

## **EXECUTIVE SUMMARY**

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 Donor and ICT Board 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 30<sup>th</sup> June 2011 – 1<sup>st</sup> July 2012. 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 ICT during the identified review period.

The scope of the review encompassed 27 key performance indicators of ICT 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 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 ICT board procurement systems and processes and where appropriate, was supplemented by discussion with the key persons involved in the procurement unit. The work was then be finalized in consultation with the M.D., members of Tender Committee, Head of procurement unit and the heads of departments.

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 at an appropriate time.

### **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 PE had a standing list of registered suppliers for the period under review in line with regulation 8(3) (a) of PPDR and regulation 2.9 of the WB procurement guidelines of 2011.
4. The PE as two procurement plans and have been approved by the KICTB, pursuant to Sec 26(3) (a) of PPDA and Regulation 6 (1) of the PPDR regulation 1 .18 of the WB procurement guidelines.
5. Requisitions were raised by the user departments as required in regulation (9) of the PPDR and cap 4.8 of the PPDGM. (C)
6. There is a secure tender box placed at the entrance of KICTB offices for the receipt of all tenders as required by regulation 44 (a) of the PPDR
7. 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 and regulation 1.18 of the WB procurement guidelines of 2011.
8. The PE has used standard bidding documents (SBD's) as per Cap 2.12 of the WB procurement guidelines of 2011.
9. The PU is staffed with qualified personnel in line with Section 26(7), (8) & (9) of the PPDA.
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. Alternate TC members were appointed as required in regulation 12(1) of PPDR.
12. The PE appointed a tender opening committee in line with section 60(1) of the PPDA and caps 4.9 and 7.2(n) of the PPDGM.
13. Evaluation Committees are appointed in accordance with regulation 16(1) of the PPDR and cap 4.6 of the PPDGM

14. Evaluation and comparison of bids is done in accordance with Cap 2.49-2.54 of the WB procurement guidelines of 2011 and section 66(2) of the PPDA and caps 4.6(b) and 7.2(o, r, u) of the PPDGM
15. Quotation opening carried out by the procurement and user department as required in regulation (61) (1) of the PPDR
16. The TC minutes have been properly maintained, save for a few, in the standard format pursuant to regulation 12(6) of PPDR.
17. The technical specifications reviewed were found to be in line to section 34 of the PPDA and regulations 2.19 & 2.20 of the WB procurement guidelines of 2011.
18. 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, section 54(2) of the PPDA and regulation 2.7 of the WB procurement guidelines of 2011.
19. 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.
20. Copies of bid security documents filed as stipulated in PPRMM cap 3.5.4 (10) and regulation 2.13 of the WB procurement guidelines.
21. Copy of Performance Bond filed as required in PPRMM cap 3.5.4 (17) and regulation 2.39 of the WB procurement guidelines.
22. 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.

**Non-compliance:**

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

The AO is carrying out his responsibilities under Section 27(2) of the PPDA. However, the review team noted the following gaps:

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. During the period under review, the disposal committee did not hold three meetings, in line with Regulation 92(3) of PPDR.
3. Though the PE maintains individual file, they are not a comprehensive and do not include the relevant minutes 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. Though the as a system for handling complaints, 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 to PPOA any terminated contracts as required by Circular No 4/2009 of PPOA and chapter 7.9 of the PPDGM.
7. There is no evidence 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.
8. The PC minutes do not include a note indicating the basis of the evaluations done in violation to regulation 15(7e) of the PPDR.
9. The TC minutes do not include a note indicating the basis of the evaluations done in violation to regulation 12(6e) of the PPDR.
10. There is no evidence that the evaluation committee makes individual evaluation and making 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

### **Recommendations**

1. 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.
2. PE to adopt 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.

### **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.

Compliance is one of the greatest challenges faced by organizations today. Observing regulatory compliance audit policies is a requisite for every organization. Sensitive enterprise data is always at a risk of being compromised; therefore it has become a mandate to secure sensitive information by establishing security processes and meeting the guidelines of regulatory bodies. It is critical for organizations to observe the regulatory compliance audit guidelines since being non-compliant to the regulatory standards can result in inefficiency.

To meet all compliance requirements, organizations are required to take proactive measures to establish processes for detecting anomalies, attacks and other vulnerabilities.

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 KICTB is calculated to be **82.2%** 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 transaction reviewed. This is more 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. However, there are some weaknesses that need to be addressed. The PE is therefore advised to address these weaknesses so as to reflect exemplary performance amongst the various PE's and ensure that it assists the corporation in attaining the high ideals.

In summary, we found, few areas where improvements are warranted. Compliance deficiencies these areas are summarized below and detailed in the attached body of the report:

- The delegated authority to initiate the contracting process should be communicated in a clearer manner.
- Records management needs the strong support of the senior management so that adequate personnel and resources can be invested in designing and introducing new records system.
- There is need for consideration on Choice of procurement method especially on direct procurement and low value purchase, since the PE seem to use RFQ either way
- Contractor Performance Evaluations should be completed and entered in a data base so the resulting information will be available to appropriate parties as required.
- Stores and stock control are part of procurement activities and require improvement in the PE
- Our observations describe necessary processes that are omissions in the compliance contracting process. All observations identify areas with a reasonable risk assignment. The observations are interrelated and, accordingly, should be appropriately responded to as a whole, making any specific priority ranking of reduced relevance.

Finally, we would like to thank the AO and his team, and by extension, all the KICTB staff.