be covered under this audit will be from 1st January 2021 to 31st December 2022.

The audit will also consider the 7 principles of public procurement, set out in the Public Procurement Act 2019 which are value for money, anti-corruption, integrity, conflict of interest, transparency, confidentiality, and fair competition as well as waste and probity in the High value procurement of Vehicles in these 3 ministries.

Audit criteria, approach and method

Audit criteria

There are two audit criteria to guide the conduct of the audit and to enable the objectives of the audit to be achieved.

Criterion 1: Did MFED, MELAD, MISE appropriately identify its business and operational needs prior to commencing the procurement?

Criterion 2: Did MFED, MELAD and MISE conduct their procurement of vehicles in line with the public procurement framework?

Audit approach and method

The audit will comply with the Kiribati Audit Act 2017 and International Standard for Supreme Audit Institutions (ISSAI) 3000- Performance Audit Standard.

In relation to the procurement of the Vehicles from the three Ministries the audit approach will be a result-oriented approach and consist of:

- Document review,
  - reviewing relevant Kiribati Public Procurement rules and guidelines,
  - review legislation, literature, and work undertaken on this subject by other jurisdictions to identify better practices for vehicle procurement.
  - identifying and reviewing relevant information and documentation including the governance and accountability framework and related policy and procedures, research documents, and relevant reports.
  - identifying and documenting internal controls and procedures used to give effect to the policies and guidelines and to ensure compliance and evaluating the effectiveness of these controls.
- examination of procurement plans, procurement proposals, minutes and other procurement forms used by the Central Procurement Unit and the selected ministries in processing procurements.
- interviews and discussion with key contact persons from MFED, MELAD, MISE, CPU, and other stakeholders.
- The audit will carry out direct observation of Vehicles and make sure that the procured vehicles are operational and in good condition.
- Case Study: Selection of 1 contract of high value procurement of vehicles from each of the three ministries and to analyze the entire procurement lifecycle. The chosen procurements can include open competitive, single-sourced or limited sourced.

2 PROCUREMENT PLANNING

2.1 This chapter considers the conduct of the procurement, from the needs analysis till the scoping of a request for quotation to inform the invitation to tender document.

Conclusions

All three ministries have failed to properly plan and prepare for the procurement of their vehicles. Their need analysis was not carried out effectively and sufficiently documented. The market assessment was barely carried out, with lack of understanding and insufficient support from CPU on it resulted in ignoring the process.

There is a recurring pattern of inadequately outlining requirements, evidenced by a lack of documentation for needs analysis and market assessment. Planning and preparation for tenders often fall short of compliance with procurement manuals, indicating deficiencies in comprehensiveness, relevance, and adherence to controls and approval processes. Environmental and safety considerations are frequently overlooked during the planning phase, reflecting systemic issues in addressing critical aspects of procurement.

However, the audit has found that not only did the procuring entities have failed to complete the ITT template comprehensively but also CPU lack of controls and being too complacent in allowing incomplete ITT documents to be published due to the rush hour of the end of year.

Key findings

Common Findings

According to the advice received by CPU staff during the interview, the annual procurement plan has not been approved by the Chief procurement officer since the new Public Procurement Act is approved in 2019.

All three ministries overlooked safety and environment when planning for their vehicle. Additionally, the Central Procurement Office (CPU), being within MFED failed to integrate green procurement practices into their planning.

The overall scope of the procurement was not put up to the chief procurement officer for approval. Instead, CPU advised that it conduct reviews of the scope of the procurement before publishing it on the procurement web portal.

The selection of the evaluation committee appeared to rely on availability rather than qualifications. Evaluators are not assessed based on the required capacity for conducting evaluation of tenders. And CPO approval was not sought for the evaluation committee.

MFED	**Paragraph (s)**
The need for MFED identified was for only 1 minibus but the letter of invitation for Request for quotation, signed by the secretary of MFED, requested quotes for one double cab and two minibuses.	2.5
MFED did not effectively conduct and document a market assessment. The senior procurement officer advised that they sometimes approach the MCIC for licensed business vendors both domestically and internationally. However, there is no documented evidence of this process during the procurement of the two minibuses.	2.7
The overall scope of the procurement lacked important aspects of the procurements scoping required by the procurement manual. It lacked specification of the minibuses, with no documented approval of reduced tender period, and in compliances with the procurement manual on the appointment process of the evaluation committee. Planning was insufficient and not well documented, lacked comprehensiveness, relevance and compliance to the controls and approvals process outlined in the procurement manual. There was no documented approval of the scope from the Chief Procurement Officer primarily due to conflicts of interest arising from the dual role of the Secretary of MFED.	2.25
MISE	
MISE demonstrates good practices by having transport taskforce in place to take care of the ministry's vehicles. It improves accountability and transparency on the use of government vehicles. Although the transport taskforce identifies and analyze issues with old vehicles, which is directly related to the need to improve and procure new vehicles, it does not identify the need and requirements of the new vehicles to be procured. There is no documented evidence that the need and requirements of the vehicles to be procured are identified and discussed.	2.33
The overall scope of the procurement lacked important aspects of the procurements scoping required by the procurement manual. The scope of the procurement did not consider the appointment of the evaluation committee. Also, the specification for the RAV 4 specifies the brand of the vehicle, directly limiting competition and compromising open competitive procedure. There are in compliances with the procurement manual on the appointment process of the evaluation committee. Most importantly, there was no documented approval from the CPO on the scope of the procurement. CPU advised that they usually conduct reviews of the procurement scope before publishing the invitation to tender documents on the web portal.	*2.47*

MELAD	
MELAD's intention to procure a wheel loader was outlined in the activity design document for the KSWMP, providing details solely on the scheduled procurement date and budget. Despite identifying the wheel loader as necessary for the project, the document lacked an in-depth analysis of its specific requirements. Moreover, subsequent documents to assess the appropriate type of wheel loader were not produced.	2.55
MELAD advised through ECD and PPU staffs that the only supplier considered is Porter NZ since, it is also the supplier of the first wheel loader used. ECD staff advised during the interview that they have very good experience and a very good support service from Porter NZ.	2.57
The overall scope of the procurement was not approved by the chief Procurement Officer. There are several non-compliances of the procurement manual especially on the appointment of the evaluation committee.	2.71
The single source procurement was approved by CPO on 30 March 2022, but no mention of the single selected supplier was included and approved.	2.74

Ministry Of Finance And Economic Development (MFED)

Relevant context

2.2 The Procurement activities of the ministry were designated to the Assistant Secretary with the assurance that the central procurement unit is available for assistance at any time. Despite not being part of the Annual Procurement Plan (APP) for 2021, the procurement of two minibuses was eventually considered. The Secretary of MFED advised waiting until the end of the year to assess the ministry's savings before making procurement decisions. Ultimately, she chose to acquire minibuses from among the various requested goods from the senior management team. This decision was made due to the essential need for vehicles to enhance the efficiency of the ministry's activities in facilitating regular operations.

Need identification and analysis

2.3 During the procurement planning phase, there was no documented requirement for the minibuses. However, at the Senior Management Meeting (SMM) on 21 December 2021, the Ministry identified the need for one minibus and one double cab. While the audit has not received the minutes of this meeting, it has obtained a list of requested goods and services discussed during the meeting.

2.4 Included in the list of requested procurements is a minibus. The documented list obtained specifies the reasons for procurement, which is:

> *'For replacement of the current vehicle (give away to the customs office for use), for staff's transport and for tax office operation.'*

2.5 The need for MFED identified was for only 1 minibus but the letter of invitation for Request for quotation, signed by the secretary of MFED, requested quotes for one double cab and two minibuses.

Market assessment

2.6 According to the procurement manual *'once the needs are defined, as above, a market sounding should be done, to investigate the markets' ability to satisfy the needs.'*

2.7 MFED did not effectively conduct and document a market assessment. The senior procurement officer advised that they sometimes approach the MCIC for licensed business vendors both domestically and internationally. However, there is no documented evidence of this process during the procurement of the two minibuses.

2.8 Without a market assessment, there is no assessment of the cost of vehicles to be procured, no comparison of suppliers to know the best supplier to approach and no confirmation that the specified needs of MFED minibuses can be provided by the market.

2.9 During the conduct of the audit CPU advised that it has designed and approved a market assessment template to be used by all procuring entities. This will help inform the procuring entities need analysis and improve compliance to the procurement manual.

Annual procurement forecast.

2.10 The audit has not obtained the annual procurement forecast (APF) for MFED for 2021. However, the annual procurement plan (APP) for 2021 developed by CPU, MFED did not have any forecasted medium and high value procurement for 2021.

2.11 The procurement of the two minibuses was not part of the APP for 2021. MFED secretary advised that toward the end of the year, after knowing the ministries savings. The secretary chose to procure minibuses among the many other requested goods from the senior management team.

Scope of the procurement

2.12 As part of the scoping for the procurement, MFED did not consider all required aspects of scoping as required by the procurement manual. According to the procurement manual the scope should include the specification of the good, evaluation criteria and weighting, time schedule and nomination and appointment of the evaluation committee members.

2.13 The specifications for the minibuses were not identified in the specification document developed as part of the scope of the procurement. As per the specification document, there is very limited information regarding the procurement of two minibuses. It only states the quantity of minibuses to be procured without any detailed specifications or requirements. The only specification provided in the document pertains to double cabs not minibuses. The specification document lacks specifics requirements or needs outlined by MFED.

2.14 In addition to the specification template, the evaluation criteria and weighting were also developed during the planning and preparation stage of the procurement. The evaluation criteria indicated that the technical component will be assessed based on the following criteria and be weighted to 70%.

2.15 **Table 1: Evaluation Criteria**

Major Criteria	**Details & Sub-Criteria**	**Possible Score**
Firm/consortium's experience and reputation with similar supply of Goods	At least 2 references showing similar supply of goods. Valid Business license	30
Availability of stock	Clearly state if there is stock in hand	30
Delivery time	End of December 2021	20
Specification	Clear and photos	20
Total Possible Technical Score		100

2.16 A financial component of the bid will be evaluated after and be weighted to 30% using the formula below.

p = y * (x / z), where:

p = points for the financial Tender being evaluated

y = maximum number of points available for the financial Tender

x = price of the lowest priced Tender

z = price of the Tender being evaluated

2.17 The tender that presents the best value for money according to the procurement manual and evaluation criteria is a tender that have the highest score after addition of its technical and financial scores.

2.18 The time schedule developed during the planning and published as part of the Request for quotation ITT documents was not consistent and lacked documented approval for the reduction of the tender period as demonstrated in table 2 below.

Table 2: Time schedule

Event	**Responsible Party**	**Estimated dates**
1. Launch and publication of RFQ	Procuring Entity	23/12/2021
2. Last date for questions about RFQ	Tenderer	25/12/2021
3. Last date for answers to questions and/or to amend the RFQ	Procuring Entity	26/12/2021
4. Last date for submission of Quotation	Tenderer	28/12/2021
5. Evaluation finalized	Procuring Entity	29/12/2021
6. Award of Contract	Procuring Entity	30/12/2021
7. Contract Terms and Conditions	Procuring Entity /Tenderer	13/12/2021
8. Contract signing	Procuring Entity /Tenderer	14/12/2021
9. Contract/Project start date	Tenderer	15/12/2021

2.19 It appears that there was oversight in completing the estimated dates of the contract terms and conditions, contract signing, and contract start date, leading to inconsistencies with estimated dates prior to these processes.

2.20 Additionally, the schedule indicates that the request for quotation will only be open for four working days, yet there is no documented approval of this shortened tender period from the Chief Procurement Officer.

2.21 The audit highlights a conflict of interest concerning MFED procurement, where the MFED Secretary holds dual roles as both Secretary and Chief Procurement Officer (CPO). Consequently, actions initiated by the MFED Secretary are equivalent to those of the CPO, including approval authority.

2.22 In contrast to the above scoping considerations, the selection of the evaluation committee was not considered. According to the documents obtained, the invitation for the following ministries to join the evaluation committee was extended via email on 29 December 2021.

- A chairperson from MFED admin
- A representative from the Ministry of Internal Affairs.
- A representative from the Ministry of justice.
- A representative from the Ministry of employment and human resource development
- A secretariat from CPU

2.23 The time of appointment of the evaluation committee is not in compliance to the procurement manual which states that, the evaluation committee:

'shall be appointed prior to the publication or submission of an Invitation to Tender.'

2.24 The ministries that would form part of the evaluation committee were appointed by the senior procurement officer of CPU and approved by the Secretary of MFED. However, the representatives from the ministries were not assessed based on their relevant technical, financial, public procurement expert knowledge and experience since there was no documentation regarding each member's capacity in these areas. The selection process appeared to rely on availability rather than qualifications. There were apparent conflicts of interest on the approval process on the appointment of evaluation committee given that MFED secretary who heads the procuring entity also serves as the Chief procurement officer.

'The head of the Procuring Entities shall select and appoint the members of the Evaluation Committee which shall have appropriate technical, financial, Public Procurement expert knowledge and experience,'

2.25 The overall scope of the procurement lacked important aspects of the procurements scoping required by the procurement manual. It lacked specification of the minibuses, with no documented approval of reduced tender period, and in compliances with the procurement manual on the appointment process of the evaluation committee. Planning was insufficient and not well documented, lacked comprehensiveness, relevance and compliance to the controls and approvals process outlined in the procurement manual. There was no documented approval of the scope from the Chief Procurement Officer primarily due to conflicts of interest arising from the dual role of the Secretary of MFED.

No consideration of environmental and safety during the planning process.

2.26 MFED overlooked safety and environment when planning for their vehicle. Additionally, the Central Procurement Office (CPU), being within MFED failed to integrate green procurement practices into their planning.

2.27 Nonetheless, there was a Global Green Growth Institute (GGGI) initiative focusing on green procurement, which provided training to procuring entities in this regard.

Ministry Of Infrastructure And Sustainable Energy (MISE)

Relevant context

2.28 MISE designates the procurement activities to the project and planning unit (PPU). The PPU is responsible for carrying out procurement activities for the whole ministry. While carrying out the procurement of the double cab and Rav 4 in 2022, PPU does not have or use the procurement manual as they are using the Procurement Act and rely on advice from CPU. However, at present MISE designated procurement officer has kept a copy of the procurement manual with them for reference and guidance on the procurement process. And there is a newly created post within MISE for a procurement officer.

2.29 This procurement was not part of the plan at the beginning of the year since it was an end of year procurement[2]. MISE secretary advised that after knowing the savings of the ministries at the near end of the year. He decided to procure vehicles which they have needed during the year and quickly spend their remaining budget before the close of the government account for 2022.

Need Identification and Analysis

2.30 There was no documentation of the needs analysis for the procurement of a double cab and Rav4 prior to the development of the specification template. According to the advice received by MISE dedicated procurement officer, MISE was in dire need for new vehicles since the old ones are reaching the end of their useful life. The procurement officer added that the previous vehicles were vehicles from Projects which were executed by MISE. And there is no previous procurement of a double cab and Rav4 in MISE. This statement was supported in the report of old vehicles by the transport taskforce[3].

2.31 According to, the designated procurement officer, the need for the Rav4 and double cab was discussed during the Senior management team meeting. However, the audit has not been able to obtain and meeting minutes and evidence of discussions on this matter.

2.32 The need for the vehicles was later stated in the specification template developed as part of the request for quotation (ITT documents). This explains the reason for the procurement.

[2] A common practice during this time is that ministries would quickly spend their remaining budget balance before the end of the year.

[3] The taskforce established to oversee transportation need of the ministry and it conducts daily inspection of vehicles, identify problems with vehicles and report to the senior management team and directly to the secretary of MISE for immediate action if required.

'Is to assist MISE HQ with the need of transportation which has been a major issue within MISE. Currently MISE has only 1 active vehicle to assist 6 units, and this has cause major setbacks in urgent matters both internally and externally.'

2.33 MISE demonstrates good practices by having a transport taskforce in place to take care of the ministry's vehicles. It improves accountability and transparency on the use of government vehicles. Although the transport taskforce identifies and analyze issues with old vehicles, which is directly related to the need to improve and procure new vehicles, it does not identify the need and requirements of the new vehicles to be procured. There is no documented evidence that the need and requirements of the vehicles to be procured are identified and discussed.

Market assessment

2.34 According to the procurement manual *'once the needs are defined, as above, a market sounding should be done, to investigate the markets' ability to satisfy the needs.'*

2.35 There was no detailed and documented market assessment carried out. However, prior to filling out the Invitation to Tender documents there are correspondences that support MISE market investigation. As quotations are sought from 3 local suppliers on the vehicles planned to be procured. The investigation however was based on comparing quotations with no further action carried out. There is no confirmation that the specified needs of MISE can be provided by the market.

Annual procurement forecast.

2.36 There were no annual procurement forecasts (APF) for MISE in 2022 and no annual procurement plan (APP) for 2022.

2.37 According to the advice from MISE, the 2022 annual procurement forecast was not developed due to covid-19 lockdown in the end of 2021. And the former SPO responsible for developing the annual procurement forecast had resigned.

Scope of the procurement

2.38 As part of the scoping for the procurement, MISE did not consider all required aspects of scoping as required by the procurement manual. According to the procurement manual a scope should include the specification, evaluation criteria and weighting, time schedule and nomination and appointment of the evaluation committee members.

2.39 The specifications for the double cab and rav 4 were stated below. Although the procurement manual clearly discourages the branding of the specification, this specification includes the brand of the Rav4. This could potentially limit the suppliers in the market participation in the tender and lead to a compromised open competitive procedure with unequal and unfair treatment to the other suppliers in the market.

Procured good	Description
1 Double cabin (4x4)	Latest model preferable with at least 6 months warranty with provided mechanical repair tools, necessary parts, spare tire, operational manual book, and recent photos of the vehicle.
2022 Toyota Rav4	with 6 months warranty with provided mechanical repair tools, necessary parts, spare tire, operational manual booklet, and recent photos of the vehicle.

2.40 The evaluation criteria and weighting were stated in the ITT template states that a technical component will be evaluated according to the following criteria and weighted to 70%.

Major Criteria	Details & Sub-Criteria	Possible Score
Firm/consortium's experience and reputation with similar supply of Goods	• Experience in supplying of similar goods, supply of goods in accordance with standard and quality (At least 3 references)	30
Delivery time	• Delivery to be provided clearly and certified by supplier. • Timeline developed for delivery of goods is comprehensive and practical	20
Specification	• Latest model preferable and shipment with warranty to be provided. • List of provided mechanical repair tools with necessary parts, spare tire, etc. • Recent photos of vehicle and provided operational manual book	50
Total Possible Technical Score		100

2.41 A financial component of the bid will be evaluated after and be weighted to 30% using the formula below.

*p = y * (x / z)*, *where:*

p = points for the financial Tender being evaluated
y = maximum number of points available for the financial Tender
x = price of the lowest priced Tender
z = price of the Tender being evaluated

2.42 The tender that presents the best value for money according to the procurement manual and evaluation criteria is a tender that has the highest score after addition of its technical and financial scores.

2.43 The time schedule lay out the estimated procurement time to start from tender publication on 18 November 2022 and be completed by 20 December 2022, a total of 23 working days starting from the tender publication to contract signing. The short-scheduled procurement is a result of a reduced tender period to 10 working days after approval from CPO.

2.44 The evaluation committee was not considered as part of the scoping for MISE procurement. According to correspondences obtained the evaluation committee were invited to form part of the committee on 2 December 2022 through email. And comprises of

- A representative from the Ministry of tourism commerce and industrial cooperatives.
- A representative from the Kiribati land and transport authority.
- Two representatives from MISE
- And a non-scoring advisor from CPU

2.45 The time of appointment of the evaluation committee is not in compliance to the procurement manual which states that, the evaluation committee:

'shall be appointed prior to the publication or submission of an Invitation to Tender.'

2.46 Furthermore, there is no documented endorsement of the evaluation committee by MISE Secretary and no approval was sought from the Chief Procurement Officer regarding their appointment. According to the advice received from MISE, this approval was not implemented however, the CPU was aware of the selected evaluation committee members as they have always been included in the communications related to the evaluation committee.

2.47 The overall scope of the procurement lacked important aspects of the procurements scoping required by the procurement manual. The scope of the procurement did not consider the appointment of the evaluation committee. Also, the specification for the RAV 4 specifies the brand of the vehicle, directly limiting competition and compromising open competitive procedure. There are in compliances with the procurement manual on the appointment process of the evaluation committee. Most importantly, there was no documented approval from the CPO on the scope of the procurement. CPU advised that they usually conduct reviews of the procurement scope before publishing the invitation to tender documents on the web portal.

No consideration of environmental and safety during the planning process.

2.48 MISE did not adequately consider safety and the environment of the procured vehicle. This is evidenced by lack of information of the environmental and safety considerations in the specification template. Although MISE claim to being able to dispose their old benzine running vehicles is considering the environmental and safety of the procurement. The audit acknowledges the rationale of MISE however, it has failed to include that rationale in the specification of the vehicles to be procured.

2.49 MISE comments that they never received training on safety and environment procurement before they carry out this procurement. Also, considering the environmental and safety of the procured item was not included in the specification template.

Ministry of Environment, Land and Agricultural Development (MELAD)

Relevant context

2.50 MELAD designate the procurement activities to the project and planning unit (PPU). The PPU is responsible for carrying out procurement activities, especially for the projects within MELAD. While carrying out the procurement of the wheel loader PPU does not have or use the procurement manual as they are using the Public Procurement Act and rely on advice from CPU.

2.51 Prior to the use of an open competitive procedure in 2020, a single source procedure approval to buy the loader was sought but not approved by CPO.

Need Identification and Analysis

2.52 There was no need analysis document developed aside the activity design document for the Kiribati solid waste management project (KSWMP)[4].

2.53 The procurement of the wheel loader was identified as a need of the ministry under the activity design document for phase II of the KSWMP in 2016. The plan for the project was to buy a new wheel loader in 2019 for $250,000.

2.54 While there is no documented need analysis, MELAD through Environment and Conservation Division (ECD) staff advised that the following requirement and needs of the wheel loader were considered during the planning of their procurement.

- Should be able to be driven on sealed road and can be easily moved from one landfill to another.
- The same brand and model as the previous wheel loader because the staffs and operators are familiar with.
- To be modified to avoid the issues and consider the lessons learned from the old wheel loader.

2.55 MELAD's intention to procure a wheel loader was outlined in the activity design document for the KSWMP, providing details solely on the scheduled procurement date and budget. Despite identifying the wheel loader as necessary for the project, the document lacked an in-depth

[4] The project was implemented by MELAD to strengthen the existing solid waste management system, strengthen public and government level awareness raising on solid waste management and to also strengthen the SWM sector governance, enforcement and to improve knowledge exchange.

analysis of its specific requirements. Moreover, subsequent documents to assess the appropriate type of wheel loader were not produced.

Market analysis

2.56 There was no market analysis conducted before procuring the wheel loader. Without carrying out the market analysis MELAD would not be able to know what the market cost for the wheel loader would be and who would be best to approach that is able to supply their needs and requirements.

2.57 MELAD advised through ECD and PPU staffs that the only supplier considered is Porter NZ since, it is also the supplier of the first wheel loader used. ECD staff advised during the interview that they have very good experience and a very good support service from Porter NZ.

Annual procurement forecast.

2.58 MELAD submits its annual procurement forecast for the years 2020, 2021,2023, and 2024. No procurement forecast for 2022 was developed and submitted to CPU.

2.59 According to the advice received by CPU staff during the interview, the annual procurement plan has not been approved by the Chief procurement officer since the new Public Procurement Act is approved in 2019.

2.60 The procurement was not carried out in 2019 according to the activity design document but it was included in MELAD's Annual Procurement Forecast (APF) for 2020 which forms part of the Annual Procurement Plan (APP) for 2020.

2.61 According to the annual procurement forecast, it states the budget available for Hyundai wheel which is $252,000 and the procurement to include international markets using a request for quotation procedure and desired to be delivered in June 2020.

Scope of the procurement

2.62 As part of the scoping for the open competitive procurement, MELAD did not consider all required aspects of scoping as required by the procurement manual. According to the procurement manual a scope should include the specification, evaluation criteria and weighting, time schedule and nomination and appointment of the evaluation committee members.

2.63 According to the time schedule, the procurement was estimated to be launched on 7 September 2020 and be completed by the end of October 2020, a total of 39 working days. However, the estimated 39 working days tender process period did not consider the two weeks complaint period.

2.64 The specification of the wheel loader was defined using technical components and includes the following.

- New Hyundai HL740 – 9 Wheel Loader
- Manual and parts book provided in English.
- 2m3 minimum bucket size
- Cummins diesel engine
- Spare parts for 1000 hours including filters, belts, and lubricants.
- Tier III engine
- The machine should be fitted with the following's modifications:
  - Drive shaft guards
  - Brawler HPS Solidflex Traction tires by Trelleborg
  - Tow hitch
  - Low hanging hoses, breathers and drains shortened or secured.
- Industrial or Workplace First Aid kit
- Dry powder fire extinguisher (ABE) to AS/NZS 1841.5 (4.5kg externally mounted)

2.65 The evaluation criteria as stated in the ITT template states that a technical component will be evaluated according to the following criteria and be weighted to 70%.

Major Criteria	Details & Sub-Criteria	Possible Score
Firm/consortium's experience and reputation with similar supply of Goods	• Clear reference from previous works • Valid business license	40
Delivery time	• Timeliness of the delivery of the procurement output	30
Quality compliance	• The brand must be good quality, new and the product not second hand or used.	30
Total Possible Technical Score		100

2.66 A financial component of the bid will be evaluated after and be weighted to 30% using the formula below.

*p = y * (x / z), where:*

p = points for the financial Tender being evaluated
y = maximum number of points available for the financial Tender
x = price of the lowest priced Tender
z = price of the Tender being evaluated

2.67 The tender that presents the best value for money according to the procurement manual and evaluation criteria is a tender that have the highest score after addition of its technical and financial scores.

2.68 The evaluation committee was not considered as part of the scoping for MELAD procurement. According to correspondences obtained the evaluation committee were invited to form part of the committee and comprises of:

- A representative from the Ministry of Infrastructure and Sustainable Energy.
- A representative from the Ministry of Culture and Internal Affairs.
- Two representatives from MELAD, a scoring member and secretariat.
- A representative from CPU

2.69 The time of appointment of the evaluation committee is not in compliance to the procurement manual which states that, the evaluation committee:

'shall be appointed prior to the publication or submission of an Invitation to Tender.'

2.70 Furthermore, selected committee were not assessed of their capacity to conduct tender evaluation. MELAD advised that CPU was aware of the members of the evaluation committee and the Senior Responsible officer was looped in an email informing CPU of the committee members. However, no approval of the committee was sought from the Chief Procurement Officer.

2.71 The overall scope of the procurement was not approved by the chief Procurement Officer. There are several non-compliances of the procurement manual especially on the appointment of the evaluation committee.

Single source procurement

2.72 In 2022, a single source procurement was opted due to the unsuccessful open competitive procurement of the wheel loader in 2020 because the contractor could not deliver the wheel loader. MELAD seeks release of the returned fund from NEPO in the beginning of the year in order to carry out another procurement.

2.73 For the single source procedure, there was no documented planning documents as it is the continuation of the unsuccessful procurement in 2020. All the planning was already done during the open competitive process, with most documents developed during an open competitive procedure are used for this procedure, most importantly the specification document.

2.74 The single source procurement was approved by CPO on 30 March 2022, but no mention of the single selected supplier was included and approved.

Recommendation to CPU:

1. **Review and update the procurement manual and regulations:**
   - Review and update procurement manuals, templates, and guidelines to align with current practices and regulations.
   - Ensure all planning documents undergo proper approval processes. The Chief Procurement Officer (CPO), who is also the Secretary of Finance, should delegate the approval of the scope of procurement including the evaluation and approval of the evaluation committee to the Senior Procurement Officer (SPO). Regulations should allow for this delegation, ensuring smoother evaluation processes.
2. **Standardized Procedures and Templates:**
   - Develop and distribute standardized templates for needs analysis and market analysis taking into consideration Environment and safety.
   - Provide clear guidelines on the single-source procedure, to include briefings of the suggested supplier for approval by the CPO.
3. **Training and Capacity Building**
   - Conduct frequent training sessions for procuring entities designated procurement officers on using templates.

Recommendation to Ministries:

4. **Procurement Planning and Documentation:**
   - Designate a procurement officer for comprehensive planning, considering safety, environmental concerns, and actual needs, with thorough documentation following the procurement manual.
   - Strengthen compliance with annual procurement forecasts and internal file management processes aligned with CPU guidelines.
5. **Selection and Capacity Building of Evaluation Committee:**
   - Select evaluation committee members during planning, ensuring endorsement by the Senior Responsible Officer (SRO) and possessing necessary technical, financial, and administrative capacities.
   - Nominate and endorse evaluators from a trained pool by CPU.
6. **Capacity Building:**
   - Provide training programs for designated procurement officers and staff on procurement planning and adherence to the procurement manual.

3 TENDER EXECUTION

3.1 This chapter considers the conduct of the procurement, from the publication of the request for quotation (RFQ) invitation to tender (ITT) document till the development of the evaluation report.

Conclusions

In light of the comprehensive analysis conducted on the tender execution across these three ministries several critical findings have been brought to light. These findings underscore significant deficiencies in adherence to the procurement manual, raising concerns regarding transparency, integrity, and efficiency in the procurement process.

Firstly, the absence of approval from the chief procurement officer prior to the publication of the request for quotation invitation to tender highlights a fundamental oversight in governance and accountability. This failure to obtain proper authorization undermines the credibility and legality of the procurement process from its inception.

Furthermore, the inability of all three ministries to provide signed declarations of conflict of interest for the evaluation committee, coupled with the misplacement of these essential documents, raises serious doubts about the impartiality and objectivity of the evaluation process. Such lapses in documentation management not only compromise the integrity of the evaluation process but also erode public trust in the fairness of procurement decisions.

The discrepancies identified in the evaluation of tenders, particularly the incorrect application of financial evaluation formulas and incomplete evaluation reports, further highlight systemic weaknesses in the evaluation and reporting mechanisms. These errors not only distort the assessment of value for money but also call into question the reliability and accuracy of procurement outcomes.

Moreover, specific instances of procedural irregularities, such as the failure to share the request for quotation with single-source suppliers and deviations from established time schedules, underscore a lack of adherence to prescribed protocols and standards. These deviations not only increase the risk of inflated costs and substandard goods but also undermine the principles of competition and fairness in procurement practices.

Key findings

Common Findings

All three procurements request for quotation invitation to tender was not approved by the chief procurement officer prior to its publication.

All three ministries could not provide signed declaration of conflict of interest for the evaluation committee. According to the procuring entities, the evaluation committee did sign a declaration of conflict-of-interest form however, they have misplaced it.

During the evaluation, tenders were not evaluated according to the financial evaluation formula established during the planning and published as part of the request for quotation (RFQ) documents. All three ministries have performed incorrect calculations on the financial evaluation. As a result of incorrect financial evaluation, the value for money score was also incorrect.

All three ministries have developed an incomplete evaluation report. The evaluation report was incomplete due to some required documents and information not included in it.

MFED	**Paragraph (s)**
MFED tender evaluation for its minibuses was not conducted in accordance with the procurement manual. There were missing documents throughout the tender process. There was also no evidence that confirm that tenders were evaluated according to the technical criteria established and published in the request for quote documents. Incorrect financial scoring and incomplete evaluation report lacking the chairman's signature were also noted. Although this does not change the outcome of the tender, it has compromised the value for money and integrity of the procurement process.	3.16
MISE	
The tender evaluation process for the procurement of double cab and Rav4 vehicles by MISE did not adhere to the procurement manual. While the evaluation was conducted based on the technical criteria published, the evaluation report appears to favor the Toyota brand for both vehicles, which was not part of the technical evaluation criteria. Furthermore, there was an error in the financial scoring, leading to a significant change in the evaluation outcome. Consequently, Aileen received a higher value for money score than LMTA, the awarded contractor. These errors, combined with an incomplete evaluation report, compromised the integrity of the procurement process and value for money.	3.31
MELAD	
MELAD share the request for quotation during the open competitive procedure. However, it did not share it with its single selected supplier during the single source procurement. Without sharing a request for quotation with the single selected supplier, it has based its procurement on what the supplier can provide and not on what the procuring entity want. Which may impose risk of increase cost and	3.35

provision of goods not meeting the need of the entity.	
According to the procurement manual, there is no clear process on the single source procurement following the approval of using the procedure. There is a lack of clarity in the procurement manual and Public Procurement Act on the process of single source procurement.	3.36
The tender opening and prequalification process was not consistent with the time schedule developed during the scoping of the procurement. It is evident that additional time was allowed to pre-qualified tenderers to submit all the required tender documents. There was no documented approval of the extension of deadline for tender submissions by the chief procurement officer.	3.44
The evaluation of tenders was conducted during an open competitive procedure but not during the single source procedure. During the open competitive procurement, MELAD evaluation of tender process was not conducted according to the published evaluation criteria. There were changes to the maximum scores given on each technical criterion and the financial scoring did not correctly apply the formula published in the invitation to tender (ITT). Additionally, the evaluation report developed was incomplete.	3.55
The single source procurement starts after the single source procedure (SSP) approval from CPO on 30 March 2022. With no evaluation carried out hence no evaluation report was developed and put up to CCAB for award	3.60

Ministry of Finance and Economic Development (MFED)

Request for quotation (ITT) publication

3.2 The request for quotation invitation to tender was not approved by the chief procurement officer prior to its publication.

3.3 The request for quotation ITT was published on the procurement web portal on 23 December 2021 with a closing date of 28 December 2021.

3.4 The request for quotation documentation published correctly included all the necessary instructions for tenderers to be able to submit a compliant tender.

3.5 There are four suppliers submitted their tender by the closing date 28/12/2021. The suppliers were Austrade, Hanan, LMTA and PVU.

Opening of tenders for Prequalification

3.6 The bids were opened on 29/12/2021 for administrative screening. The people who opened the bids were two representatives from CPU and one from MCIC.

3.7 All four bids qualified for evaluation.

Declaration of conflict of interest

3.8 Prior to the execution of tender evaluation, the evaluation committee were to sign a declaration of conflict of interest according to the procurement manual. There was no signed declaration of conflict-of-interest document of the evaluation committee. According to the MFED advice, the documents were missing in old emails which could no longer be accessed.

Evaluation of the Tenders

3.9 During the evaluation, tenders were not evaluated according to the financial evaluation formula established during the planning and published as part of the request for quotation (RFQ) documents. There was also no evidence that confirm that tenders were evaluated according to the technical criteria established and published in the request for quote documents. Because of missing individual scoring sheets and no mention of the criteria in the consolidated scores.

3.10 Audit has reviewed and recalculated the financial evaluation and found some discrepancies in the evaluation results. According to the evaluation report and consolidated scores from individual evaluators, all the tenders were given incorrect score on the financial evaluation. Below is the table showing the variance of scores.

Table 1: Financial evaluation

SUPPLIER	Austrade	LMTA	PVU	Hanan
Tender costing	$194,000	$166,500	$140,000	$110,000
Evaluators result	20	22	18	30
Audit result	17.01	19.82	23.57	30
VARIANCE	**-2.99**	**-2.18**	**5.57**	**0**

Table 2: Value for Money Results

Suppliers	Austrade		LMTA		PVU		Hanan	
Weightings	Evaluation committee	Audit	Evaluation committee	Audit	Evaluation committee	Audit	Evaluation committee	Audit
Technical (70%)	33.25	33.25	28	28	21.88	21.88	35	35
Financial (30%)	20	17.01	22	19.82	18	23.57	30	30
Value for money	53.25	50.26	50	47.82	39.88	45.45	65	65

Variance		**-2.99**		**-2.18**		**5.57**		**0**

3.11 Due to incorrect financial evaluation scores, the value for money score have changed. Austrade value for money score decreases as well as LMTA. And PVU score increases. For Hanan nothing has changed. This miscalculation has changed the value for money results of the tenders but not the outcome of the evaluation and proposed winning bidder.

3.12 There is no individual scoring sheet to confirm the use of the financial formula for evaluation. And no demonstration of using the technical evaluation criteria in the consolidated score sheet obtained. However, the evaluation report says that technical evaluation and financial evaluation were carried out according to the criteria set in the Invitation to tender.

3.13 The evaluation report was finished and signed by the evaluation committee on 29 December 2021. However, the chairman did not sign the report. According to the interview with the chairman of the evaluation committee, he says he did attend the evaluation. CPU adds that they were not able to obtain the chairman signature for the report due to pressing short time remaining before close of government account.

3.14 The report concludes that, *'Since Hanan score the highest, both technically and financially it is recommended by the committee to be awarded in terms of value for money since it comprises all several requirements.'*

3.15 The same evaluation report was incomplete due to some required documents and information not included in it.

a. There was no executive summary.
b. Value for money scores were only stated without calculation and were incorrect.
c. The Financial scores were incorrect as seen by wrongly understanding the application of the formula.
d. Technical scoring was not consistent with evaluation criteria in the request for quotation.
e. There were no individual scoring sheets which also include individual comments and rationale for giving the score.
f. There was no signed declaration of conflict-of-interest documents attached with the report.
g. A summary version of the tender evaluation for distribution to tenderers was not included in the report.
h. The report was not signed by the chairperson.

3.16 MFED tender evaluation for its minibuses was not conducted in accordance with the procurement manual. There were missing documents throughout the tender process. There was also no evidence that confirm that tenders were evaluated according to the technical criteria established and published in the request for quote documents. Incorrect financial scoring and incomplete evaluation report lacking the chairman's signature were also noted. Although this does not change the outcome of the tender, it has compromised the value for money and integrity of the procurement process.

Ministry of Infrastructure and Sustainable Energy (MISE)

Request for quotation (ITT) publication

3.17 The request for quotation ITT was published on the procurement web portal on 18 November 2022 with a closing date of 28 November 2022.

3.18 As part of the open competitive procedure, MISE's request for quotation documentation correctly included all the necessary instructions for tenderers to be able to submit a compliant tender.

3.19 There are three suppliers that submitted their tender by the closing date 28 November 2022. The suppliers were Aileen, LMTA and Terauraoi.

Opening of tenders for Prequalification

3.20 The bids were opened for administrative screening on 5 December 2022 but were rescheduled since suppliers had not submitted the references required in the evaluation criteria. On the same day an email was distributed to all tenderers to resubmit their references.

3.21 Later on, 6 December 2022, the tender was re-opened by the evaluation committee and all three bids were qualified for evaluation.

Declaration of conflict of interest

3.22 Prior to the execution of tender evaluation, the evaluation committee were to sign a declaration of conflict of interest according to the procurement manual. There was no signed declaration of conflict-of-interest document of the evaluation committee. MISE designated procurement officer advised that the evaluation committee did sign a declaration of conflict-of-interest form however, the documents were misplaced and could not be found.

Evaluation of the Tenders

3.23 During the evaluation, tenders were not evaluated according to the technical evaluation criteria and financial formula established during the planning and published as part of the request for quotation (RFQ) documents.

3.24 The technical criteria stated in the request for quotation was used during the evaluation with no change to it. The scores were also given to tenders according to their bids. However, the audit discovers in the evaluation report that leans more toward a Toyota brand for both vehicles that was not included in the technical evaluation criteria.

> *'LMTA scored first for both double cab and Rav4 vehicle with its score of 67% and 65% respectively given its brand was Toyota 2022 for both vehicles (met the required brand and model). KTM second with its score of 62% for double cab given its brand was Mitsubishi 2019 which was not preferred in the tender'*

3.25 Audit has reviewed and recalculated the financial evaluation and found some discrepancies in the evaluation results. According to the evaluation report and consolidated scores from individual evaluators, all the tenders were given incorrect score on the financial evaluation. Below is the table showing the variance of scores. This miscalculation has potentially resulted in a change in the outcome of the evaluation and change to the proposed winning bidder.

Table 1: Financial evaluation results

SUPPLIER	LMTA		KTM/AILEEN		TERAURAOI	
Name of vehicle	**Double cab**	**Rav 4**	**Double cab**	**Rav 4**	**Double cab**	**Rav 4**
Tender costing	$67,275.00	$69,750.00	$53,100.00	$55,687.50	$58,000.00	$65,402.61
Evaluators result (%)	25	28	10	10	10	10
Audit result (%)	23.68	23.95	30	30	27.47	25.54
VARIANCE	**-1.32**	**-4.05**	**20**	**20**	**18**	**15.54**

Table 2: Value for money results

SUPPLIER	LMTA		KTM/AILEEN		TERAURAOI	
Name of vehicle	**Double cab**	**Rav 4**	**Double cab**	**Rav 4**	**Double cab**	**Rav 4**
Evaluators result (%)	92	93	72	74	54	53
Audit result (%)	90.68	88.95	92	94	71	68.84
VARIANCE	**-1.32**	**-4.05**	**20**	**20**	**17**	**15.54**

3.26 Due to incorrect financial evaluation scores, the result of the evaluation has changed. Aileen would have been a preferred tender, for both a double cab and Rav4 with a total score of 92% and 94% respectively. Higher than LMTA value for money score by 1.32% and 5.05% respectively.

3.27 According to the evaluation report, a representative from CPU was present during the evaluation as an advisor on the rules and procedures of public procurement. MISE commented that they are very confident in the evaluation result since CPU was assisting the evaluation committee with the evaluation.

3.28 There is no individual scoring sheet to confirm the use of the financial formula for evaluation. According to the evaluation report, the evaluation committee use the formula for financial evaluation. But later states that the Aileen and Terauraoi were both tie with their score 10% because they are not meeting the required brand and model. The justification for this financial score is not justifiable since the brand and model are not factors to be considered in the financial evaluation.

3.29 The evaluation report was completed and signed by the evaluation committee on 9 December 2022. And concluded that.

'LMTA double cab and Rav4 both worth buying knowing its model given was 2022 while the others were 2020 and before'.

3.30 The same evaluation report was not complete due to some required documents and information not included in it.

- There was no executive summary.
- Value for money scores were only stated without calculation and were incorrect.
- The Financial scores were incorrect as seen by wrongly understanding the application of the formula.
- Technical scoring was not consistent with evaluation criteria in the request for quotation.
- There were no individual scoring sheets which also include individual comments and rationale for giving the score.
- There was no signed declaration of conflict-of-interest documents attached with the report.
- A summary version of the tender evaluation for distribution to tenderers was not included in the report.

3.31 The tender evaluation process for the procurement of double cab and Rav4 vehicles by MISE did not adhere to the procurement manual. While the evaluation was conducted based on the technical criteria published, the evaluation report appears to favor the Toyota brand for both vehicles, which was not part of the technical evaluation criteria. Furthermore, there was an error in the financial scoring, leading to a significant change in the evaluation outcome. Consequently, Aileen received a higher value for money score than LMTA, the awarded contractor. These errors, combined with an incomplete evaluation report, compromised the integrity of the procurement process and value for money.

Ministry of Environment, Land and Agricultural Development (MELAD)

Request for Quotations

3.32 A request for quotation ITT template was shared during the open competitive procedure but not during the single source procedure. According to the CPU, a single source procedure does not require preparation and sharing of an ITT. This has prompted the Audit Office to seek clarity on this matter from the Office of the Attorney General. However, no clear response was provided from the OAGs office on this matter.

3.33 As part of the open competitive procedure, MELAD's request for quotation documentation correctly included all the necessary instructions for tenderers to be able to submit a compliant tender.

3.34 However, during the single source procedure, the single selected supplier submit it quote without the remaining documents requested as part of the ITT.

3.35 MELAD share the request for quotation during the open competitive procedure. However, it did not share it with its single selected supplier during the single source procurement. Without sharing a request for quotation with the single selected supplier, it has based its procurement on what the supplier can provide and not on what the procuring entity want. This may increase the risk of increased cost and procured not meeting the need of the entity.

3.36 According to the procurement manual, there is no clear process on the single source procurement following the approval of using the procedure. There is a lack of clarity in the procurement manual and Public Procurement Act on the process of single source procurement.

Request for quotation advertisement and publication

3.37 The request for quotation ITT was advertised on the BPA radio on 7 September 2020 with a closing date of 2 October 2020. According to CPU advice, the tender was also published on the procurement web portal. However, there was no evidence of tender publication in the year 2020 on the procurement web portal.

3.38 There was no documented approval from the Chief procurement officer on the request for quotation ITT before publication. According to section 7.5 of the procurement manual,

> *"Before launching an Invitation to Tender, the ITT and evaluation structure need to be finalised, quality assured and approved by the CPO."*

3.39 CPU advised that, 'at first CPU adhere to this section but after the amendment of the Public Procurement Act in 2021, this approval process was not implemented'. This is not in compliance with the procurement manual and CPU acknowledges their oversight.

3.40 There are four suppliers submitted their tender by the closing date 2 October 2020.

Opening of tenders for Prequalification

3.41 There were two tender openings and pre-qualification[5] carried out. The first was done on 22 October 2020, carried out by CPU and a representative from MCIC. Only two of the tenders received are opened for a prequalification process, KCMS and Shinyo. The outcome of the prequalification process disqualified KCMS and qualifies Shinyo for evaluation. The remaining two tenders could not be found among the bids received in CPUs email. This is because the tenderers did not write the procurement number as a subject to their email when they submit their tender electronically. Which as caused CPU to overlook the submission and thus were not included during the 1st tender opening and prequalification.

[5] A pre-qualification process was carried out was sorely on the administrative aspect of the procurement making sure that the tenderers received are complete and adhere to the requirements of the procurement.

3.42 The second tender opening was carried out on 23 December 2020 same as the previous tender opening a rep from CPU and MCIC open the bids. However, this time all four bids were opened and went through the prequalification process.

3.43 The outcome of the 2nd prequalification process identifies Kasabias and Shinyo as qualified tenders for evaluation.

3.44 The tender opening and prequalification process was not consistent with the time schedule developed during the scoping of the procurement. It is evident that additional time was allowed to pre-qualified tenderers to submit all the required tender documents. There was no documented approval of the extension of deadline for tender submissions by the chief procurement officer.

Evaluation of the Tenders

3.45 The evaluation of tenders was carried out during an open competitive procedure but not during the single source procedure. According to the advice from CPU, no evaluation should be carried out during a single source procedure. Therefore, MELAD conduct no evaluation of the single selected supplier as per CPU advice. This, however, is not in compliance with the procurement process and a complete disregard for value for money in the procurement.

3.46 During the open competitive procedure, the tenders were not evaluated according to the technical criteria and financial formula published as part of the request for quotation (RFQ) documents.

3.47 The consolidated scores shows that there is a change to the maximum scores of each technical criterion. This is not consistent with the technical criteria maximum scores published in the request for quotation. Although there is a change to the maximum scores of the evaluation criteria during the evaluation, the result of technical evaluation remained the same, with Shinyo having the highest technical score. However, this inconsistency still compromises the transparency and integrity of the whole procurement.

3.48 The difference in the evaluation criteria is shown in the table below.

Evaluation Criteria	Max Score in the ITT	Max Score during the evaluation
Technical specification	30	40
Delivery time	30	40
Business' experience and reputation with similar supply of Goods	40	20
Total Possible Technical Score	100	100

3.49 Based on the evaluation report and consolidated scores from individual evaluators, Shinyo was given incorrect score on the financial evaluation. Below is the table showing the variance of scores.

	Kasabias		Shinyo	
Weighting %	Evaluation committee	Audit	Evaluation committee	Audit
Technical score	60.90	60.90	62.13	62.13
Financial score	30	30	10	27.99
Value for money score	99	90.9	71.3	90.12

3.50 The variance of the financial score for Shinyo was 17.99. We could not confirm if the evaluators use the financial evaluation formula or not as we could not obtain the individual scoring sheets. However, the evaluation report clearly shows use of the formula with wrong understanding of its application.

3.51 As a result of incorrect financial scoring, the value for money calculation was also incorrect. Shinyo score should increase by 18.99 and Kasabias should be decrease by 8.1. The evaluation report and the consolidated individual scores does not show any calculation for the value for money, it just gives the final score which are inconsistent with the VFM formula.

3.52 However, with incorrect financial evaluation calculations, Kasabias is still the preferred tenderer with a greater value for money score.

3.53 An evaluation report was completed and signed by the evaluation committee on 4 April 2021. And concludes that.

> *"All team members agree that Kasabias is the best supplier moving forward for this procurement."*

3.54 The evaluation report for the Open competitive procedure was not complete.

- There was no executive summary.
- Value for money scores were only stated without calculation and were incorrect.
- The Financial scores were incorrect as seen by wrongly understanding the application of the formula.
- Technical scoring was not consistent with evaluation criteria in the request for quotation and are not weighted to 70% in the report.
- There were no individual scoring sheets which also include individual comments and rationale for giving the score.
- There was no signed declaration of conflict-of-interest documents attached with the report.
- A summary version of the tender evaluation for distribution to tenderers was not included in the report.

3.55 The evaluation of tenders was conducted during an open competitive procedure but not during the single source procedure. During the open competitive procurement, MELAD evaluation of tender process was not conducted according to the published evaluation criteria. There were changes to the maximum scores given on each technical criterion and the financial scoring did not correctly apply the formula published in the invitation to tender (ITT). Additionally, the evaluation report developed was incomplete.

Single source tender execution

3.56 Prior to the usage of the single source procedure in 2022, MELAD got approval from the Chief Procurement Officer (CPO) on 30th March 2022. The CPO approves the procedure but not the single selected supplier. It is evident that the document put up to the CPO for approval of SSP did not include briefings on the suggested supplier. CPU advised that the template for seeking single source approval did not require briefings on the suggested supplier. However, the audit has not obtained any evidence supporting the CPU comments.

3.57 The single source procedure was approved and labelled this procurement as extremely urgent for the protection of national safety and security.

3.58 As explained by the Central procurement unit office, the single source procedure, involved seeking quote from the Porter NZ and submitting the quote with the SSP approval to the CCAB for final award decision. This advice was followed by MELAD during this procurement process.

3.59 The Audit concludes based on the procurement manual that an invitation to tender should be developed and shared with the single selected supplier. The manual does not explicitly say that this approval includes no planning, no ITT, and no evaluation to be carried out when single sourcing.

3.60 The single source procurement starts after the single source procedure (SSP) approval from CPO on 30 March 2022. With no evaluation carried out hence no evaluation report was developed and put up to CCAB for award

Recommendation to CPU:

7. Review and update the procurement manual and regulations:

- Review and update procurement manuals, templates, and guidelines to align with current practices and regulations.

8. Standardized Procedures and Templates:

- Develop and distribute standardized evaluation reports.
- Provide clear guidelines on the single-source procedure, emphasizing the need for evaluation even in cases with only one tender. This ensures transparency and value for

money.

- Develop guidelines for the evaluation to ensure due diligence.

9. Training and Capacity Building

- Conduct frequent training sessions for procuring entities designated procurement officers on evaluation procedures, integrity, and conflict-of-interest management.
- Establish a pool of trained officers for procurement evaluations. Procuring entities can then select from this pool when forming their evaluation committees, ensuring competency and consistency.
- Provide training on the financial evaluation formula.

Recommendation to Ministries:

10. Capacity Building:

- Provide training programs for designated procurement officers and staff on adherence to the procurement manual, and comprehensive evaluation procedures.

11. Integrity of Evaluation Process:

- Develop agendas, record minutes, and ensure comprehensive documentation during evaluation, including conflicts of interest declarations and committee queries.
- Prioritize integrity by ensuring committee members declare conflicts of interest, understand roles and ethical requirements, and agree to confidentiality before accessing tender documents.

12. Communication and Documentation During Procurement:

- Seek written confirmations for all procurement-related communications, ensuring copies are saved in the procurement file/database. And originals are stored in the Central Procurement Unit (CPU)

4 AWARD AND CONTRACTING

4.1 This chapter considers the conduct of the procurement, from the tender award from the CCAB to the development of a contract management report.

Conclusions

The award decisions across these three procurements were primarily based on the recommendations of evaluation committees. However, the findings highlight significant deficiencies in compliance to the procurement manual, integrity, transparency, and accountability, compromising the fairness and effectiveness of the award.

The absence of integrity considerations in the award board, failure to implement conflict of interest declarations, and discrepancies between the procurement manual and legal directives underscore systemic weaknesses within the procurement framework.

Moreover, the lack of adherence to procurement principles such as transparency and accountability is evident in the failure to publish signed contracts on procurement portals, incomplete award notifications to tenderers, and inadequate communication regarding procurement outcomes. These shortcomings not only impair transparency but also undermine trust in the procurement process, potentially deterring future participation from suppliers.

Specifically, the issues identified insufficient communication with tenderers, and absence of documented delegations of authority, highlight the need for comprehensive reforms and strengthened oversight mechanisms. The misplacement of crucial authorization documents reflects organizational inefficiencies that must be addressed to ensure accountability and legal compliance.

It is essential for procuring entities, and most importantly MFED, to adhere strictly to procurement rules and regulations to maintain trust and ensure fair competition. Failure to do so not only affect individual procurements but also risks undermining confidence in the entire procurement system.

Key findings

Common Findings

Integrity considerations are lacking within the award board. The advice provided by the senior procurement officer (SPO) of CPU indicates that the signing of declarations of conflict of interest for the CCAB is not currently implemented. This oversight reflects a complacency within CPU regarding the procurement process, as they have not taken steps to reinforce the Public Procurement Act and manual for adherence by the CCAB.

There was a conflict between the procurement manual and the Public Procurement Act 2019 regarding the responsible person for communicating the award notification. The procurement *manual says that a secretariat to the award board, which is the senior procurement officer of CPU however, the Public Procurement Act 2019 states that it's the responsibility of the procuring entity. Since the Public Procurement Act is the supreme authority in carrying out procurement it overrides the direction of the procurement manual in this regard and therefore instead of CPU SPO, MFED should be the one disseminating award outcome to the tenderers.*

There was a conflict between the procurement manual and the Public Procurement Act 2019 regarding the responsible person for communicating the award notification. The procurement manual says that a secretariat to the award board, which is the senior procurement officer of CPU however, the Public Procurement Act 2019 states that it's the responsibility of the procuring entity. Since the Public Procurement Act is the supreme authority in carrying out procurement it overrides the direction of the procurement manual in this regard and therefore instead of CPU SPO, MFED should be the one disseminating award outcome to the tenderers.

The signed contract was not published on the procurement web portal. According to CPU advice, this was not yet implemented because of lack of skill of the CPU procurement officer to do it. This has impaired the transparency of the award decision and procurement process.

There was no contract management carried out after the completion of the contract signing and therefore no contract management report along with the procurement report.

MFED	**Paragraph (s)**
MFED did not effectively communicate the outcome of the award to all tenderers. MFED advised that they communicate by phone to the winning bidder. But no evidence of award notice distributed to the unsuccessful bidder. This could potentially lead to low number of participants in MFED future tenders.	4.13
The contact signing was not in compliance with the procurement manual and procurement principles of transparency and accountability. Because there is no documented delegation of authority given to the secretary of finance to sign the high value contract. And no witnesses to cosign the contract as required by the contract template. Also, transparency was compromised when the Central Procurement Unit did not publish the signed contract on the website.	4.19
MISE	
On 18 December 2022, an email was circulated to all tenderers of the outcome of the procurement. The information disseminated did not include all the necessary information required under the procurement manual. And only allow 5 days for complains which is not enough time for tenderers to lodge a complaint and not in compliance with the procurement manual. No complaints received could have been a result of insufficient information provided to the tenderers. Poor communication	4.29

to the tenderers could potentially result in low number of participants in MISE future tenders.

MELAD

The award notice sent through email to all the successful and unsuccessful tenderers did not include all relevant information as required by the procurement manual section 7.10.1 4.38

There is no documented delegation of authority provided to the secretary of MELAD for signing the high-value contract on behalf of the Minister of MELAD. MELAD has sought guidance from CPU on the appropriate procedures for delegating authority for contract signing. Following CPU's advice, MELAD has initiated correspondence with the Minister of Finance to obtain approval for delegating authority to the secretary of MELAD for signing high-value contracts. Unfortunately, the written authorization has been misplaced and cannot be located. 4.43

Ministry of Finance and Economic Development (MFED)

Tender award

4.2 The tender evaluation report and tender summary were submitted to the CCAB through email for their review and final approval.

4.3 On 31 December 2021 the award decision from CCAB was conveyed and approved. The CCAB minutes was signed by the Chairperson who is the secretary of MFED along, with members of the board from the office of the attorney general (OAG), Ministry of tourism commerce and industrial cooperatives (MTCIC), public service office (PSO), and Ministry of Finance and Economic Development Economic Planning office. MFED NEPO.

4.4 The CCAB awards the contract to Hanan based on the evaluation committee recommendation in the evaluation report.

4.5 According to the tender summary form, which provides all procurement information for the CCAB, the procurement cost is $110,680.17.

4.6 MFED advise that the award board have not been having face to face meetings but rather, the tender was shared and open for discussion through email. This process has helped speed up the award process which is critical to finalizing the tender. However, this has led to several non-compliances with the procurement principles and procurement manual.

Integrity of the award board

4.7 The Central Contract Award board (CCAB) did not sign a declaration of conflict of interest before going through the evaluation report. In an interview with a CCAB member, it was clarified that while they recognized the importance of the conflict-of-interest declaration during the evaluation process, they were unaware of its necessity during the decision-making phase for CCAB members. However, they acknowledged that the leadership code applies to them, which is effectively addressed in a conflict-of-interest document as well.

4.8 Another CCAB member advised that since the CCAB is not meeting face to face, there is no conflict of interest discussed and signed. Additionally, they were not well informed on how many documents the CCAB member should received and use to inform his/her decision.

4.9 Integrity considerations are lacking within the award board. The advice provided by the senior procurement officer (SPO) of CPU indicates that the signing of declarations of conflict of interest for the CCAB is not currently implemented. This oversight reflects a complacency within CPU regarding the procurement process, as they have not taken steps to reinforce the Public Procurement Act and manual for adherence by the CCAB.

Award Notification and standstill period

4.10 There was no evidence of an award notice distributed to all participating tenderers. However, MFED advised that they communicate the outcome of the tender award with the winning supplier by phone. There were no documents to show award notification to the unsuccessful suppliers. With no award notification, the transparency of the procurement award process was compromised. And could potentially result in low number of participants in MFED future tenders.

4.11 It is evident that there was no standstill period implemented in this procurement. Also, CPU advised that there were no complaints received regarding this procurement.

4.12 There was a conflict between the procurement manual and the Public Procurement Act 2019 regarding the responsible person for communicating the award notification. The procurement manual says that a secretariat to the award board, which is the senior procurement officer of CPU however, the Public Procurement Act 2019 states that it’s the responsibility of the procuring entity. Since the Public Procurement Act is the supreme authority in carrying out procurement it overrides the direction of the procurement manual in this regard and therefore instead of CPU SPO, MFED should be the one disseminating award outcome to the tenderers.

4.13 MFED did not effectively communicate the outcome of the award to all tenderers. MFED advised that they communicate by phone to the winning bidder. But no evidence of award notice distributed to the unsuccessful bidder. This could potentially lead to low number of participants in MFED future tenders.

Contract signing

4.14 The contract was signed on 31 December 2021 by the Secretary of MFED and Hanan. The date of contract signing is on the same day when the award decision was conveyed.

4.15 There was no documented delegation of authority given to the secretary of MFED to sign the high value contract on behalf of the Minister of MFED. According to the advice from the secretary of MFED, the delegation of authority was verbal and the Minister of MFED would be glad to provide supporting for this delegation.

4.16 The signed contract was not published on the procurement web portal. According to CPU advice, this was not yet implemented because of lack of skill of the CPU procurement officer to do it. This has impaired the transparency of the award decision and procurement process.

4.17 There was no contract management carried out after the completion of the contract signing and therefore no contract management report along with the procurement report.

4.18 The CPU specific contract template indicates the need for a witness for both parties to cosign the contract. However, during the signing of this contract, there were no witnesses signature on the contract.

4.19 The contact signing was not in compliance with the procurement manual and procurement principles of transparency and accountability. Because there is no documented delegation of authority given to the secretary of finance to sign the high value contract. And no witnesses to cosign the contract as required by the contract template. Also, transparency was compromised when the Central Procurement Unit did not publish the signed contract on the website.

Ministry of Infrastructure and Sustainable Energy (MISE)

Tender award

4.20 The tender evaluation report and tender summary were submitted to the CCAB through email for their review and final approval.

4.21 On 16 December 2022 the award decision from CCAB was conveyed. The CCAB minutes was signed by the Chairperson which is the secretary of finance and the members of the board from the procuring entity MISE, office of the attorney general (OAG), Ministry of tourism commerce and industrial cooperatives (MTCIC), public service office (PSO), and Ministry of Finance and Economic Development Economic Planning office. MFED NEPO.

4.22 The CCAB awards the contract to LMTA based on the evaluation committee recommendation in the evaluation report.

4.23 According to the tender summary form, which provides all information on the procurement for the CCAB information. The development budget available for this procurement is $140,000 and the procurement costs for double cab and Rav4 were $67,275 and $69,750 respectively.

Integrity of the award board

4.24 Given that the award board remains consistent across all procurement, the integrity of the award board in MISE procurement is detailed in MFED paragraph 4.9.

Award Notification and standstill period

4.25 An award notice was distributed by MISE designated procurement officers to all participating tenderers through email on 18 December 2022:

> 'I *am pleased to inform you that after our final evaluation based on all your submissions, the winning bidder for the above tender was LMTA. If you have queries/concerns, the procurement office with evaluation committee will be happy to hear yours if any and to provide you back with responses.'*

4.26 The award notice sent through email to all participating tenderers did not include all relevant information as required by the procurement manual section 7.10.1

> *'Award Letter, shall be drafted by the secretary of the awarding body – CAC or CCAB using the relevant Model Documents, and distributed without delay, in writing, at the same time to all participating Tenderers and include the following:*
>
> - The reference of the Public Procurement (as was in the Invitation to Tender)
> - The date of the Award
> - The name of the awardee
> - The value of the Contract
> - The evaluation summary (the annex to the Evaluation Report)
> - Information on the Tenderer's right to complain and on what.
> - The address where to submit a complaint.
> - The last day for receipt of a complaint, see 7.11.2
> - The possibility of a debriefing, see 7.10.5

4.27 Five days after the issue of an award notice a contract was signed. This is not in compliance with the procurement manual which states that there should be 2 weeks for complaints period. The in compliance with the procurement manual is directly related to the time in which the procurement was carried out which was a few weeks away from the close of the government account and freeze of budgeted fund for ministries.

4.28 MISE advised that there were no complaints received for this procurement.

4.29 On 18 December 2022, an email was circulated to all tenderers of the outcome of the procurement. The information disseminated did not include all the necessary information required under the procurement manual. And only allow 5 days for complaints which is not enough time for tenderers to lodge a complaint and not in compliance with the procurement manual. No complaints received could have been a result of insufficient information provided to the tenderers. Poor communication to the tenderers could potentially result in low number of participants in MISE future tenders.

Contract signing

4.30 The contract was signed on 21 December 2022 by the Minister of MISE and LMTA and cosigned by officers from both parties.

4.31 The signed contract was not published on the procurement web portal. According to CPU advice, this was not yet implemented because of lack of skill of the CPU procurement officer to do it. This has impaired the transparency of the award decision and procurement process.

4.32 According to the advice from the MISE and CPU, there was no contract management carried out after the completion of the contract signing and therefore no contract management report.

Ministry of Environment, Land and Agricultural Development (MELAD)

Open competitive tender award

4.33 On 26 March 2021 the award decision from CCAB for the open competitive procurement was conveyed. The CCAB minutes was signed by the Chairperson which is the Secretary of finance and economic development and the members of the board from office of the attorney general (OAG), Ministry of tourism commerce and industrial cooperatives (MTCIC), public service office (PSO), and Ministry of Finance and Economic Development Economic Planning office (MFED) NEPO and the Chief procurement officer (CPO).

4.34 The CCAB awards the contract to Kasabias based on the evaluation committee recommendation in the evaluation report.

4.35 According to the tender summary form, which provides all information on the procurement for the CCAB information. The development budget available for this procurement is $250,000 and the procurement value is $279,000. Its mentions that ECD MELAD request Donor supplementary funds of $30,000.

Integrity of the award board

4.36 Given that the award board remains consistent across all procurement, the integrity of the award board in MELAD procurement is detailed in MFED paragraph 4.9.

Award Notification

4.37 An award notice was distributed to the unsuccessful tenderer through email on 3rd May 2021 and to the successful tenderer on 20th May 2021.

4.38 The award notice sent through email to all the successful and unsuccessful tenderers did not include all relevant information as required by the procurement manual section 7.10.1

'Award Letter, shall be drafted by the secretary of the awarding body – CAC or CCAB using the relevant Model Documents, and distributed without delay, in writing, at the same time to all participating Tenderers and include the following:

- The reference of the Public Procurement (as was in the Invitation to Tender)
- The date of the Award
- The name of the awardee
- The value of the Contract
- The evaluation summary (the annex to the Evaluation Report)
- Information on the Tenderer's right to complain and on what.
- The address where to submit a complaint.
- The last day for receipt of a complaint, see 7.11.2
- The possibility of a debriefing, see 7.10.5

Standstill period

4.39 Although MELAD did not include a standstill period in its time schedule, it includes it in the award process.

4.40 The standstill period starts from 3 May 2021 till 17 May 2021, a total of 18 working days. This is conveyed through by CPU to the unsuccessful tenderer via email on 3 May 2021. And by the end of the standstill period, there is no response and complains received from the unsuccessful tender.

4.41 This is in conformance with the procurement manual and process on standstill period since the contract was signed 18 working days after the award notice was distributed.

Contract signing

4.42 The contract was signed on 27th May 2021 by the secretary of MELAD and Kasabias.

4.43 There is no documented delegation of authority provided to the secretary of MELAD for signing the high-value contract on behalf of the Minister of MELAD. MELAD has sought guidance from CPU on the appropriate procedures for delegating authority for contract signing. Following CPU's advice, MELAD has initiated correspondence with the Minister of Finance to obtain approval for delegating authority to the secretary of MELAD for signing high-value contracts. Unfortunately, the written authorization has been misplaced and cannot be located.

4.44 The signed contract was not published on the procurement web portal. This has impaired the transparency of the award decision and procurement process.

4.45 There was no contract management carried out after the completion of the contract signing and therefore no contract management report.

4.46 The first payment of $139,500 was paid to Kasabias 3 days after the signing of the contract.

Termination of contract

4.47 A letter received from Kasabias dated 25 November 2021 shows that Kasabias requires additional payments and amendments to the contract cost due to covid-19 supply chain disruptions and cost increases. For this reason, MELAD after seeking advice from the Office of the Office of the Attorney General terminates the contract. A response letter was written on 13 December 2021 to Kasabias and informing them of a decision to terminate their contract and to return the first payment made after signing the contract.

4.48 The money was transferred back to the government account 269007 on 28 Dec 2021. The amount returned as shown in the bank statement is $139,455. $45 less than what was initially sent.

Single source procurement tender award

4.49 Continuing where the open competitive procurement left off. In 2022, when a single source procurement was opted. The award decision from CCAB for the single source procurement was done through email and signed on 5 May 2022.

4.50 There was no evaluation report prepared and submitted to the CCAB due to the advice received from CPU on the single source procedure process. However, the following documents were submitted to CCAB for informing their award.

- The Single source approval document from CPO
- The quotation from the single selected supplier, Porter NZ.

4.51 The CCAB minutes was signed by the chairperson which is the secretary of MFED and members of the board from PSO, MFED NEPO, OAG, MTCIC.

Integrity of the award board

4.52 Given that the award board remains consistent across all procurement, the integrity of the award board in MELAD procurement is detailed in MFED paragraph 4.9.

Contract signing

4.53 Following the award decision, the contract was signed by the secretary of MELAD and the Kasabias. Porter NZ signs the contract on 3rd of May 2022. And no date is shown when MELAD secretary signs the contract.

4.54 No documented delegation of authority given by the Minister of MELAD to the Secretary to sign the contract of his behalf during the single source procurement as mentioned same during the open competitive procurement.

Recommendation to CPU:

1. **Review and update the procurement manual and regulations:**

    - Review and update procurement manuals, templates, and guidelines to align with current practices of CCAB award meeting through email.

2. **Standardized Procedures and Templates:**

    - Develop guidelines for the awarding process to ensure due diligence.

3. **Training and Capacity Building**

    - Provide training to CPU procurement officers on how to publish signed contracts on the procurement web portal.

4. **File Management and Documentation:**

    - Enhance file management processes to ensure proper documentation of all procurement activities then disseminate improved processes for all procuring entities to follow.

5. **Integrity and Conflict-of-Interest Management:**

    - Provide training programs that include modules on maintaining integrity and managing conflicts of interest effectively. And emphasize the importance of declaring conflicts of interest and require CCAB members to sign a declaration of conflict-of-interest document before participating in the award process.

6. **Awarding Process:**

    - Ensure CCAB members thoroughly read and understand evaluation reports before granting final approval. Require CCAB members to declare their understanding of the evaluation report before awarding contracts, especially when conducting CCAB through email.

    - Guarantee tenderers receive complete information on the award outcome.

Recommendation to Ministries:

7. **Contract Management and Reporting:**

    - Ensure timely completion and submission of contract management reports and procurement reports.

    - Submit necessary documentation to CPU for archiving.

APPENDICES

Selected procurements

Table A identifies the 3 high value procurement of vehicles considered in the audit.

The column referring to year refers to the year in which the procuring entity carry out its selected procurement. For the procurement type, its means that the approach to the market used when conducting procurement.

Table A: 3 high value procurement of vehicles selected for audit.

No	Procuring entity	Year	Vehicle type	Procurement type	Total value
1	**MISE**	2022	Double cab & Toyota Rav 4	Open competitive	$137,025.00
2	**MELAD**	2022	Wheel loader	Single source	$282,326.04
3	**MFED**	2021	2 x Minibus	Open competitive	$110,680.17

Comparison between the three selected procurements within MFED, MISE AND MELAD

Table B identifies the audit opinion on the three procuring entities effectiveness in procuring their vehicles for comparison purposes across the three entities.

The column referring to criterion are the basis of forming an audit opinion in which the selected high value procurements of these three ministries are assessed.

Rating meaning:

No- means not adhering to the criterion.

Partially- means effort is recognized but still did not fail to fully adhere to the criterion.

Yes- means fully complying with the criterion.

Table B: Audit Opinion on the three selected high value procurements in each ministry.

Criterion no.	Criterion	Audit Opinion-MFED	Audit Opinion-MISE	Audit Opinion-MELAD
1	Does the three concern Ministries appropriately identify its operational needs prior to commencing the procurement?	**No**, based on findings contained here (1.1, 2.1, 1.3)	**No**, based on findings contained here (1.1, 2.1, 1.3)	**Partially,** based on findings contained here (1.1, 2.1, 1.3)
1.1	Did MFED, MELAD & MISE appropriately identify their requirements for the vehicle?	No	Partially	Partially
1.2	Did Procuring entity adequately understand the safety environment for the procured vehicles?	No	No	Yes
1.3	Did the need identified address a gap/need with the concerned Ministries?	Yes	yes	Yes

2	Did MFED, MELAD and MISE adhere to the procurement manual when procuring vehicles.	**No**, based on findings contained here (2.1, 2.2, 2.3, and 2.4)	**No**, based on findings contained here (2.1, 2.2, 2.3, and 2.4)	**No**, based on findings contained here (2.1, 2.2, 2.3, and 2.4)
2.1	2.1.1 Did MFED, MELAD and MISE use the public procurement manual or any other internal developed procedure for vehicle procurement?	Yes	No	No
2.2	2.2.1 Was proper approvals taken place on all stages of the procurement?	Partially	Partially	Partially
	2.2.2 Was the procurement procedure approved by CPO? Did the 3 concerned ministries develop seek approvals on ITT documents developed.	No	No	Partially
	2.2.3 Did MFED, MELAD and MISE comply with the procurement threshold for high value procurement when procuring their vehicles?	Partially	Partially	Partially
2.3	2.3.1 Determine whether the concerned ministries approach the market and compare tenderers cost and value (value for money evaluation) to promote accountability and fair competition.	yes	Yes	Partially
	2.3.2 Was the Evaluation carried out objectively based on the RFQ process and in did they use the needs previously identified.	No	No	No
	2.3.3 Determine whether whole of life costs were considered including the costs associated with the acquisition, maintenance, operation, training, and disposal of the Vehicle.	No	Partially	Partially
2.4	2.4.1 Determine if staffs in the concerned ministries demonstrated integrity when procuring their vehicles by	No	No	No
	2.4.2 Was the decision of the CCAB effectively communicated to the tenderers and public?	No	Partially	Partially