

EXECUTIVE SUMMARY

This report represents the results of our audit of Procurement review of Kenya Airports Authority carried out from 1st June 2012 – 30th June 2013 1st July 2013. The audit covered a review of the status of the PE's procurement, contracting and implementation process and systems, in order to determine level of compliance with the PPDA 2005, PPDR 2006, PPDGM, circulars and directives issued by PPOA and generally accepted principles of good practice. Consideration was also given to the relationship between procurement and overall service objectives of management control framework in place to ensure compliance with the Authority's own policies where applicable, and to ensure that departmental procedures are effective, efficient, provide value for money, ensures procurement integrity and fairness. The period covered by this review was 1st June 2012 – 30th June 2013 1st July 2013. The review procedures performed included the examination of selected O.N.T's and RFQ's. The review also considered the disposal proceedings undertaken by KAA during the identified review period.

The scope of the review encompassed 27 key performance indicators of KAA procurement and disposal from planning to completion. The review projected the PE to have reached a satisfactory level of compliance (60% and above) with the requirements of the PPDA 2005, PPDR 2006, the PPDGM, the circulars & directives issued by PPOA and generally accepted principles of good practice in their procurement and disposal and contracting.

Poor procurement record keeping has been identified as a challenge to the procurement process. Often procurement files are incomplete and fragmented so that crucial procurement information is spread across numerous files. The situation is often compounded by the failure to integrate procurement record keeping with the broader records management function. For procurement reforms to succeed, record keeping weaknesses must be addressed. In order to ensure that the review examined all the pertinent controls and procedures in line with the PPDA 2005, PPDR 2006, the PPDGM, the circulars & directives issued by PPOA and generally accepted principles of good practice, and the PE's implementation of the same, a thorough assessment of the control environments was first undertaken. The fieldwork that ensued then included an examination of the files and documents pertaining to KAA procurement systems and processes and where appropriate, was supplemented by discussion with the key persons involved in the procurement unit. The work shall then be finalized in consultation with the M.D., members of standing committees, Head of procurement unit and other persons involved in management and oversight of the procurement functions.

The team also reviewed the implementation of the findings and recommendations of past internal audit reports as well as last report of the controller and auditor general. Key general findings and recommendations as they relate to each of the areas considered in this review are provided in Chapter 3 of the report. Specific findings are reflected in Chapter 4. An action plan for implementation of the recommendations is provided in Chapter 6. At the end of this report PPOA will review the implementation of the recommendations in the action plan after a period of 3 months from the date of the final report.

We recommend that the Procuring Entity put in place remedial actions that will address all deviations identified in the report. Some of the Key recommendations include:

- AO to ensure weaknesses are addressed and proper documentation of administrative & policy guides is instituted in accordance to Regulation 7 (e) of the PPDR and chapter 4.2 of the PPDGM.
- PE to adopt proper records and filing management in line with section 45(2) of PPDA, regulation 34(3) of PPDR, chapter 2.6(a) of PPDGM and the PPRMPM issued October 2010.

Given the weakness identified it is recommended that the PE should liaise with PPOA in the training of staff in the content of the various manuals that have been issued to support the implementation of the PPDA. Continuous consultation with PPOA would also enable the PE to be updated on any other circulars, directives or guidelines that are being issued.

Satisfactory Compliant Practices

The review team noted the following satisfactorily compliant practices from the samples that were examined and from the general assessment of the procurement systems at the PE:

1. The PU has been established in line with Section 26(4) of the PPDA.
2. The PU ensured that the PC produces quarterly reports for the TC's review for the awards made by the PC in accordance with Regulation 10(2) (n) of the PPDR.
3. The head of the PU reports directly to the AO, in line with cap 4.3 of the PPDGM
4. The PE had a standing list of registered suppliers for the period under review in line with regulation 8(3) (a) of PPDR.
5. The AO signed the procurement plan pursuant to regulation 7(c) of the PPDR.
6. The head of stores department reports to the head of the PU, as required in cap 11.1 of PPDGM.
7. There is a secure tender box placed at the entrance of KAA offices for the receipt of all tenders as required by regulation 44 (a) of the PPDR
8. The Procurement items reviewed were in the procurement plan in line with Sec 26(3) (a) of the PPDA and Regulation 6 (1) of the PPDR.
9. The PU is staffed with qualified personnel in line with Section 26(7), (8) & (9).
10. The PE has standing committees which have been established in accordance with Section 26(4) PPDA and hold regular meetings in line with the PPDA.
11. The PC submitted quarterly reports to the TC as required in regulation 10(n) of the PPDR and Chap 4.4(c) of PPDGM.
12. Alternate TC members were appointed as required in regulation 12(1) of PPDR.
13. The technical specifications reviewed were found to be in line to section 34 of the PPDA
14. Advertisements indicated the closing date and time, with an invitation to bidders to attend the bid opening in accordance with regulation 36,37of the PPDR and section 54(2) of the PPDA.
15. No person appointed to serve in the evaluation committee is a member of the tender committee as required in regulation 16(4) of the PPDR.
16. The evaluation committee makes individual evaluation and makes consolidated report as required in regulations 51(1) and 16(9) of the PPDR and section 66(5) of the PPDA and caps 4.6(b) and 7.2(v) of the PPDGM.

17. The PE appointed a contract manager during the period under review as per cap 9.4 of the PPDGM.
18. The technical evaluations committees adhered to the evaluation mandatory period of 30 days as required by regulation 46 of the PPDR and section 66(6) of the PPDA.
19. The PE sends letters of notification to their bidders done as per section 67 of the PPDA and cap 7.2(x) of the PPDGM.
20. The disposal committee held its meetings, in line with Regulation 92(3) of PPDR.
21. Stock taking was done by the stores department pursuant to cap 11.2 of the PPDGM.

Non-compliance:

The review team noted the following areas with non-compliances that need attention of the PE:

1. The PU does not have a disposal plan for the financial year under review in contravention to PPDGM in chapter 12(4a-k).
2. The PU does not maintain a record of PV's in their files in violation of cap 9.3(h) of the PPDGM.
3. The PE does not maintain a comprehensive and individual file for each procurement and disposal in accordance with Regulations 8(n) and 34(3) PPDR and Chapter 7.9 of the PPDGM.
4. The PE did not have a policy on procurements to be considered for preferences and reservations in contravention to regulation 28(1) of the PPDR and section 39(1) of the PPDA.
5. The PE has no written systems and procedures for handling bidders' enquiries and complaints pursuant to regulation 73 of the PPDR.
6. In the year under review the PE did not report, in time, to PPOA any terminated or written contracts or direct procurements over Kshs. 500,000 as required by Circular No 4/2009 of PPOA and chapter 7.9 of the PPDGM.
7. The PE does not release bid bonds in time as required in section 57(4) of the PPDA and cap 7.2(k) of the PPDGM.
8. The PE did not ensure that the procurement publications are in a central location that is accessible to all persons who want to refer to them, as provided in Cap 1.8 of the PPDGM.
9. The PC minutes do not include a note indicating the basis of the evaluations done in violation to regulation 15(7e) of the PPDR.
10. The TC minutes do not include a note indicating the basis of the evaluations done in violation to regulation 12(6e) of the PPDR.
11. In most instances, the PE did not notify all bidders, both successful and unsuccessful, in contravention to section 67 of the PPDA and cap 7.2(x) of the PPDGM
12. The few notifications done did not conform to the requirements of section 67 of the PPDA and cap 7.2(x) of the PPDGM. I.e. did not include a statement notifying the unsuccessful bidders that they had a right to appeal within a particular window.
13. Poor records management, in contravention to Cap 3.5.4 of PPRMM

Conclusion

As specified in the terms of reference, we used the sample of procurement and disposal proceedings, jointly selected by PPOA and consultants to evaluate the level of compliance with the PPDA. In so doing, we carefully considered the implications and the significance of individual ratings of key performance indicators.

The review team utilized 'Compliance Rating Indicators' as reflected in the PPOA Procurement Review Manual that reflect reasonable and attainable standards of performance. It will be observed that some instances of noncompliance have greater significance than others and this factor has been considered in determining the final compliance level.

The team's overall assessment of the compliance level for KAA is calculated to be 63.07% for the period reviewed in relevance to the PPDA 2005, PPDR 2006, the PPDGM, the circulars & directives issued by PPOA and generally accepted principles of good practice, in respect of sampled procurement transactions reviewed. This is higher than the target of 60% compliance set in the Performance Monitoring Plan under RPPS II. Thus, the overall performance of the PE in procurement and disposal is satisfactory.

Finally, we would like to thank the AO and his team, and by extension, all the staff of KAA for the support they accorded us throughout the review period.