



PUBLIC PROCUREMENT OVERSIGHT AUTHORITY

Transforming Procurement

FINAL REPORT

MANG’U HIGH SCHOOL

PROCUREMENT REVIEW

**REVIEW PERIOD: 01 JULY 2007 - 30 JUNE
2008**

DECEMBER 2009

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TABLE OF ACRONYMS

AO	Accounting Officer
BoG	Board of Governors
D	Minor Deviation
DD	Moderate Deviation
DDD	Major Deviation
DP	Direct Procurement
FY	Financial Year
GoK	Government of Kenya
HoD	Head of Department
IA	Internal Auditor
IFMIS	Integrated Financial Management Information Systems
IPR	Independent Procurement Review
KACC	Kenya Anti Corruption Commission
LPO	Local Purchase Order
LSO	Local Service Order
LVP	Low Value Procurement
MHS	Mangu High School
OIT	Open International Tender
ONT	Open National Tender
PC	Procurement Committee
PE	Procuring Entity
PPDA	Public Procurement and Disposal Act 2005
PPDR	Public Procurement and Disposal Regulation 2006
PR	Purchase Requisition
PTA	Parents Teachers Association
PU	Procurement Unit
RFP	Request for Proposal
RFQ	Request for Quotation
RT	Restricted Tendering
SP	Satisfactory Performance
SPP	Specially Permitted Procurement
TC	Tender Committee
VAT	Value Added Tax

EXECUTIVE SUMMARY

The report is based on the outcome of the procurement review of Mang'u High School undertaken by Lindi Agencies on behalf of PPOA carried out from 28th April, 2009 to 16th May, 2009.

The objective of the exercise was to review the status of the school's procurement, contracting and implementation processes in order to determine the level of compliance with the procurement law, regulations, circulars, and directive issued by the Public Procurement Oversight Authority and generally acceptable professional best practices.

The review considered the performance of procurement functions for the period 1st July, 2007 to 30th June, 2008. The scope of the review comprised the areas of procurement and disposal process from initiation to completion undertaken by the school.

The field work was carried out by going through the procurement procedures and processes as practised by the PE, interviewing key persons involved in the procurement function, and interrogation of documents relating to procurement processes from initiation to completion.

The detailed results of the review and the recommended action plan are included in the report. Findings of the report of specific procurements and other findings on how the PE conducts the procurement function are highlighted. Also included in the report are general findings and recommendations as they relate to each of the reviewed activity.

Mangu High School should prepare an Annual Procurement plan in fulfillment to the requirements of PPDA and PPDR. The PE should also put in place all the institutions required to carry out the procurement functions and should be appointed as stipulated by the law. The current Tender committee is not appointed in accordance with the law and the functions of some of the committees are carried out by the Finance Officer.

Issues coming out from this report caused a lot of concern as they could constrain transparency, accountability and integrity. The Accounting Officer should embark on addressing them as they were felt to be critical to the success of achieving compliance with the procurement law and hence maximize efficiency, economy and value for money.

1.0 INTRODUCTION

The Public Procurement and Disposal Act, 2005 and Public Procurement Regulations, 2006 became operational on 1 January 2007. The Act established the Public Procurement Oversight Authority (PPOA), which, inter alia, is mandated to monitor the public procurement system, report on its overall functioning, and recommend areas of improvement. To this end, the Authority has been carrying out Procurement and Disposal Reviews of the Kenya's public procurement system in order to establish its state of compliance with the procurement law, circulars and directives issued by the Authority. The principal goal of this exercise is to help entities develop capacity building programs to enable them better apply the provisions of the Act and the Regulations. This exercise is one of the ongoing activities at PPOA with the long term goal of reviewing all public entities.

It is in this light that PPOA contracted Lindi Agencies to conduct procurement reviews of category 'C' PEs selected across the various sectors in which Mang'u High School was among those selected.

1.1 Mandate of PPOA

PPOA is mandated with the responsibility of the following among others:-

- Ensuring that procurement procedures established under the Act and Regulations are complied with;
- Monitoring the procurement systems and reporting on its overall functioning;
- Assisting in the implementation and operations of the public procurement system.
- Initiating public procurement policy.

Section 49(1)(a) of the Act, provides for the PPOA's procurement review function, which states that the Director-General or anyone authorized by him may inspect at any reasonable time the records and accounts of a procuring entity and the procuring entity and contractor shall co-operate and assist whoever does such an inspection. Upon this, the Director General wrote to the Chief Principal, Mang'u High School, informing him that the review would take place and attached the checklist of the information and documents to be provided by the school.

In this regard PPOA contracted Lindi Agencies Ltd. to carry out this review exercise.

1.2 Responsibility of Procuring Entity

Section 27(1) of the Public Procurement and Disposal Act 2005 provides that a public entity shall ensure that this Act, the Regulations and any directions of the PPOA are complied with in respect to each of its procurements.

1.3 Specific Review Objectives

The main purpose is to carry out review of the status of Mang'u High School's procurement activities, in order to establish the level of compliance with the Procurement Law.

The specific objectives of this procurement review are:

1. To verify the procurement and contracting procedures, processes and documentation followed by MHS in order to determine whether they were carried out in accordance with the Public Procurement and Disposal Act 2005 and the associated Regulations;
2. To establish the school's adherence to the general principles of economy and efficiency, equal opportunities, transparency, integrity, fairness, and value for money;
3. To determine the technical compliance, physical completion and price competitiveness of each contract in the selected representative samples;
4. To review the capacity of MHS to handle procurement efficiently, comment on the quality of procurement and contracting, and identify reasons for delays, if any;
5. To establish whether adequate systems are in place for procurement planning, implementation and monitoring and whether reliable documentation is maintained as required by the law;
6. To establish whether recommended actions made in the previous reviews have been carried out successfully;
7. To make recommendations for improvement in action plan which will be followed up to establish whether these improvements have been implemented;
8. To assist in clarification of areas where MHS may have misunderstood the requirements of the legislation; and
9. To identify weaknesses e.g. capacity needs, lack of equipment, which impede good performance and need to be rectified.

1.4 Entry Meeting

The Acting Deputy Manager, Compliance Department of the PPOA Mr. P.K Ndung'u arranged for an entry meeting of the review on the 28th April 2009 at 11.00am at Mang'u High School.

Present

Name	Designation	Organization
Henry M. Raichena	Chief Principal	MHS
James F. Mwangi	Deputy Principal	MHS
Jackson Gachango	HoD Boarding	MHS
Anne R. Kibue	Finance Officer	MHS
Peter K. Ndung'u	Ag. Dep. Manager Compliance	PPOA
Stanley Miheso	Compliance Officer	PPOA
N.N Wachira	Team Coordinator	Lindi Agencies Ltd.
Ernest W. Kinuthia	Team Leader	Lindi Agencies Ltd.
Mrs. M. A Edebe	Consultant	Lindi Agencies Ltd.
J.W. Wamaguru	Consultant	Lindi Agencies Ltd.

Purpose of the Entry Meeting

The purpose of the meeting was for the Public Procurement Oversight Authority (PPOA) to:-

1. Formally introduce Lindi Agencies' Ltd. team of consultants to the MHS team.
2. To inform MHS the purpose of carrying out the procurement review.
3. To advise on matters in respect to the type of review/audit and the period to be covered by the subject review.
4. To advise in respect to the anticipated duration of the review exercise and the stages in which it would be carried out.
5. To advise on what is expected of both the consultants and the MHS and expected deliverables following the exercise and how such deliverables will be dealt with by the PPOA.
6. To advise on the likely impact following the findings of the review.

Mr. Peter Ndung'u advised as follows:

1. That the review was primarily to assess the performance and the compliance of the Procuring Entity (PE) with the procurement law which is specifically the PPDA and PPDR.
2. That the review would also address the challenges that the PE is encountering as it implements the said law. This, he said, would be useful when the amendment of the law will be being addressed.
3. That the review will address performance and compliance with the law for the period of financial year 2007/2008 only. It will not be an investigation and it is not as a consequence of any reported or observed omission or commission on the part of the PE.
4. That the PE should provide all the documents and information that the consultants may require to ensure that the exercise is carried out smoothly and successfully within the limited time that has been allocated to the exercise/assignment.
5. That the consultants are expected to produce a report of their findings which will eventually be posted to the PPOA's website after it has been discussed and agreed with the PE during the exit meeting.
6. That the likely results to the PE, following the report, are assistance from PPOA to enhance performance and compliance with the law. This could be but not limited to provision of training, sensitization to the law, capacity building or even recommendation that the procurement function be handled by professionals. Remedial measures would also be recommended where found necessary.

2.0 BACKGROUND AND ORGANIZATION OF MANG’U HIGH SCHOOL

2.1 Mandate

The school is mandated to operate under Cap 211 of the Education Act.

2.2 Vision

PE has not developed a vision statement.

2.3 Mission

PE has not developed a mission statement.

2.4 Functions of the Procurement Entity

Mangu High School is a learning institution offering secondary education from Form I to Form IV. It is a national school for boys with a capacity of 800 students taken from all over the country. The staff stands at 50 teachers and its primary objective is of shaping the character of students and improving their potential to lead a successful life in future. It is among the top ten schools with highest academic standards.

2.5 Funding

As from January – June 2008 the total subsidy received was as follows:

Government Subsidy – 2008 January – June

		Amount in Kshs
Tranche 1	Tuition A/c	767,165.00
	Operations A/c	<u>899,990.00</u>
		<u>1,667,155.00</u>
Tranche 2	Tuition A/c	1,163,876.00
	Operations A/c	<u>1,308,868.00</u>
		<u>2,472,744.00</u>
Fees from parents at Kshs. 49,645 per student, totaling Kshs.		<u>35,760,425.00</u>
Grand Total		<u>39,900,324.00</u>

3.0 REVIEW METHODOLOGY AND SPECIFIC FINDINGS

3.1 Key Documents

The review team relied on gathering sufficient evidence to support its findings in regard to the compliance and performance of the School.

The team examined the following documents:

- Tender register
- Quotation files
- Tender files
- Receipts and payments register
- Cash books
- Operation accounts register (payment voucher)
- Tenders
- Requisition forms
- Local purchase orders
- Payment vouchers
- Banking slips/ bank statements
- Payment register
- Receipt vouchers
- Stock ledger

3.2 Interviews and Discussions

The team held discussions/interviews with relevant staff/officials of MHS directly involved in the procurement function to ascertain general and specific information about the procurement/disposal processes, procedures, and the existing capacity at the school's procurement unit.

The persons interviewed during the review included:

	Name	Title	Role
1	Henry M. Raichena	Chief Principal	Accounting officer
2	James F. Mwangi	Deputy Principal	School Administration/ Teacher
3	Jackson Gachango	HoD (Boarding)	Boarding Master
4	Anne R. Kibue	Finance Officer	In charge of school accounts
5	James Kamande	Lab Technician	In charge of the Laboratory
6	Michael N. Kariuki	Bursar	In charge of stationery and printing
7	Benson Mwenja	Stores attendant	In charge of main store
8	Nancy Kamau	Cateress	In charge of Kitchen.

3.3 Sampling

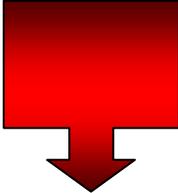
3.3.1 Selection of Samples

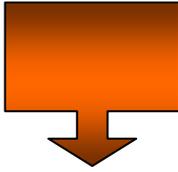
Samples of procurement transactions were selected in accordance with the procedures outlined in the procurement review manual. Eighteen (18) samples were picked at random from the procurement methods used by the PE during the year under review.

The review team estimated compliance level they would be looking for at 50% and the probability of non-conformity to be 99.61 %. The number of contracts, which were selected for review in order that a realistic review report is achieved, included all Areas and categories or procurement process. With random selection of 8 there is a high probability of finding one sample, which does not comply, can be found from the table below. This sampling table is adapted from International Standard EN45503.

No. of Samples	Estimated initial compliance with Public Procurement and Disposal Act 2005 %									
	10	20	30	40	50	60	70	80	90	100
Percentage Probability of finding a sample which does not comply with PPDA 2005										
3	99.90	99.20	97.30	93.60	87.50	78.40	65.70	48.80	27.10	0
4	99.99	99.84	99.19	97.44	93.75	87.04	75.99	59.04	34.39	0
5	100	99.97	99.76	98.98	96.88	92.22	83.19	67.23	40.95	0
6	100	99.99	99.93	99.59	98.44	95.33	88.24	73.79	46.86	0
7	100	100	99.98	99.84	99.22	97.20	91.76	79.03	52.17	0
8	100	100	99.99	99.93	99.61	98.32	94.24	83.22	56.95	0
9	100	100	100	99.97	99.80	98.99	95.96	86.58	61.26	0
10	100	100	100	99.99	99.80	99.40	97.18	89.26	65.13	0

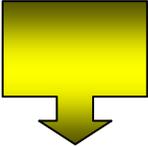
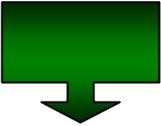
3.3.2 Rating Criteria

<p>Major Deviation (DDD)</p> 	<p>Where the major requirements of the PP&D Act and Regulations were not adequately followed. This could cause material, financial loss or carry risk for the regulatory system or the entity's reputation. These cases include deficiencies in the structures and systems to implement the law and regulations, or where the procedures have been so flawed that there is severe risk of mis-procurement or procurement fraud such as:</p> <ul style="list-style-type: none"> • Procurement procedures are not integrated within the financial framework of the entity; • Main structures are not appointed and operationalised e.g. <ul style="list-style-type: none"> Accounting Officer Tender Committee Procurement Unit Procurement Committee Disposal Committee Inspection and Acceptance Committee Tender Opening Committee Evaluation Committee. • Coverage not complete <ul style="list-style-type: none"> Procurement Contract management Disposal Goods, works and service • Standard and specific committees not meeting as stipulated; • No consolidated procurement plan linked to approved budget; • Lack of procedures for making procurement decisions; • Not adhering to the threshold matrix; • Choice of improper procurement procedures; • Procurements inflated; • Lack of approved prequalified list for suppliers; • Lack of annual disposal plan; • Inappropriate influence on evaluation; • Inadequate protection of confidential information; • Lack of comprehensive procurement records; • Tender committees not meeting as required; • Tender evaluation committees not appointed in accordance with the Act; • Not reporting to PPOA as required; • Many key procurement records that are stipulated by law for retention are missing <p>Such cases warrant immediate attention by the Accounting Officer.</p>
<p>Moderate Deviation (DD)</p>	<p>Where procurement procedures were considered to have significant omissions or deviations, including:</p>



- Some procurement records are missing;
- Lack of central comprehensive procurement files;
- Procurement unit not functioning as per the regulations.
- Lack of signatures on key minutes
- Choice of selection procedure not justified;
- Consolidated Procurement plan not updated;
- Contracts awarded not from the approved list of suppliers;
- Contracts over Kshs. 5million not reported to PPOA;
- Criteria for the evaluation of proposals not specified in the tender documents;
- Award Letter missing;
- Description of goods, works or services in the bid not adequate;
- Entities with recurring or ongoing requirements have not analyzed their medium to long term needs to adopt long-term arrangements or framework contracts;
- No evidence of analysis of bid documents by Tender Evaluation Committee;
- No evidence of award by Tender Committee;
- Lack of evidence of commencement certificate in contract missing;
- Lack of evidence of contract being countersigned by AO;
- Evidence of performance bond not in the contract file;
- Inspection and acceptance certificates confirming delivery not available;
- No justification/Authorization for Applying the method;
- No authorized procurement requisitions;
- Non-disclosure of tender evaluation details;
- No specified period of validity of tenders;
- Prequalification proceedings not adequate;
- Absence of award criteria in tender documents;
- Absence of procurement requisitions;
- Record of procurement proceedings not comprehensive;
- Lack of justification for direct and restricted procurement;
- Termination of procurement proceedings not reported to PPOA;
- and
- Inadequate oversight by internal auditor.

These weaknesses warrant immediate attention of the senior management.

<p>Minor Deviation (D)</p> 	<p>Where procurement practices and procedures conformed to most regulations, though there were deviations, which are relatively small in quantity, size or degree and are low in risk. These weaknesses warrant immediate attention of the procurement unit or user department. The deviations include:</p> <ul style="list-style-type: none"> • Absence of an Award Letter in procurement file; • Absence of authorization Date of LPO; • Absence of Invoice copy in the procurement file; • Absence of LPO Authorization; • Absence of LPO or LSO in the procurement file; • Absence of Payment Voucher copy in the procurement file; • Absence of Procurement Request in the procurement file; • All tenderers not informed of the result of a tendering process in accordance with the law; • Anti corruption mechanisms not defined and published; • Commencement of contract date missing; • Date of evaluation committee report or recommendation letter missing; • Date of the bid opening missing; • Date of the MTC meeting awarding the contract missing; • Evidence of award by Tender Committee not in file; • No evidence of contract being countersigned by AO in procurement file; • No evidence of performance bond in the contract file; • Goods or Services Received Note missing in file; • Inadequate monitoring of contracts awarded; • Incomplete procurement plan; • Methods and criteria for selecting firms and for awarding contracts are not documented; • Records are available but not in the procurement file; and • Time limits for replies not adhered to. <p>These weaknesses should be addressed by senior management as part of an ongoing improvement plan.</p>
<p>Satisfactory Performance (SP)</p> 	<p>Where procurement practices and procedures met the requirements of the law and regulations and were considered to meet standards of good practice.</p>

3.3.3 Limitation of Scope

- The PE Lacked knowledgeable personnel in the procurement function to guide the reviewer as appropriate. The officer who was handling procurement is an accountant and is not trained in procurement nor sensitized in procurement Act and Regulations. She handles both accounts and procurement activities of the PE.
- Poorly kept warehousing/stores records e.g. Ledgers and Bin Cards.

4.0 PROFILE OF PROCUREMENTS IN REVIEW PERIOD

4.1 Distribution of the Procurement Methods in the Samples Reviewed

Open National Tender – 13
 Restricted Tendering – 0
 Direct tendering – 0
 Request for proposals – 0
 Request for quotations – 0
 Low value procurement – 5
 Specially permitted procurement – 0

4.2 Details of the Samples Reviewed

	Tender No.	Item Description	Value
1	MHS/01/2008	Hydrochloric Acid	75,180.00
2	MHS/01/2008	Litmus Paper Red	35,000.00
3	MHS/02/2007	Duplicating Paper White	624,000.00
	MHS/02/2008		
4	MHS/02/2007	Riso Ink	297,192.00
	MHS/02/2008		
5	MHS/02/2007	Exercise Books 200pgs	489,700.00
	MHS/02/2008		
6	MHS/04/2007	Beans	1,350,000.00
	MHS/04/2008		
7	MHS/04/2007	Sugar	1,072,500.00
	MHS/04/2008		
8	MHS/06/2007	Amoxycilin	16,000.00
	MHS/06/2008		
9	MHS/12/2007	Sweater Maroon L/S	162,500.00
	MHS/12/2008		
10	MHS/12/2007	Blazer Maroon	315,000.00
	MHS/12/2008		
11	MHS/13/2007	Multi Purpose Detergents	120,000.00
	MHS/13/2008		
12	MHS/13/2007	Toilet Tissue Paper	204,000.00
	MHS/13/2008		
13	MHS/14/2007	Students' Insurance	265,045.00

		Cover	
	MHS/14/2008		
14	LVP	Food Stuffs	771,950.00
15	LVP	Chicken	93,000.00
16	LVP	Fuel	198,200.00
17	LVP	Sports Shoes	70,000.00
18	LVP	Croma Maize	53,000.00

4.3 Procurements in Review Period

4.3.1 Number of Procurements in Procurement Period

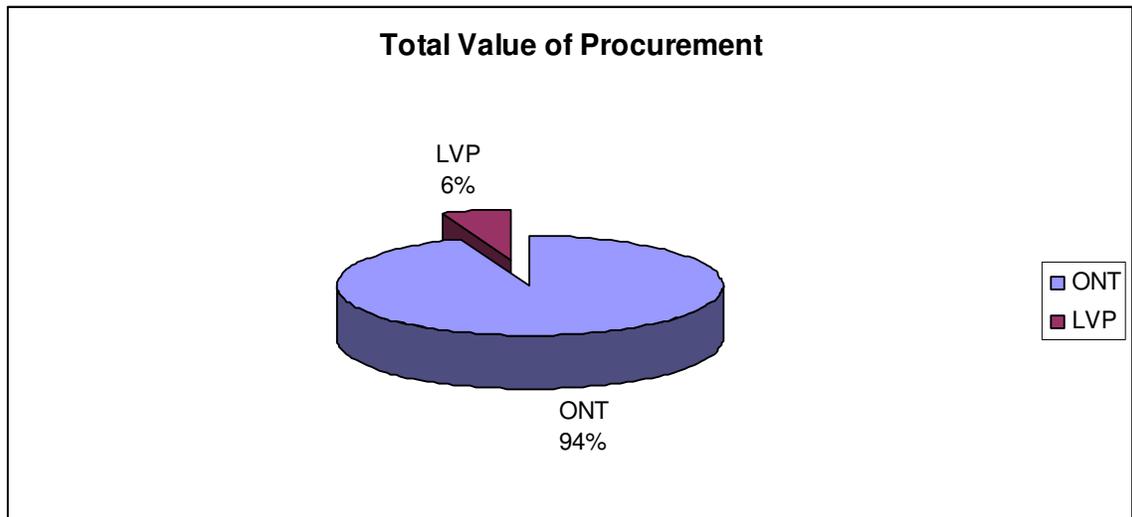
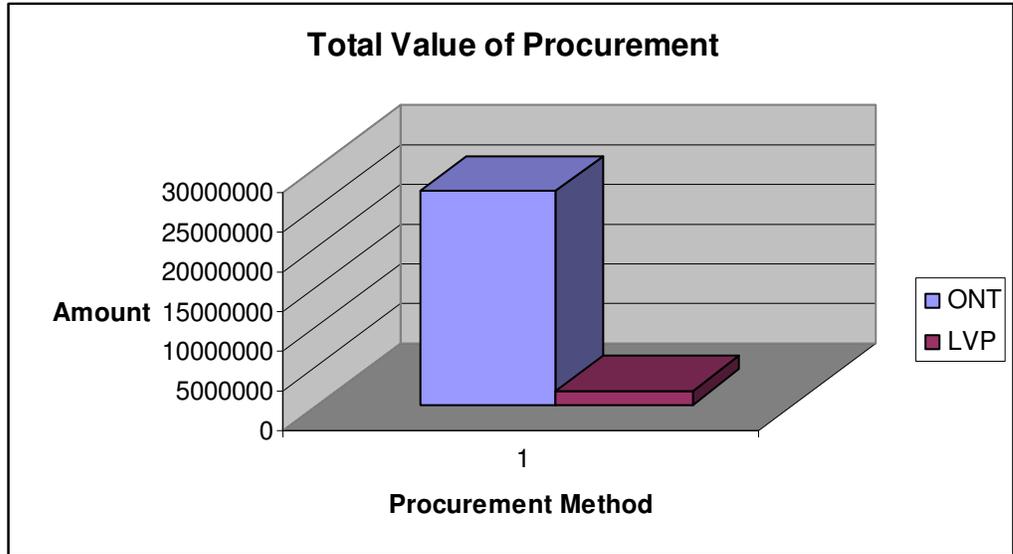
Procurement Method	Civil Works	Goods	Services	Total
ONT	0	13	2	15
LVP	0	172	0	172
TOTAL	0	185	2	187

4.3.2 Total Value of Procurements Reviewed

Procurement Method	Civil Works	Goods	Services	Total
ONT	0	3,761,072.00	265,045.00	4,026,117.00
LVP	0	1,198,150.00	0	1,198,150.00
TOTAL		4,959,222.00	265,045.00	5,224,267.00

4.3.3 Total Value of Procurement

Procurement Method	Civil Works	Goods	Services	Total
ONT	0	26,668,086.00	265,049.00	26,933,135.00
LVP		1,698,150.00	0	1,698,150.00
TOTAL		28,366,236.00	265,049.00	28,631,285.00



4.4 Specific Findings

No.	Tender/ Quotation	Method	Findings	DDD	DD	D
1	MHS/01/2007	ONT	<ul style="list-style-type: none"> • No annual procurement Plan • No use of standard Tender Document • No information on budgetary allocation • No extract of procurement committee minutes • No requirement of Registration certificate • No evaluation report • No tender opening minutes • No tender validity period 	X X X X	X X X X	
2	MHS/02/2007	ONT	<ul style="list-style-type: none"> • No annual procurement Plan • No use of standard Tender Document • No information on budgetary allocation • No extract of procurement committee minutes • No requirement of Registration certificate • No evaluation report • No tender opening minutes • No tender validity period 	X X X X	X X X X	
3	MHS/03/2007	ONT	<ul style="list-style-type: none"> • No annual procurement Plan • No use of standard Tender Document • No information on budgetary allocation • No extract of procurement committee minutes • No requirement of Registration certificate • No evaluation report • No tender opening minutes • No tender validity period 	X X X X	X X X X	
4	MHS/04/2007	ONT	<ul style="list-style-type: none"> • No annual procurement Plan • No use of standard Tender Document • No information on budgetary allocation • No extract of procurement committee minutes • No requirement of Registration certificate 	X X X	X X	

No.	Tender/ Quotation	Method	Findings	DDD	DD	D
			<ul style="list-style-type: none"> No evaluation report No tender opening minutes No tender validity period 		X X X	
5	MHS/06/2008	ONT	<ul style="list-style-type: none"> No annual procurement Plan No use of standard Tender Document No information on budgetary allocation No extract of procurement committee minutes No requirement of Registration certificate No evaluation report No tender opening minutes No tender validity period 	X X X	X X X X X	
6	MHS/12/2008	ONT	<ul style="list-style-type: none"> No annual procurement Plan No use of standard Tender Document No information on budgetary allocation No extract of procurement committee minutes No requirement of Registration certificate No evaluation report No tender validity period 	X X X	X X X X X	
7	MHS/13/2008	ONT	<ul style="list-style-type: none"> No annual procurement Plan No use of standard Tender Document No information on budgetary allocation No extract of procurement committee minutes No requirement of Registration certificate No evaluation report No tender opening minutes No tender validity period 	X X X X	X X X X X	
8	MHS/14/2008	ONT	<ul style="list-style-type: none"> No annual procurement Plan No use of standard Tender Document No information on budgetary allocation 	X X X		
			<ul style="list-style-type: none"> No extract of procurement committee minutes 	X		
			<ul style="list-style-type: none"> No requirement of Registration certificate 		X	
			<ul style="list-style-type: none"> No evaluation report No tender opening minutes 		X X	

No.	Tender/ Quotation	Method	Findings	DDD	DD	D
			<ul style="list-style-type: none"> <li data-bbox="651 268 1019 298">• No tender validity period 		X	

5.0 GENERAL FINDINGS AND RECOMMENDATIONS

5.1 Internal Organization of the Procuring Entity

Findings

There was a tender committee that was not constituted pursuant to PPDA and PPDR which dealt with procurement awards.

The following institutions had not been constituted according to the first schedule. i.e. the PU, the standing and Ad-hoc committees as below,

Name
Procurement Unit
Tender Committee
Procurement Committee
Tender Opening Committees
Evaluation Committees
Inspection and acceptance committees
Disposal Committee

Recommendations

The standing and Ad-hoc committees should be put in place as per Section 27(1) of PPDA.

5.2 Sensitization

Finding

The Finance officer, who undertook the role of Procurement, was not familiar with PPDA and PPDR.

Recommendation

Sensitization of the officers involved in procurement should be carried out.

5.3 Procurement Planning

Findings

There were no procurement plans pursuant to Section 26(3)(a) of PPDA and Regulation 20(1),(2) of PPDR.

Recommendation

All procurement should be within the approved budget of the PE and should be planned through an annual procurement plan

5.4 Authorization of Purchase Requisition

Findings

Official requisitions are in place but are not processed in accordance with Regulation 22(1).

Recommendation

Purchase Requisitions should be initiated and approved as required by Regulation 20 of the PPDR.

5.5 Use of Manuals

Findings

There were no operations and/or procurement manuals in use.

Recommendations

The PE should seek assistance from the Authority with a view to developing an internal procurement manual, administrative guidelines and even best practices manual pursuant with Section 9(c)(1) and Regulation 30.

5.6 Prequalification Mechanisms

Finding

The PE did not have a prequalification mechanism in place. The PE did not engage in the request for quotation (RFQ) method and uses Open National Tender (ONT) and Low Value Procurement (LVP) methods of procurement.

Recommendation

The PE should initiate prequalification mechanisms as required by the procurement Law.

5.7 Low Value Procurement

Finding

The value of LVP per transaction of items procured were inconsistent with the First Schedule “The threshold Matrix”.

The use of this method was not recommended by the tender committee after a market survey.

Recommendation

The PE should adhere to the Threshold Matrix.

5.8 Verification of Legal Status

Finding

The PE verifies a candidate’s tax compliance status, but does not have a provision for registration certificate in its tender documents.

Recommendations

The PE should include registration certificate as one of its requirements in its bidding

documents.

5.9 Use of Standard Tender Documents

Finding

The PE was not using standard tender documents

Recommendations

The PE should use standard tender documents as per Section 29 (4) of PPDA and 29 (1) (2) PPDR.

5.10 Procurement Record Management

Finding

Records are kept in respect of all procurement transactions. Procurement files contain information from initiation to payments. This is as required by Section 45.

5.11 Contracting and Contract Management

Findings

The PE does not enter into a written formal contract agreement with the successful bidders as required by Section 68 of PPDA.

Recommendation

Contracting should be as stipulated by Section 68(1) of PPDA and the person responsible for signing the contract should be as stipulated in the First Schedule, the Threshold Matrix.

5.12 Storage Facility

Findings

There was no organized centralized storage operation. Each department operated its own store. The main store did not have sufficient storage space, and various items were kept together including; detergents, farm inputs, uniforms, building materials and unserviceable items. This has resulted to poor storage and improper stores documentation. It has also compromised safety and security of stores, equipment and personnel.

Recommendation

The PE should establish warehousing facilities and embark on instituting appropriate warehousing practices, procedures and processes.

5.13 Stock Taking

Findings

Annual stock taking was not undertaken during the year under review.

Recommendation

A team should be appointed to carry out stock taking. A report should be compiled

showing all the discrepancies noted and give recommendations for further action.

5.14 Asset Register

Findings

The PE does not maintain an asset register. The permanent and expendable items were reflected in the ledgers held at the main store where the issues were originally recorded.

Recommendation

An Asset register shall be established to record permanent and expendable assets held by users from the time of issue up to the time of disposal.

6.0. EXIT MEETING

An exit meeting with the Mang’u High School’s management team was organized on 10th Dec, 2009 after the fieldwork and compilation of the Final Draft Report. Mr. P.K. Ndung’u, the Ag. Deputy Manager Compliance led both the PPOA and Lindi Agencies Ltd. teams in the meeting. The PE’s team was led by Mr. J.F. Mwangi, the Deputy Principal and thereafter by the Chief Principal, Mr. H.M. Raichena, who joined the team later. The meeting was held in the institution’s conference room.

Present

Name	Designation	Organization
Henry M. Raichena	Chief Principal	MHS
James F. Mwangi	Deputy Principal	MHS
Jackson Gachango	HoD Boarding	MHS
B.N. Kamau	Teacher	MHS
Mrs. B. Mungai	Teacher	MHS
Mrs. Jane Murithi	Dean of Studies	MHS
Anne R. Kibue	Finance Officer	MHS
Mrs. Mary Ayub	Teacher HoD Languages	MHS
Peter K. Ndung’u	Ag. Dep. Manager Compliance	PPOA
Joseph K. Kimani	Asst. Snr. Compliance Officer	PPOA
N.N Wachira	Team Coordinator	Lindi Agencies Ltd.
Ernest W. Kinuthia	Team Leader	Lindi Agencies Ltd.
Mrs. M. A Edebe	Consultant	Lindi Agencies Ltd.
J.W. Wamaguru	Consultant	Lindi Agencies Ltd.

Purpose of the Exit Meeting

The purpose of the exit meeting was to primarily discuss the review’s final draft report and more specifically the key findings and the recommendation for improvement in an action plan.

Mr. P.K. Ndung’u passed greetings from the PPOA’s Interim Director General as well as his apologies for not having been able to attend the meeting in person. He further thanked the PE for the cooperation it had accorded the consultants during the review exercise which was carried out both satisfactorily and successfully.

Mr. Ndung’u reminded the PE that the review was in respect to the period 1st July 2007 to 30th June 2008. He observed that since that period, the PE had put in place some of the requirements of the new Procurement Law. However, a lot is still required so as to be fully compliant with the PPDA and PPDR.

Review Findings and recommendations for improvements

As the Final Interim Report had been forwarded by the PPOA to the PE the previous month, the meeting was only lead through a summary of the key findings by the consultants' team leader.

The PE on its part confirmed that the report had been received and studied and having been taken through the summary of the key findings felt that it was a fair and accurate record of the situation as it was then. The PE, lead by the Deputy Principal concurred that the report be adopted without any amendments.

Matters Arising

Mr. Ndung'u emphasized that, in the light of the findings in the report, compliance in the following key areas was unsatisfactory and in need of immediate remedial action:

1. Establishment of statutory structures and separation of duties in respect to the procurement function.
2. Procurement planning and its links to budgets and expenditure.
3. Compliance with the Financial Threshold Matrix (the First Schedule).
4. Initiation and authorization of purchase requisitions.
5. Use of standard tender documents.
6. Contracting and contract management and
7. Mandatory reporting to PPOA.

Following the foregoing, recommendations for improvement in an action plan which would be followed up by PPOA to establish whether these improvements have been implemented was agreed upon with Mang'u High School.

7.0. ACTION PLAN

No.	Tasks	Lead Accountable	Time	PPOA Review Date
1	Ensure that the following Internal Organization (institutional arrangement) in respect to Procurement are established. : Tender Opening Committees, Procurement Unit, Procurement Committee, Evaluation Committees, Inspection and acceptance Committees and Disposal Committees as stipulated by Section 27 of PPDA.	Principal and Head of Procurement	In place 31/12/2010 31/12/2009	
2	Ensure all procurement are be within the approved budget of the PE and planned through an annual procurement plan	Principal, HoDs and Head of Procurement	31/03/10	
3	Purchase Requisitions should be initiated and approved as stipulated by Regulation 20 of the PPDR.	HoDs and Head of Procurement	Being implemented	
4	The PE should seek assistance from the Authority(PPOA) with a view to developing an internal procurement manual, administrative guidelines and even best practices manual pursuant with Section 9(c)(I) and Regulation 30	PPOA, Head of Procurement	31/12/2011	
5	The PE should initiate prequalification mechanisms as necessary.	Principal and Head of Procurement	In place	
6	The PE should include registration certificate as one	Head of		

No.	Tasks	Lead Accountable	Time	PPOA Review Date
	of its requirements in its bidding documents.	Procurement	In place	
7	The PE should embark on the use of Standard Tender Documents which may be obtained from PPOA	Head of Procurement	31/12/2009	
8	Contracting should be as stipulated by Section 68 of PPDA and the person responsible for signing the contract should be as stipulated in the First Schedule, the Threshold Matrix.	Principal and Head of Procurement	31/12/2009	
9	The PE should establish warehousing facilities and embark on instituting appropriate warehousing practices, procedures and processes.	Principal and Head of Procurement	31/12/2011	
10	Training and Sensitization of PE on PPDA and PPDR	Principal and PPOA	30/04/2010	
11	The PE should undertake regular stock taking	Head of Procurement	31/04/2010	
12	The PE should adhere to the Threshold Matrix on the various methods of procurement.	Principal	10/12/2009	
13	The PE should establish an Asset register to record permanent and expendable assets held by users up to the point of disposal	Principal and Procurement	30/06/2010	

8.0. CONCLUSION

The Act requires a procuring entity to establish procedures and structures to provide for making decisions relating to procurement activities for the entity.

Mangu High School was procuring goods and services using funds received from the students in way of school fees and Government subsidy.

Lack of awareness to implement, and comply with Public Procurement and Disposal Act 2005, and Public Procurement and Disposal Regulation 2006, resulted in inadequate procurement process and procedures. It was felt that this could be addressed by way of sensitization, in the procurement law and capacity building in general procurement and warehousing practices, of all those involved in the procurement function

Lack of the required institutional arrangement was not observed by the PE and this has led to non compliance with the Act and Regulation.

The Accounting Officer (Principal) is urged to recognize that it is his responsibility to ensure compliance with the Act. He should also appreciate that he is primarily responsible for ensuring that the PE fulfils its obligation in ensuring that the PPDA, PPDR and any directions of the Authority are complied with in respect to each of its procurements, and act accordingly.