



PUBLIC PROCUREMENT OVERSIGHT AUTHORITY
Transforming Procurement

MULTIMEDIA UNIVERSITY OF KENYA

PROCUREMENT REVIEW REPORT

SEPTEMBER, 2015

REVIEW REPORT IN SUMMARY

This report presents the results of the procurement review of MMU which was carried as from 31st August to 11th September, 2015. 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 University level of compliance with the PPDA and the PPDR, circulars and directives issued by PPOA, and generally accepted principles of good practice.

The period covered by this review was period 1st July 2013 to 30th June 2014, focusing on the performance of the procurement functions. The review procedures performed included the examination of selected samples of Open Tenders, Direct Procurement, RFP, RFQ and Framework Contracting. The review also considered the disposal proceedings undertaken during the review period.

The scope of the review encompassed the key performance indicators of MMU procurement and disposal from planning to completion. The review projected the PE to have reached a very low compliance rating of 23.96% (below 60%) 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 included an examination of the files and documents pertaining to MMU procurement systems and processes and, where appropriate, was supplemented by discussions with the key persons involved in the functions related to procurement.

The team also reviewed the implementation of the findings and recommendations of the last report of the Auditor General on procurement issues.

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 MMU

- i) The University 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 and are members of Kenya Institute of Supplies Management (KISM);
- iii) A secure facility for the tender box has been provided by University and is located near the Administration Block;

Identified Areas of Non-compliance

The Review Team noted the following areas where the University 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 University:

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

- i) The University had not established a tender committee in line with Section 26(4), (5) PPDA;
- ii) The University's procurement plan was not approved by the AO and the University Council;
- iii) The University does not keep proper procurement records as required in Section 45 of PPDA;
- iv) The head of the PU and key staff with procurement responsibilities have not been adequately trained in the PPDGM and other Manuals;
- v) The University did not evaluate tenders in accordance with the requirements of Section 66(2) of the Act, since the evaluators waived and added some evaluation criteria during evaluation;
- vi) The PE did not have an appointed disposal committee in line with Section 128 of PPDA and Regulation 92 of the PPDR;
- vii) Minutes of the Tender, Procurement and Disposal Committees are not maintained as appropriate;
- viii) University does not maintain a comprehensive and individual file for each procurement and disposal, that would contain all information, documents, and communications relating to that procurement or disposal proceeding. Such files would need to be marked with the relevant procurement or disposal reference number. This means that the PE's record management is therefore not in accordance with, Regulations 8(n) & 34 (3), Circular no. 1/2009 of PPOA and Chapter 7.9 of the PPDGM;
- ix) The bid bond submitted by the bidders are never returned to the suppliers after the conclusion of the procurement process;
- x) The choice of the procurement methods was found to be inappropriate as RFQs were used for purchases above the threshold of KES 2,000,000 for goods and KES 4,000,000 for works. High value goods and services were purchased through RFQs instead of ONT.
- xi) The PU does not advise the PE on aggregation of procurement to promote economies of scale in accordance with Regulation 8(3)(x), nor does it co-ordinate internal monitoring and evaluation of the supply chain function in accordance with Regulation 8(3)(y);
- xii) The PU does not ensure that the PC produces quarterly reports for the TC's review, and as such the latter does not review the awards made by the PC in accordance with Regulation 10(2) (n);
- xiii) Some initiation of procurement proceedings is not done through the use of an official procurement requisition in line with Regulation 22 (1);
- xiv) It was observed that some evaluations by the tender processing committee took more than the prescribed maximum 30 days contrary to Regulation 46;
- xv) Some weaknesses were identified in University contract and inventory management systems;
- xvi) The PE does not observe the threshold requirement for low value procurements;
- xvii) The University has attached casual staffs to manage its stores;
- xviii) The PE has a lot of disposable items which creates a risk of loss of value due to deterioration;

Recommendations

University 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 all the identified weaknesses are addressed and proper documentation of administrative and policy guidelines are instituted;
- ii) The University should employ permanent staff to manage the stores since most officers managing the stores were casuals;
- iii) University should develop a structured training strategy in best procurement practices as reflected in the PPDA, PPDR and PPDGM. Other PPOA manuals and circulars, for all key staff involved in procurement proceedings;
- iv) The PE should adopt proper records and filing management in line with the PPDA, PPDR, PPDGM and the PPRMPM;
- v) University should enhance its procurement and disposal planning, including individual procurement and disposal plans;
- vi) University should endeavor to procure all high value goods and services (in excess of KShs. 2,000,000 for goods and KES 4,000,000 for works) through open or Restricted tenders;
- vii) University should always initiate all its of procurement proceedings using the official procurement requisition in accordance with Regulation 22 (1);
- viii) University should complete all evaluations within the prescribed 15 days period from the opening of the bids and adhere to the evaluation criteria;
- ix) University should undertake comprehensive contract and inventory management in line with the PPDA, PPDR and PPDGM.
- x) In order to comply with Section 26 (6) of the PPDA, University should not commence any procurement proceedings prior to ensuring that it has sufficient funds and budgetary allocation to meet the obligations of the resulting contract or alternatively make use of framework contracting;

Conclusions

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 University has been computed to be 23.96% for the period reviewed with relevant PPDA, PPDR and guidelines in respect of sampled procurement transaction reviewed. This is a very low performance compared to the compliance target of 60% assumed by the Review Team in section 1.5 of this report. Therefore, the overall performance of University in procurement and disposal is extremely low.