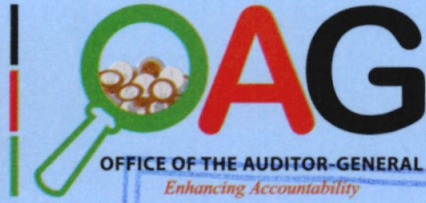


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL  
*Enhancing Accountability*

REPORT

THE NATIONAL ASSEMBLY  
PAPERS LAID

DATE: 30 APR 2026 DAY: Thursday

PARLIAMENT  
OF KENYA  
LIBRARY

OF

TABLED BY: Member of the Majority Party  
CLERK-AT-THE-TABLE: Kamela. T.

THE AUDITOR-GENERAL

ON

PROCUREMENT AUDIT OF MALINDI  
INTERGRATED SOCIAL HEALTH  
DEVELOPMENT PROGRAMME (MISHDP-II)

FOR THE YEAR ENDED  
30 JUNE, 2025

COAST DEVELOPMENT AUTHORITY

# REPUBLIC OF KENYA

Telephone: +254-(20) 3214000  
Email: info@oagkenya.go.ke  
Website: www.oagkenya.go.ke



**HEADQUARTERS**  
Anniversary Towers  
Monrovia Street  
P.O. Box 30084-00100  
NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON PROCUREMENT AUDIT OF MALINDI INTERGRATED SOCIAL HEALTH DEVELOPMENT PROGRAMME (MISHDP - II) FOR THE YEAR ENDED 30 JUNE, 2025 - COAST DEVELOPMENT AUTHORITY**

---

### **Executive Summary**

The Government of the Republic of Kenya and the Government of the Italian Republic entered into a loan agreement for the financing of the Malindi Integrated Social and Health Development Programme (MISHDP-I) Phase I between June 2008 and 2012. The Coast Development Authority (CDA) was the implementing agency. The programme was designed to improve the social and economic development of Malindi and Magarini Sub-counties with special focus on Ngomeni Location. The completed projects in MISHIP Phase I are in operation and serving the location population with infrastructure (road, seawall, water), education and health facilities.

Following the successful implementation of MISHDIP I, the Government of the Italian Republic and the Government of the Republic of Kenya entered into a loan agreement for the financing of MISHDP-II in May 2022 for Euros 6,395,373. The financial agreement was executed between The National Treasury and Planning of the Republic of Kenya and Cassa Depositi e Prestiti (CDP) S.P.A- International Development Cooperation Department.

### **Basis of the Audit**

Article 6 of the financial agreement requires that the Audited Financial report shall be completed with a procurement report issued by the Coast Development Authority, as the implementing agency, showing compliance with the agreed procurement procedures. This procurement report was to be audited by the Office of the Auditor-General, as the Auditing Body.

Coast Development Authority, vide letter Ref.CDA.1/9/71 Vol. 23(36) dated 20 February, 2025 wrote to the Office of the Auditor-General requesting the Office endorses their Procurement Report for the Financial Year 2023-2024 for Malindi Integrated Social Health Development Programme Phase II (MISHDP-II), Project Grant/Credit Number: F.ROT/AID 18/005/00. In the letter, they further indicated that the endorsement was vital for the release of funds to ensure that the project would proceed without additional interruption. During the year ending 30 June, 2025 a subsequent Procurement audit was carried out.

In arriving at the findings of the audit, the audit team reviewed the procurement process and considered the following documents;

- (i) The Project Budget;
- (ii) The Procurement plans, for Financial Years 2024-2025

---

*Report of the Audit-General on Procurement Audit of Malindi Intergrated Social Health Development Programme (MISHDP – II) for the year ended 30 June, 2025 - Coast Development Authority*

- (iii) The Tender bid documents,
- (iv) Evaluation reports,
- (v) Professional opinions rendered and
- (vi) Contracts for the successful bidders.

These documents provided insights into the compliance with the procurement process. The team analyzed twelve (12) bid documents that were valued below Euros 200,000 for works and all the bid documents (Requests for Quotations) for goods and services.

This section presents audit findings on the Coast Development Authority's (CDA) procurement process for works, goods and services under MISHDIP-II for the financial year ending 30 June, 2025 and include the following:

### **1. Failure to Submit Procurement Report with the Financial Statements**

Coast Development Authority did not submit the procurement report for the programme alongside the financial statements to the Office of the Auditor -General. This is contrary to Article 6 of the financial agreement which requires that the audited financial report be completed with a procurement report issued by the Coast Development Authority, as the implementing agency, showing compliance with the agreed procurement procedures. This procurement report was to be audited by the Office of the Auditor-General, as the auditing body.

In the circumstances, Management was in breach of the law.

### **2. Procurement of Items not Included in the Approved Procurement Plan**

The audit revealed that the request for proposal No. CDA001/2024-2025, for sensitization and mentorship programme, Ngomeni Secondary and Primary Schools awarded to a firm at a cost of Kshs.1,426,000, was not included in the procurement plan for the financial year 2024/2025. Failure to include the items in the procurement plan is contrary to the provisions of Section 53(1 and 2) of the Public Procurement and Asset Disposal Act, 2015 which requires that all procurement activities by state organs and public entities must be incorporated in the procurement plan and prepared prior to the commencement of the financial year.

In the circumstances, Management was in breach of the law and the action may expose the Authority to compliance, financial, reputational risk where the expenditure is unauthorized.

### **3. Failure to Specify the Financial Resources Available for Contracts**

Review of procurement records disclosed that management did not to show in the tender documents financial resources available for contracts to be awarded and the same was not consistently observed across all bids reviewed. This omission contravened Clause 2.4 of Annex 2 of the Financial Agreement, which stipulates that the financial resources available for a contract must be explicitly stated in the bidding documents. It further requires that any bid exceeding the specified financial limit be automatically excluded from consideration.

In the circumstances, management was in breach of the law and the procuring entity may undermine the principles of transparency, fairness, and accountability in the procurement process.

#### **4. Failure to Initialize Tender Opening Minutes by Members of the Tender Opening Committee**

Review of procurement records established that the minutes prepared for the following quotations were not initialed by the members of the tender opening committee as required:

<b>S/No.</b>	<b>Tender/Quotation No.</b>	<b>Description</b>	<b>Contract Amounts (Kshs.)</b>
1.	CDA 326/2023-2024	Supply and Delivery of Toners	369,501.00
2.	CDA 038/2023-2025	Procurement of Beds and Mattresses	1,046,016.00
3.	CDA 041/2024-2025	Renovation of the Technical Building Renovation	1,590,323.92

This contravenes Section 78(11)(a) of the Public Procurement and Asset Disposal Act, 2015 which requires that each member of the tender opening committee to initial each page of the tender opening minutes and to append his or her signature, as well as initial the final page of the minutes, indicating their full name and designation.

In the circumstances, Management was in breach of the law and the omission undermines accountability, transparency, and the integrity of the tender opening process.

#### **5. Evaluation of Tenders**

Evaluation of tender documents revealed the following non-compliance with procurement laws and regulations in the tender evaluation process.

##### **a. Lack of Individual Evaluators' Scoresheets**

The audit established that the following procurement files did not contain individual evaluators' score sheets:

- i. Tender No. **CDA T 002/2024-2025** for the Supply and Delivery of JSS Lab Equipment awarded at an amount of **Kshs.4,480,458.00**.
- ii. RFQ No. **CDA038/2024-2025** Supply of Beds & Mattresses- Ngomeni Secondary School awarded at an amount of **Kshs.1,046,016.00**.
- iii. RFQ **CDA039/2024-2025** Procurement of Office Furniture for Ngomeni Chief's Office awarded at an amount of **Kshs.687,940.00**.
- iv. RFQ No. **CDA040/2024-2025** Procurement of Equipment and Furniture for Mambrui Dispensary awarded at an amount of **Kshs.1,607,435.00**.
- v. RFQ No. **CDA 004/2023-2024** Provision of Insurance Services for KDK 427P awarded at an amount of **Kshs.352,620.00**

This contravened Regulation 31(1–3) of the Public Procurement and Asset Disposal Regulations, 2020, which requires each member of an evaluation committee to independently assess bids using individual score sheets. These score sheets must be retained as part of the procurement records for the process to be considered complete. In the circumstances, Management was in breach of the law. The absence of individual evaluators' score sheets made it impossible to confirm that bid evaluations were conducted independently, thereby undermining transparency and accountability in the procurement process.

### b. Non- Adherence to the Requirements of the Evaluation Criteria

Evaluation of several quotations established that the Authority did not adhere to the criteria set out in the tender documents. As a result, bids were incorrectly assessed as responsive despite failing to meet the prescribed requirements as enumerated below:

RFQ No.	Description and Awarded amount	Criteria in the RFQ Document	Criteria Applied	Remarks
RFQ CDA038/ 2024-2025	Supply of Beds & Mattresses- Ngomeni at Kshs.1,046,016	<b>Preliminary Criteria</b> Single Business Permit, Certificate of Incorporation, Tax Compliance, AGPO Certificate, Certificate of Independent Quotation Determination  • Eligibility criteria - Certificate of Independent Quotation Determination (duly filled).	<b>Preliminary Criteria</b> Single Business Permit, Certificate of Incorporation, Tax Compliance	1) Criteria for assessment of the AGPO Certificate was not applied • If the criteria was applied, only one bidder would be responsive and not all the three as recorded in the evaluation report. 2) Assessment of the certificate of independent quotation determination under the eligibility criteria was not done • If the criteria was applied, all the firms would have been disqualified for failing to duly fill the certificate hence all were Non-responsive.
RFQ CDA038/ 2024-2025	Supply of Beds & Mattresses- Ngomeni at Kshs.1,046,016	<b>Schedule of requirements</b> Bidders were required to include pictures and brochures of the quoted furniture	<b>Schedule of requirements</b> Not stated.	None of the bidders submitted either pictures or brochures. Hence all the firms should have been disqualified for being non-responsive.
RFQ CDA040/ 2024-2025	Procurement of Equipment and Furniture for Mambui Dispensary	<b>Preliminary Criteria</b> a) Valid Single Business Permit	<b>Preliminary Criteria</b> a) Certificate of Registration/	1) Criteria for assessment of the AGPO Certificate was not applied • If the criteria is applied, all the

RFQ No.	Description and Awarded amount	Criteria in the RFQ Document	Criteria Applied	Remarks
	awarded at KShs.1,607,435.00	b) Certificate of Registration/incorporation c) Valid Tax Compliance Certificate d) AGPO Certificate  • <b>Eligibility criteria</b> – Certificate of Independent Quotation Determination ( <b>duly filled</b> ).	incorporation b) Tax Compliance Certificate c) Single Business Permit	bidders should have been disqualified for being Non-Responsive. 2) Assessment of the Certificate of Independent Quotation Determination under the eligibility criteria was not done • If the criteria is applied, all the firms should have been disqualified for failing to duly fill the Certificate. Hence all were non-responsive.
RFQ CDA040/2024-2025	Procurement of Equipment and Furniture for Mambui Dispensary awarded at KShs.1,607,435.00	<b>Schedule of Requirements</b> Bidders were required to include pictures and brochures of the quoted Furniture  • <b>Eligibility criteria</b> – Certificate of Independent Quotation Determination ( <b>duly filled</b> ).	<b>Schedule of Requirements</b> Not stated.	None of the bidders submitted either pictures or brochures. Hence all the firms were non-responsive and not responsive as recorded in the evaluation report.  In addition, assessment of the Certificate of Independent Quotation Determination under the eligibility criteria was not done.  If the criteria is applied, all the firms should have been disqualified for failing to duly fill the Certificate. Hence all were non-responsive.
CDA009/2024-2025	Provision of Comprehensive Annual Insurance Cover for Motor Vehicle at KShs.352,620.00	<b>Preliminary Criteria</b> a) Valid trade license b) Certificate of registration c) Tax compliance certificate d) Valid AGPO Certificate	<b>Preliminary Criteria</b> a) Certificate of Incorporation b) Tax Compliance c) Registration with IRA	1) Criteria for assessment of a valid trade licence and AGPO Certificate was not applied. • If the criteria is applied, all the bidders should have been disqualified for being non-responsive. 2) Assessment of the certificate of independent quotation determination

RFQ No.	Description and Awarded amount	Criteria in the RFQ Document	Criteria Applied	Remarks
		(Where applicable)  • <b>Eligibility criteria</b> – Certificate of Independent Quotation Determination ( <b>duly filled</b> ).		under the eligibility criteria was not done • If the criteria is applied, all the firms should have been disqualified for failing to duly fill the Certificate. Hence all were non-responsive.

Failure to apply the evaluation criteria correctly contravenes Section 80(2) of the Public Procurement and Asset Disposal Act, 2015 which requires that tender evaluation and comparison be conducted strictly in accordance with the procedures and criteria specified in the tender documents.

In the circumstances, Management was in breach of the law and the action may have led to the incorrect declaration of non-compliant or non-responsive bidders as responsive, undermining transparency, fairness, and accountability in the procurement process.

## 6. Declaration of Confidentiality and Conflict of Interest

Analysis of various procurement records established that there were multiple contraventions of statutory and regulatory requirements on declarations of confidentiality and conflict of Interest as follows:

### a. Non-Processed Declarations:

It was noted that certain procurement proceedings did not have the required declarations completed, contrary to Section 67 of the Public Procurement and Asset Disposal Act, 2015. Employees, agents, and members of boards, commissions, or committees are required to complete and sign these declarations during or after procurement proceedings. These were:

- i. RFQ No. CDA018/2024-2025 for proposed epoxy finish and aluminium partition for the ICU in Malindi Sub-County Hospital awarded at an amount of Kshs.2,222,749
- ii. RFQ No. CDA038/2024-2025 for supply of beds and mattresses- Ngomeni Secondary School awarded at an amount of Kshs.1,046,016
- iii. RFQ CDA039/2024-2025 for the procurement of office furniture for Ngomeni Chief's Office awarded at an amount of Kshs.687,940
- iv. RFQ No. CDA040/2024-2025 for the procurement of equipment and furniture for Mambroi dispensary awarded at an amount of Kshs.1,607,435
- v. Tender No. CDA T 041/2024-2025 for the technical building renovation awarded at an amount of Kshs.1,590,324
- vi. RFQ No. CDA 004/2023-2024 provision of insurance services for KDK 427P awarded at an amount of Kshs.352,620

## b. Discrepancies in Processed Declarations:

Tenders where declarations were processed as shown below had inconsistencies in the dates of completion. Declarations were not consistently made at the onset of the evaluation process, which is a requirement under Regulation 65 of the Public Procurement and Asset Disposal Regulations, 2020.

Tender Number(s)	Tender Notice Date	Tender Opening Date	EvaluationDate	Dates on the Declarations forms
CDA T 002/2024-2025 for the Supply and delivery of JSS lab equipment	5/11/2024	19/11/2024	17/12/2024	05/11/2024 (1 form) 18/11/2024 (3 forms) 18/11/2025 (1 form)
CDA T 003/2024-2025 for the proposed construction of the first floor for HDU and theatre at Malindi Sub-County	5/11/2024	19/11/2024	17/12/2024	05/11/2024 (1 form) 18/11/2024 (3 forms) 18/11/2025 (1 form)
CDA T 001/2024-2025 supply and delivery of office and school furniture	5/11/2024	19/11/2024	17/12/2024	05/11/2024 (1 form) 18/11/2024 (3 forms) 18/11/2025 (1 form)

In the circumstances, Management was in breach of the law. The irregularity may expose the entity to legal or regulatory sanctions. potential conflicts of interest and biased procurement decisions.

## 7. Failure to Adhere to Ethical Clauses and General Principles for Procurement and Execution of Contracts under the Financing Agreement

Annex 2 clause 2.6 requires that each bidder may submit only one offer and bidders are required to declare lack of any conflict of interest and not to have any specific connection to other tenderers or to other parties involved in the procurement procedure. In addition, the standard request for quotation document has provided the certificate of independent quotation determination for disclosure of any connection to other tenderers. It was observed that there was non-compliance with the ethical clauses and general principles for procurement as stipulated under Annex 2, Clause 2.6 of the Financial Agreement.

In the circumstances, Management was is breach of the law and the procuring entity may be exposed to potential for collusive tendering or bid manipulation and possible sanctions from financing partners.

## 8. Failure to Issue Letters of Intention to Award in the Correct Format

It was established that in all the letters of intention to award, the procuring entity did not use the prescribed standard format provided in the official procurement documents for notifying bidders of the tender outcomes. Furthermore, the letters issued to unsuccessful bidders did not disclose the reasons for their non-selection. These omissions are in contravention of Section 126(4) of the Public Procurement and Asset Disposal Act, 2015, and Regulation 82 of the Public Procurement and Asset Disposal Regulations, 2020, which requires that upon notifying the successful bidder, the Accounting Officer must

simultaneously notify all unsuccessful bidders in writing, providing clear reasons why each bid was unsuccessful.

In the circumstances, Management was in breach of the law and the action may lead to an increased likelihood of disputes, complaints, or appeals from unsuccessful bidders, thereby delaying contract awards and undermining trust in the procurement process.

#### **9. Irregular Issue of Award Letter Before Expiry of Standstill Period**

The audit team noted that the procuring entity issued a letter of award before the expiry of the mandatory standstill period, contrary to the requirements of the Public Procurement and Asset Disposal Act, 2015 and Regulation 82 of the Public Procurement and Asset Disposal Regulations, 2020. Regulation 82 which requires that notifications of intention to award be issued simultaneously to both successful and unsuccessful bidders, with reasons limited to their respective bids. Additionally, Section I (Instructions to Tenderers F-42) of the standard bidding documents stipulates that no contract to be awarded earlier than fourteen (14) days after the notification of intention to award has been transmitted to tenderers. This period allows any dissatisfied bidder to lodge a complaint.

Further, it was established that in tender No. CDA T 003/2024-2025 – proposed construction of the first floor for HDU and theatre at Malindi Sub-County Hospital valued at Kshs.24,784,895, the procuring entity issued letter of award on 24 December, 2024, the same date letters of intention to award were sent to unsuccessful bidders. This was done before the expiry of the required 14-day standstill period. Furthermore, the successful tenderer submitted a letter of acceptance on 2 January 2025, which was still within the standstill period.

In the circumstances, Management was in breach of the law and the non-adherence to the statutory standstill period exposes the procuring entity to potential legal challenges. It also undermines the transparency and fairness of the procurement process.

#### **10. Irregular Signing of Framework Agreements for Provision of Air Tickets**

Review of contractual documents established that the Coast Development Authority entered into two-year framework agreement for the provision of air tickets with three (3) service providers on 24 August, 2023. However, the agreements were signed by the Head of Procurement instead of the Accounting Officer, contrary to the provisions of the Public Procurement and Asset Disposal Act, 2015. There was no evidence of formal delegation or authorization from the Accounting Officer empowering the Head of Procurement to sign the agreements on behalf of the entity. This action is in contravention of Section 135(1) which stipulates that procurement contracts to be signed by the Accounting Officer or an officer formally authorized in writing.


Additionally, it was not possible to confirm whether the framework agreement resulted from an open tendering process, as required under Section 114(1) of the Act, which prescribes open tendering as the default procurement method. Verification on the Public Procurement Information Portal (PPIP) revealed that the corresponding tender advertisement could not be traced or retrieved.

In the circumstances, Management was in breach of the law and execution of contracts by unauthorized personnel exposes the entity to legal and contractual risks, including potential invalidation of agreements. This also compromises transparency and value for money.

### **Recommendations**

In view of the findings and the conclusion of the audit, the Auditor-General proposes the following recommendations: -

- i. That future procurements at CDA must be undertaken in full adherence of the procurement law and regulations. This will ensure that the procurement is undertaken in a system that is fair, equitable transparent, competitive and cost effective.
- ii. In order to ensure timely disbursement of the loan instalments, during the life of the project, CDA should submit the procurement reports for this project to the office of the Auditor-General, for audit alongside the financial statements.

  
FCPA Nancy Gathunga, CBS  
AUDITOR-GENERAL

Nairobi

05 December, 2025