

EXECUTIVE SUMMARY

This report presents the results of the procurement review of Kenyatta University (KU) undertaken by Wachira Irungu & Associates under Third Party Providers, which was carried out during the period March-April 2012. The main objective of the exercise was to review the status of the PE's procurement, contracting and implementation processes and systems, in order to determine Kenyatta University's level of compliance with the PPDA and the PPDR, 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 KU.

The period covered by this review was period 1st July 2010 to 30th June 2011, focusing on the performance of the procurement functions. The review procedures performed included the examination of selected samples of Open Tenders, RT, Direct Procurement, RFP, RFQ and Framework Contracting. The review also considered the disposal proceedings undertaken by MCN during the review period.

The scope of the review encompassed the key performance indicators of Kenyatta University's 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, PPDR and all directives issued by PPOA in their procurement, disposal and contracting.

In order to ensure that the review examined all the pertinent controls and procedures in line with the PPDA, PPDR, guidelines and the PE's implementation of the same, a thorough assessment of the control environment was first undertaken. The fieldwork that ensued then included an examination of the files and documents pertaining to KU's procurement systems and processes and, where appropriate, was supplemented by discussions with the key persons involved in the functions related to procurement. The work was then finalized in consultation with the AO, members of standing committees, Head of PU 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 the last report of the Controller and Auditor General.

The 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 of the report. 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 three-month period from the date of the final report.

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 Kenyatta University:

- i) KU's Procurement Unit has been established in line with Section 26(4) of the PPDA;
- ii) The PU is staffed with qualified key personnel in line with Section 26(7), (8) and (9). These key procurement staff hold Diplomas and Certificates in Procurement from recognized institutions;
- iii) All standing and specific committees have been established in line with Section 26(4), (5) PPDA and hold regular meetings in line with the PPDA and PPDR;
- iv) Minutes of the Tender, Procurement and Disposal Committees are maintained as appropriate;
- v) The Procurement Committee carries its functions in accordance with Regulations 14 of the PPDR and Chapter 4.4 of the PPDGM;
- vi) The Review team noted with satisfaction that none of the appointed members of the evaluation committee served as members of the TC;
- vii) The evaluation committees have prepared reports analyzing the tenders received and final ratings assigned to each tender and submitted the reports to the TC;
- viii) In most cases KU uses technical specifications that are objective and conform with the requirements of the PPDA and PPDR;
- ix) There was a standing list of prequalified and registered suppliers for the period under review;
- x) A secure facility for the receipt of tenders has been provided by KU and is located near the Administration Block;
- xi) Procurements reviewed were not split to evade the appropriate procurement method.

Identified Areas of Non-compliance

The Review Team noted the following areas where the PE was not in compliance with the PPDA, the PPDR, circulars and directives issued by PPOA, and generally accepted principles of good practice, that need to be addressed immediately by the PE.

The Review Team observed that the AO has attempted to carry out her responsibilities under Section 27(2) of the PPDA. However, there are still some gaps as indicated below:

- i) The PE has not put in place a structured training strategy that prioritises staff training in best procurement practices as reflected in the PPDA, PPDR and PPDGM;

- ii) The PE did not have in place a consolidated Procurement Plan for the year under review. In addition, KU's Procurement and Disposal Plans for the financial year were not in line with the annual budget;
- iii) The system of filing and record keeping is not satisfactory and thus document location, retrieval, and traceability was not easy. KU has maintained separate files for ONT. However, there are no separate files for other forms of procurement such as RFQ and DP;
- iv) Although the PE has made some efforts at maximizing economy and efficiency and obtaining value for money in its procurements, KU's choice of procurement method in some proceedings was found to be inappropriate as high value goods and services were purchased through Request for Quotation (RFQ) and Restricted Tender (RT) as opposed to ONT;
- v) It was observed that RFQs were sometimes used for procurements whose threshold was above the KES 1,000,000 for goods and KES 2,000,000 for works;
- vi) It was observed that some evaluations by the tender evaluation committee took more than the prescribed maximum 30 days contrary to Regulation 46;
- vii) The Procurement Committee was found to have deliberated on procurement proceedings that are above its threshold of Kshs.500,000 and hence not in accordance with Regulation 27 (2) and the First schedule of the Regulations;
- viii) NPGH did not comply with the mandatory reporting requirements to PPOA as set out in Section 46 of the PPDA 2005 and PPOA Circulars NO. 3/2008 and NO.4/2009.

Key Review Recommendations

KU should put in place remedial actions that will address all deviations identified in this report. Some of the key recommendations include:

- i) The AO should ensure that weaknesses are addressed and proper documentation of administrative and policy guidelines are instituted;
- ii) KU should develop a structured training strategy in best procurement practices as reflected in the PPDA, PPDR and PPDGM, and other PPOA manuals and circulars, for all key staff involved in procurement functions;
- iii) KU should enhance its procurement and disposal planning, including individual procurement and disposal plans;
- iv) The PE should adopt proper records and filing management in line with the PPDA, PPDR, PPDGM and the PPRMPM;

- v) KU should complete all evaluations within the prescribed 30 days period from the opening of the bids;
- vi) KU should endeavour to procure all high value goods and services (in excess of KES 1,000,000 for goods and KES 2,000,000 for works) through ONT as opposed to RFQs;
- vii) The PC should desist from awarding tenders above KES 500,000 as these are not allowed under Regulation 27 (2). Tender awards above KES 500,000 should be submitted to the TC for approval;
- ix) KU should comply with all PPOA's mandatory reporting requirements in accordance with Section 46 of the PPDA 2005 and PPOA Circulars NO. 3/2008 and NO.4/2009.

Taking into account the areas of deviation indicated above it is recommended that the PE take time and resources to liaise with the PPOA in the training of staff on the content of the various manuals that have been issued to support the implementation of the PPDA and PPDR. In addition, KU should ensure that all its procurement documents conform to the content of the manuals and circulars issued by PPOA, which are designed to expound the provisions of the PPDA and PPDR. Continuous consultation with the PPOA would also enable KU to be updated on any other circulars, directives or guidelines that are being issued.

Conclusion

As specified in the terms of reference, the Review Team used the sample of procurement and disposal proceedings to evaluate the level of compliance with the PPDA and PPDR. In so doing, the Review Team carefully considered the implications and the significance of individual ratings of the 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 is apparent that some instances of non-compliance have greater significance than others. This factor has been considered in determining the final compliance level.

The Review Team's overall assessment of the compliance level for KU is computed to be 58.82% for the period reviewed with relevant PPDA, PPDR and guidelines in respect of sampled procurement transaction reviewed. This is slightly below the compliance target of 60% assumed by the Review Team in section 1.5 of this report.

Finally, we would like to take this opportunity to thank KU staff starting with the AO and the key staff involved in procurement for their co-operation and assistance during this review.