



FINAL REPORT

KENYA AGRICULTURAL RESEARCH INSTITUTE

PROCUREMENT REVIEW

29 September 2010

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ACRONYMS

AO	Accounting Officer
CPO	Chief Procurement Officer
FY	Financial Year
GOK	Government of Kenya
GRN	Goods Receipt Note
HQTS	Headquarters
IA	Internal Auditor
ICT	Information, Communications and Technology
KACC	Kenya Anti Corruption Commission
KNAO	Kenya National Audit Office
LPO	Local Purchase Order
LSO	Local Service Order
LTA	Long term arrangement
MD	Minor Deviations
MDD	Moderate Deviations
MDDD	Major Deviations
KARI	Kenya Agricultural Research Institute
LOE	Level of Effort
N/A	Not Applicable
ONT	Open National Tender
PC	Procurement Committee
PE	Procuring Entity
PI	Proforma Invoice
PPDA	Public Procurement and Disposal Act
PPDR	Public Procurement and Disposal Regulations
PPOA	Public Procurement Oversight Authority
PR	Procurement Review
PU	Procurement Unit
RFP	Request for Proposal
RFQ	Request for Quotation
RPPSII	Reforming Public Procurement Systems II
SP	Satisfactory Performance
TC	Tender Committee
TP	Threshold Programme
USAID	United States Agency for International Development

EXECUTIVE SUMMARY

This report presents the findings of the procurement review of the Kenya Agricultural Research Institute (KARI), carried out from 3 June 2010 to 13 July 2010. The main objective of the exercise was to review the status of the Institute's procurement, contracting and implementation processes and systems, in order to determine the Institute's level of compliance with the Public Procurement and Disposal Act 2005 and the associated regulations, 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 KARI.

The review considered performance of procurement functions for the period 1 July 2008 - 30 June 2009. The review procedures performed included the examination of selected samples of open tenders, restricted tenders, direct procurement, request for proposals, and request for quotations. The review also considered the disposal proceedings undertaken by KARI during the period.

The scope of the review encompassed KARI's procurement and disposal cycle from planning to completion, using 27 key performance indicators.

The fieldwork included an examination of the files and documents pertaining to KARI'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 Accounting Officer, members of standing committees, Head of Procurement Unit and other persons involved in management and oversight of the procurement functions.

The team did not review the implementation of the findings and recommendations of prior internal and KNAO audit reports carried out in 2008 because they were not made available to the review team. The team observed that the Institute is adequately implementing the recommendations of the prior assessments by M/s Price Waterhouse sponsored by USAID.

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. An action plan for implementation of the recommendations is provided in Chapter 6 at the end of this report. The PPOA/ARD team will review the implementation of the recommendations in the action plan in Chapter 6 after a three-month period from the date of final report.

A limiting factor in carrying out the review was the inadequate filing system, records, data, and documentation relating to the procurement processes selected. This caused some delay in the review fieldwork.

The review team noted the following satisfactory compliant practices from the samples that were examined:

- The tender, procurement and evaluation committees have been established in accordance with the regulations;
- Procurements are not split to evade the appropriate procurement method;
- Advertisements indicate the closing date and time, with an invitation to bidders to attend the bid opening;

- Tender opening procedures are carried out in accordance with regulations;
- There is a standing list of registered suppliers;
- KARI uses open tendering as the main procurement method and adequately follows the requirements of the regulations. Open tendering together account for some 65% of procurement expenditure;
- KARI has taken such steps as are reasonable to bring the invitation to tender to the attention of those who may wish to participate;
- Fair and impartial procedures are in place in relation to receiving and opening of tenders;
- A secure facility for the receipt of tenders has been provided by KARI; and
- The evaluation criteria are the same as those in the tender document and conform with the requirements.

The review team noted the following areas with minor deviations or weaknesses that need immediate attention of the Procurement Unit or User Department:

- Procurement Committee is not submitting their quarterly reports to Tender Committee;
- Absence of an Award Letter in most procurement files;
- Absence of invoice copy in the procurement file;
- 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;
- Date of evaluation committee report missing;
- Evidence of award by Tender Committee not in file;
- Goods or Services Received Note missing in file; and
- Inadequate monitoring of contracts awarded.

The review team noted the following areas with moderate deviations or weaknesses that need immediate attention of the senior management:

- KARI have not analysed their recurrent or ongoing requirements for medium to long-term needs with a view to making framework contracts. Many common user goods and services currently being procured on RFQ (currently 91% of the total number of procurement transactions) should be placed under framework contracts in order to obtain the better prices associated with large volume procurements and to reduce administrative costs;
- There was no evidence that the prices of common user items have not been compared with the PPOA price index;
- Insufficient documented contract management procedures in place which monitor progress and conformity with the terms of contract;
- No schedules of duties for initiating, certifying and approving officers; and
- The Institute does not file all procurement and disposal reports with PPOA as stipulated in the Regulations.

The review team have noted the following areas with major deviations or weaknesses that need immediate attention of the Accounting Officer:

- The Head of Procurement Unit and key staff with procurement responsibilities have not received appropriate training in PPDA, PPDR, and General Manual;

- The manual operationalizing procurement on KARI has not been shared with PPOA to ascertain its conformity with the PPDA and PPDR; The procurement publications issued by PPOA are not placed in a central location that is accessible to all persons who want to refer to them;
- There was no evidence that the Heads of User Departments have submitted annual departmental plans to the Accounting Officer;
- The consolidated procurement plan prepared for the period under review was not made available to the review team and all the procurement proceedings reviewed were not linked to any procurement plan;
- There are no individual procurement plans for specialised and complex works and services as set out in the Procurement General Manual;
- Lack of official standard purchase requisitions for initiating procurement activities;
- The purchase requests initiated by the User Departments do not have realistic estimated values based on up-to-date information on economic and market conditions;
- Prequalification is not undertaken for works, goods, and services of complex and specialized nature in accordance with the Regulations;
- The state of procurement filing and contract documentation is very deficient. The procurement and contracting records are mostly fragmented among various files, and departments;
- Each member of the technical evaluation committee has not evaluated tenders independently from the other members prior to sharing his or her analysis;
- There are no contract files in place which monitor progress and conformity with the terms of contract;
- There are no schedules of duties for initiating, certifying and approving officers leading to inadequate and weak internal controls;
- There is insufficient staff awareness of updated publications, directives, manuals, and standard documents prepared and distributed by PPOA;
- The PE has not applied preference and reservations as provided in Section 39 of the PPDA;
- Contract agreements are not prepared for all tenders above Ksh 500,000.00 as required by section 7.5 (r) of the Public Procurement and Disposal General Manual;
- The PE does not give due consideration to value for money in its procurement functions as there was no procurement plan and the PE does not compare prices with the PPOA price index;
- There is no disposal plan and the disposal committee does not meet quarterly as stipulated in Section 128 of the PPDA and regulation 92(3);
- There is no documented complaints mechanism for handling bidders' enquiries and complaints; and
- The inspection and acceptance committee is not doing its work adequately, as most files examined have no inspection and acceptance certificates.

We recommend that the KARI management put in place the following measures in order to reduce future non-compliance in the procurement functions in the Institute:

- Prepare and implement a comprehensive records retention and disposal schedule covering all categories of records as recommended in the *Report on the Management of Records of the Kenya Agricultural Research Institute* and that conforms with the PPDA, Regulation and General Manual;

- Develop written operating systems and procedures for implementation of the Act and Regulations;
- Clarify accountability for project management and delivery of major projects by establishing a Contract Manager in accordance with the General Manual to manage the linkages across functional areas and between KARI and its partners;
- Develop a procurement tracking schedule to support the better management of the community procurement function for the donor funded projects;
- All future procurement requests should be initiated through the consolidated procurement plan. The timing of both the PU's activities and the development of document content by others should be driven from this plan;
- Organise training of all management staff on sensitisation, advanced, and specialised aspects of procurement law and regulations;
- Introduce measurable mechanisms that promote value for money in its procurement of goods, works and services by ensuring that procurement is done in an open and transparent manner and through the development of contracting arrangements that leverage the best value from suppliers and service providers;
- Introduce standard tender documents and procurement forms for procurement processes and contracting;
- Compare all prices of common user items with the PPOA price index;
- Prepare and update a Consolidated Procurement and Disposal Plan regularly;
- Improve reporting requirements to PPOA; and
- Improve the monitoring of contract management processes and update the procurement files.

As specified in the terms of reference, we used the sample of procurement and disposal proceedings to evaluate the level of compliance with the Public Procurement and Disposal Act, associated regulations and directives issued by PPOA. In so doing, we carefully considered the implications and the significance of individual ratings of the key performance indicators. It is clear that some instances of non-compliance have greater significance than others. This factor has been considered in determining the final compliance level.

The team's overall assessment of the compliance level for Kenya Agricultural Research Institute is calculated to be 53.2% with relevant PPDA, and the regulations and guidelines in respect of the sampled procurement transactions for the period reviewed. This is below the minimum acceptable level of compliance of 60% set out in the Performance Monitoring Plan for the present project. Thus, the overall performance of the Institute in procurement and disposal is not satisfactory and has significant weaknesses that need to be addressed.

Finally, we would like to take this opportunity to thank KARI staff for their co-operation and assistance during this review.

1 INTRODUCTION

1.1 Purpose

This procurement review is one of eight reviews to be carried out by ARD, Inc as part of the Reforming the Public Procurement System Phase II project. The Kenya Agricultural Research Institute (KARI) was one of the entities selected by Public Procurement Oversight Authority (PPOA) for review under the current phase of the project.

An entry meeting with the Authority's management team was held on 24 March 2010 to discuss the scope of the review, the review plan, the reviewers' expectations, access to documentation and other administrative issues. Mr M. J. Juma, the Ag. Director General, PPOA led the joint ARD/PPOA review team to the entry meeting. Dr. Ephraim A. Mukisira, the Accounting Officer led the Institute. The Institute team comprised of Heads of User Departments, Head of the Procurement Unit and members of various standing procurement committees among others.

1.2 Mandate of PPOA

The Authority's procurement review function is derived from Section 49 (1) (a) of the Act, 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 the contractor shall cooperate with and assist whoever does such an inspection.

1.3 Role of the PE

- 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 respect to each of its procurements;
- Section 27 (2) of the Act provides that the Accounting Officer shall be primarily responsible for ensuring that the procuring entity fulfils its obligations in the implementation of the provisions of the Act;
- Section 27 (3) of the Act provides that each employee of the procuring entity and each member of board or committee of the entity shall ensure, within the areas of responsibility of the employee or member, that the Act, regulations or any directions of PPOA are complied with; and
- Section 101 of the Act provides that a public entity shall provide the Authority with such information relating to procurement as the Director-General may require in writing.

1.4 Objectives

The overall objective of the procurement review was to review the status of KARI's procurement, contracting, implementation processes and systems, in order to determine the level of compliance with the procurement law, regulations, circulars and directives issued by the Public Procurement Oversight Authority.

The specific objectives of this procurement review were:

- To verify whether the procurement and contracting procedures, processes and documentation followed by KARI were in accordance with the Public Procurement Act and the associated Regulations;

- To establish KARI adherence to the generally accepted principles of economy and efficiency, equal opportunities, transparency, integrity and fairness and promotion of local industry;
- To determine technical compliance, physical completion and price competitiveness of each contract in the selected representative sample;
- To review the capacity of KARI to handle procurement efficiently; comment on the quality of procurement and contracting, and identify reasons for delays, if any;
- To establish whether adequate systems are in place for procurement planning, implementation and monitoring and whether reliable documentation is maintained, as required by the regulations;
- To establish whether remedial actions taken on recommendations made in the previous reviews have been implemented successfully;
- To make recommendations for improvement in an action plan which will be followed up within a specified time frame to establish whether these improvements have been implemented;
- To determine the extent to which KARI has provided value for money in executing its procurement functions;
- To assist in clarification of areas where KARI may have misunderstood the requirements of the legislation; and
- To determine challenges faced by the KARI in the implementation of the Act.

1.5 Expectations

The review expected:

- The Institute to have achieved a level of compliance above the minimum acceptable threshold of 60% and above with the requirements of the PPDA, PPDR and all directives issued by PPOA in their procurement, disposal and contracts;
- Adequate systems and procedures put in place by the Institute for implementation of the procurement law, regulations and directives;
- The Institute to have adequate capacity and training to implement the procurement law; and
- Essential procurement records to be maintained with adequate safeguards for procurement records.

1.6 Procurement Profile

The KARI undertook the 181 procurement proceedings of total value Ksh 274,842,684.66 during the period under review.

Procurement method	Number	Value(Ksh)
ONT	13	176,949,141.00
RFQ	164	95,158,543.00
LTA	2	0.00
RFP	2	2,735,000.00
Total		274,842,684.00

The procurement budget for the period under review was Ksh 812,510,724.00. The actual expenditure on procurement is approximately 33.8% of total planned operational budget for the period under review.

1.7 Sample

The review covered a sample of the following 38 transactions selected from the population of transactions executed by the Institute from 1 July 2008 to 30 June 2009 period, including works, goods, and services, to the extent possible.

	TENDER NO	METHOD	DESCRIPTION	AMOUNT Ksh
1	KARI/HQTS/6/08-09	ONT	2 double cabin p/ups	5,566,110
2	KARI/HQTS/8/07-09	ONT	Freezer Dryer	76,026,115.50
3	KARI/HQTS/18/08-09	RFP	Architectural Services	2,200,000.00
4	KARI/HQTS/12/08-09	ONT	Security services	17,287,128.00
5	KARI/HQTS/155/08-09	RFQ	Rack mounted server	2,000,000
6	KARI/HQTS/269/08-09	RFQ	Water Abstraction	2,353,029
7	KARI/HQTS/252/08-09	RFQ	Software License	3,313,800.00
8	KARI/HQTS/165/08-09	RFQ	Personal computers	702,000.00
9	KARI/HQTS/91/08-09	RFQ	Double p/u	2,530,000.00
10	KARI/HQTS/183/08-09	RFQ	Laptops	3,000,000.00
11	KARI/HQTS/254/08-09	RFQ	HF car radio	1,553,472.00
12	KARI/HQTS/15/08-09	RFQ	Servers & IT tapt	10,586,643.00
13	KARI/HQTS/235/08-09	RFQ	Meter separation	2,385,074.00
14	KARI/MBT/5/08-09	RFQ	Small water pan	571,145.00
15	KARI/MBT/1/08-09	RFQ	AA Spectrophometre	_____
16	KARI/HQTS/242/08-09	RFQ	Autoclave	680,000.00
17	KARI/HQTS/255/08-09	RFQ	Borehole materials	511,387.00
18	KARI/HQTS/126/08-09	RFQ	Extension of quarantine	1,848,808
19	KARI/HQTS/137/08-09	RFQ	Knife ctec	1,112,568.50
20	KARI/HQTS/181/08-09	RFQ	Servers & routers	596,900.00
21	KARI/HQTS/199/08-09	RFQ	Tractor	2,050,000.00
22	KARI/HQTS/09/08-09	RFQ	Drilling of Borehole	2,036,580.00
23	KARI/HQTS/29/08-09	RFQ	Desktop Computer	392,000
24	KARI/HQTS/67/08-09	RFQ	Printing	1,183,200.00
25	KARI/HQTS/94/08-09	RFQ	Kitchen utensils	2,146,965.00
26	KARI/HQTS/80/08-09	RFQ	Printing	593,000.00
27	KARI/HQTS/119/08-09	RFQ	Cold room repair	474,740.00
28	KARI/HQTS/253/08-09	RFQ	PABX machine Kibos	429,432.00
29	KARI/HQTS/85/08-09	RFQ	Motor cycle	424,524.00
30	KARI/HQTS/214/08-09	RFQ	PABX Installation	568,456.00
31	KARI/HQTS/214/08-09	RFQ	Office stationery	809,398.00
32	KARI/HQTS/20/08-09	RFQ	Cleaning services	2,476,000.00
33	KARI/HQTS/128/08-09	RFQ	Internet	2,283,150.00
34	KARI/HQTS/07/08-09	RFP	Consultancy	2,838,075.00
35	KARI/HQTS/08/08-09	RFQ	Consultancy	1,780,600.00
36	KARI/HQTS/170/08-09	RFQ	Pickups	5,120,000.00
37	KARI/HQTS/10/08-09	ONT	Double roller Cotton delinking	20,326,361.00
38	KARI/HQTS/15/08-09	RFQ	Bio safety green house	2,237,570
				182,994,231.00

1.7.1 Sample Profile

Description of proceedings	No of transactions	Value of proceedings
Total procurement proceedings	181	274,842,684.66
Sample of procurement	38	182,994,231.00
Percentage of sample to total procurements	20.9%	66.5%

The review team did not visit any of the KARI physical facilities outside the Headquarters due to time constraints.

The KARI did not provide the review team with inventory reports to determine if the PE does conduct periodic and annual stocktaking in accordance with the PPDR. The PE did provide the review team with the work sheets for the stock take as at the end of the FY 2008-2009.

1.8 Methodology

The review procedures included the examination of selected samples of the open tenders, request for proposal and, request for quotations and disposal proceedings.

1.9 Key documents and data collection

Key procurement and disposal documents and data related to the terms of reference were reviewed. The information collected was analyzed to provide an overall picture of the level of compliance in the various stages of the procurement process. The overall risk rating and scoring systems for the procurements handled by KARI over the review period were assessed using the criteria in Chapter 5 of this report.

Other background documents used by the team included but were not limited to the following: PPDA 2005, PPDR 2006, General Manual, USAID KENYA Host Country Procurement and Financial Management assessments for KARI (Report issued March 2010)., The PE did not make available prior internal and external audit reports.

Discussions/interviews were held with the following staff/officials of KARI who are directly involved in the procurement process.

	Title	Name
1	Accounting Officer	Dr. Ephraim A. Mukisira
2	Deputy Director Finance and Administration	Ted.K.Njagi
3	Chairman PC	G.M.Karanja
4	Chairman of TC	Dr J.G.Mureithi
5	Head of PU	Ms Asanath Nyaga
5	Head of Internal Audit	J.Mwai
6	Chairman Tender Committee	Dr Mureithi
7	Chairman Disposal Committee	D.Tangus

Through interviews and discussions with officials, the review team recorded general and specific information concerning the procurement/disposal process, procedures and existing capacity at KARI.

1.10 Key Performance Indicators and rating criteria

The procurement review was based on risk assessment methodology that focuses on the issues that pose the greatest threat to the compliance with the procurement law and regulations.

The reviewed procurements are categorized according to the procurement/disposal key performance indicators. These consist of three categories of a risk level assigned to each performance indicator, namely:

- **High Risk** - Procurements where serious weaknesses could cause material financial, regulatory or reputational risks warranting immediate attention by senior management;
- **Moderate Risk** - Procurements where weaknesses, although less likely to lead to material financial, regulatory or reputational risk, warrant timely management action using the existing framework;
- **Low Risk** Procurements with weaknesses where resolution within the normal management framework is considered desirable to improve efficiency and promote best practice. Deviations from laid down procedures would normally be graded “low,” if there were sufficient evidence of management action to rectify the deviation and to monitor compliance.

Once a risk level had been assigned to each key performance indicator, review tests were devised to ascertain whether the compliance was working as indicated in the risk assessment. More emphasis, time, and tests will be focused on those items with the highest risk.

When assigning compliance scores, the review team considered the extent to which compliance procedures were in place for each aspect of the law and regulations. Whole numbers for each item are used:

- 3 indicates full compliance with the stated requirement;
- 2 is for cases in which the system exhibits less than full compliance and needs some improvements in the area being assessed;
- 1 is for those areas where substantive work is needed to bring them into compliance; and
- 0 is the residual indicating a complete failure to comply with the proposed standard.

Each compliance assessment is multiplied by the risk factor to obtain the overall score for each performance indicator. In cases where there are several requirements being evaluated, the scoring was based on the performance range:

61-100%	3
41-60%	2
21-40%	1
0-20%	0

The scores obtained for each performance indicator were then added to arrive at the total score, which was then shown as a percentage of the maximum possible score.

The key performance indicators and the corresponding risk levels used are set out in the Chapter 5.

1.11 Limitation of scope

Our scope was limited by the following:

- Some records, data and documentation relating to the procurement processes selected were not made available and others took time to retrieve;
- The data provided had several gaps to the extent that their accuracy was compromised;
- Inability to verify the authenticity of most of the documents sampled; and
- Lack of documented internal control manuals relating to initiation, certification, and approvals at various levels.

2 ORGANIZATION OF KARI

2.1 Mandate

The Kenya Agricultural Research Institute is a premier national institution bringing together research programmes in food crops, horticultural and industrial crops, livestock and range management, land and water management, and socio-economics. KARI promotes sound agricultural research, technology generation, and dissemination to ensure food security through improved productivity and environmental conservation

2.2 Vision of KARI

KARI envisions a vibrant commercially oriented agricultural sector, propelled by innovative technologies, knowledge and approaches that respond to demands and opportunities.

2.3 Mission of KARI

To contribute, together with its partners, agricultural innovations and knowledge towards improved livelihoods and commercialization of agriculture through increasing productivity and fostering value-chains while conserving the environment.

3 FINDINGS, OBSERVATIONS AND RECOMMENDATIONS

3.1 Functions of Accounting Officer

Finding

The Accounting Officer, Dr. Ephraim A. Mukisira, is adequately carrying out his responsibilities under Section 27 (2) of the PPDA.

The Accounting Officer was very supportive of the procurement review and recognises the important role of procurement in achieving the overall long term KARI strategic plans.

3.2 Functions of Procurement Unit

Findings

KARI established the PU in accordance with the PPDA and PPDR with a total staff of seventy one officers. Ms Asenath Nyaga, the acting Head of PU is responsible for day-to-day management of the Procurement Unit and is the Secretary to the TC. The review team observed that a substantive appointment has been made and the new Head of the Procurement Unit is due to take office from beginning of October.

The PU has a documented work plan which sets out the main objective of the division of facilitating research activities with regard to economy and efficiency.

There was no evidence that the senior staff members of PU are members of KISM.

All the key procurement personnel have final diplomas and foundation stage except one who is currently on training. The diplomas were obtained from Government training institutes except for Mr W N Kwamboka who is the only staff with Diploma of Institute of Chartered Institute of Purchasing and Supplies Management.

KEY PROCUREMENT STAFF AND THEIR QUALIFICATION

NAME	Qualifications	SOURCE
NYAGA. A. M	MASTERS OF BUSINESS ADMINISTRATION, BA & DIPLOMA IN SUPPLIES MANAGEMENT	UON, KIA/DPM
MWAU P. M.	DIP I-III IN SUPPLIES MANAGEMENT	GTI
MAKORI MASESE O	DIPLOMA IN SUPPLIES MANAGEMENT PART I & II	GTI
NYAGA F. M.	DIPLOMA IN SUPPLIES MANAGEMENT PART I & II	GTI
KEENGWE O. M.	BACHELOR OF COMMERCE	ON TRAINING
KWAMBOKA W N	BACHELOR OF ARTS, DIPLOMA IN SUPPLIES MANAGEMENT	INDIA, CIPS

GIKUNDA	BACHELOR OF ARTS, DIPLOMA IN SUPPLIES PURCHASING & SUPPLIES MANAGEMENT	UON, GTI
OKUMU.D	DIPLOMA IN SUPPLIES MANAGEMENT PART I & II	GTI

The team noted the following weaknesses in the PU:

- Does not maintain comprehensive procurement and disposal filing systems and records in accordance with Section 45 of PPDA and Regulation 34 of PPDR;
- Did not make available to the review team the Consolidated Procurement Plan for the period under review;
- PU does not prepare disposal plans in accordance with Regulation 8(3)(w);
- Does not advise the procuring entity on aggregation of procurement to promote economies of scale in areas of common user items;
- While the unit maintains standing lists of registered suppliers required by the procuring entity, there is no evidence the list is updated annually as provided in Regulation 8(3)(a);
- The PU does not ensure a fair and equal rotation amongst the persons on the standing list of registered suppliers in respect to giving the requests for quotations as required by Regulation 59(2)(c);
- Does not prepare quarterly reports on the awards by Procurement Committee as required by Regulation 10(2)(n);
- There is no evidence the Head of the Procurement Unit appointed an officer to serve as secretary to the procurement committee as required by Regulation 13 (4);
- Does not monitor contract management by User Department (Regulation 8(3)(t)); and
- Does not keep inventory records to confirm that the PE conducts periodic and annual stock taking in accordance with Regulation 8(3)(aa).

Recommendation

PU should improve on all the identified deficient areas of its functions and ensure that the functions of the Unit are carried out within the requirements of Regulation 8.

The PU should follow up training with the Capacity Building Department to benefit from the ongoing training workshops being carried out by ARD/PPOA.

Response

- ❖ *KISM membership – Most of KARI senior procurement staff are members of KISM but the review team did not ask for evidence of registration. The Institute shall ensure all are registered.*
- ❖ *In the year under review the institute maintained a comprehensive procurement filing though not in a single file. The information was in different files and is available. The requirement of filing all related information of procurement in a single file has been noted and compliance will be ensured.*

- ❖ *In the year under review the procurement plan had not been prepared was not there but with effect from 2009-10 to date, the Institute has complied with this requirement and the copies were availed.*
- ❖ *For disposal, we prepare a schedule every year which is submitted to the Board of Management for approval.*
- ❖ *The Procurement Entity is advised on aggregation of procurement and this forms the basis for the consolidated procurement plan*
- ❖ *The institute reviews the suppliers list biennially due to high administrative costs involved in the process*
- ❖ *The institute ensures fairness in the invitation of quotations through rotation within the registered suppliers.*
- ❖ *In the year under review quarterly reports were not produced, However, KARI now prepares quarterly reports which are presented and discussed with the Board of Management.*
- ❖ *The officer performing the duties of Secretary to Procurement Committee was appointed when members of all Institutional committees were done (copy of appointment attached). There was an oversight in formalizing the appointment of this officer. This will be corrected.*
- ❖ *Monitoring of contracts implementation is done through site meeting and inspections after which relevant reports are made (see sample copies attached)*
- ❖ *The institute conducts periodic stock taking and annual stock taking for the purposes of determining deficiencies and taking on charge of surpluses and write off*

3.2.1 Number of trained persons sensitized to the procurement procedures

Findings

- The PE does not liaise with PPOA for sensitisation, advanced, and specialised training in the Act and the associated regulations particularly in General Manual, procurement planning and newly developed procurement guidelines issued by PPOA. PPOA has not so far invited the PE for any training workshops being carried out by ARD/PPOA;
- The PE has not carried out any training on the procurement law and regulations for all the people involved in procurement related functions; and
- The PE does not have a proactive training policy, strategy and work plan in place to ensure continued development of knowledge and skills in procurement functions.

Recommendation

The procuring entity should prioritise their training to include the following:

- Sensitization of all personnel and members of committees of the PE in requirements of the procurement law and regulations;
- Advanced training to improve skills of senior procurement practitioners in:
 - Procurement planning;
 - Writing specifications;
 - Qualifying potential suppliers for complex and specialized services;
 - Evaluating bids; and
 - Contract management;
- Specialized aspects of procurement in areas of:
 - Records management;

- Framework contracting;
- ICT Manual;
- Consultancy manual; and
- Works manual.

The PE should improve liaison with PPOA to link the Institute’s training strategy with PPOA training priorities.

Response

- ❖ *In the year under review the PPOA requirements including training in the initial stages of implementation of PPOA & PPDR and since then some of our officers have attended trainings and workshops conducted by PPOA. We shall make a follow up with PPOA and ensure that those who have not attended these trainings are offered a chance to do so.*
- ❖ *KARI has a training master plan for staff in the Institute. This is normally prepared by the Training Division after carrying out comprehensive training needs assessment which include procurement training requirements.*

3.3 Functions of Tender Committee

Findings

The PE has established a Tender Committee as below and it holds regular meetings with minutes.

NAME	DESIGNATION
Dr. J. G. Mureithi	Chairman
Mr. T. K. Njagi	D/Chairman
Mr. N. Mogere	Member
Mr. S. M. Ndei	Member
Dr. P. F. Wandera	Member
Mr. F. H. Kiriro	Member
Mr. L. Oluoch	Member
Dr. F. M. Murithi	Member
Dr. L. W. Wamae	Member
Mr. G. Karanja	Member
Ms. A. M. Nyaga	Secretary
Mr. D. M. Wachira	Alternate Member
Mr. B. Onyancha	Alternate Member
Mr. S. N. Sinkeet	Alternate Member
Mr. C. Nkonge	Alternate Member
Mr. P. Kibet	Alternate Member
Dr. D. M. Miano	Alternate Member
Mr. R. Ngigi	Alternate Member

The review team observed the following weaknesses and deficiencies:

- Extracts of TC minutes are not filed in the procurement file;

- There were no external observers invited for the high value tenders over Ksh 50,000,000.00 as required by Regulation 12(8-9) for Tender No KARI/HQTS/07-08 for Ksh 76,026,115.59;
- Does not verify to ensure that funds are available for the procurement under consideration as required by Regulation 10(2)(d);
- Awarded contract KARI/HQTS/199/08-09 for supply of tractors to Holman's Brothers (second lowest responsive bidder) for Ksh 2,050,000.00 instead of to the lowest responsive bidder CMC which was recommended by the Evaluation Committee, in contravention Regulation 11;
- Did not approve the list of persons qualified to submit proposals pursuant to section 80 of the Act for KARI/HQTS/07-08 and KARI/HQTS/08-09 consultancy tenders;
- Did not approve the amendment of contracts previously awarded by the tender committee for Tender no KARI/HQTS/10/208-2009 for cotton delinting machines, in accordance with the Act and Regulations;
- The Procurement Unit did not obtain the approval of the tender committee which authorised the original contract for the cotton delinting machines, prior to terminating the contract;
- There are no reports prepared for the Accounting Officer where the tender committee rejects recommendations of the evaluation committee (Regulation 11(3)). The review team noted three instances where the tender committee did not award respective tenders to bidders recommended by the evaluation committee. However, there was no evidence availed to indicate that the decision was reported to the Accounting Officer as required by Regulation 11(3).

RFQ No.	Bidder recommendation by the evaluation committee	Amount Ksh	Bidder awarded by tender committee	Amount Ksh
KARI/HQTS/254/08-09	Ridge Pole enterprise Ltd	1,677,675.00	Wilkens Wireless	1,553,472
KARI/HQTS/269/08-09	Mbiwa Construction Company Ltd	1,749,192.60	Riva Hydro System	2,353,029
KARI/HQTS/199/08-09	CMC Motors	2,000,000.00	Holman Brothers	2,050,000

- Does not review the quarterly reports on quotations that have been awarded by the Procurement Committee in accordance to Regulation 10(n); and
- There is no reference of the budget line and approved funds availability in the minutes.

Recommendation

The identified weaknesses in TC procedures should be addressed.

Response

- ❖ *KARI has formalised the membership of Procurement Committees and Tender Committee and their alternate members.*
- ❖ *It is true, extracts of Tender Committee minutes were not filed in the respective tender files but are in specific subject files e.g. minutes are filed per year of business. However, appropriate action will be taken to ensure compliance with the regulations.*

- ❖ *The prospective bidders were in attendance during the opening of Tender KARI/HQTS/07-08. The need for other observers has been noted and corrective measures will be taken to ensure compliance.*
- ❖ *The reasons for not awarding the lowest bidder are contained in the minutes. The Chief Executive was informed of the Tender Committee decision through extracts of the minutes while requesting for authority to procure. We now realise this should have been communicated formally to the CEO.*
- ❖ *The bids are evaluated individually and the results are compared and moderated by the evaluation team. In future, we shall ensure this information is filed as required.*
- ❖ *In the year under review, the submission of PC proceedings was not done but this situation has been corrected.*

3.4 Functions of the Procurement Committee

Findings

The Procurement Committee is established as below in accordance with Regulation 13 and holds regular meetings with minutes that conform to Regulation 15.

NAME	DESIGNATION
Mr. G. Karanja	Chairman
Dr. J. W. Wamuongo	Member
Mrs. R. Rege	Member
Mr. B. Onyancha	Member
Mr. H. N. Mbaluku	Member
Mr. D. M. Wachira	Member
Ms. W. Nyangweso	Secretary
Dr. W. Mulinge	Alternate member
Dr. L. Mose	Alternate member
Mr. N. Mutisya	Alternate member
Mr. W. Okello	Alternate member
Mr. M. Ndaruga	Alternate member
Mr. S. Kiplagat	Alternate member

- The PC does not confirm availability of funds before awarding contracts;
- The PC does not ensure that all relevant procurement documentation e.g. purchase requisitions are used for processing the procurement proceedings; and
- The PC does not submit quarterly reports to the TC as required by Regulation 10(2)(n).

Recommendations

The identified weaknesses in TC procedures should be addressed.

Response

- ❖ *KARI has tried to make good the anomalies noted in the year under review and this will continue into the future to comply with laid down Regulations.*

3.5 Functions of the Disposal Committee

Findings

The PE had appointed a Disposal Committee as required by Section 128 of the Act during the period under review.

Name	Designation
D.Tangus	Chairman
J.N.Kiama	Secretary
J.M.Weindaba	Member
N.Mutisya	Member
W.Kanyi	Member
A.Makhoha	Member

- Does not meet quarterly as stipulated in Regulation 92(3).

Recommendations

The PE should ensure that the Committee conducts its meetings in accordance with Section 128 (2) and Regulation 92(3).

Response

The disposal committee has not been meeting on quarterly basis as required by the regulation however, they have been meeting annually to determine the obsolete, surplus, unserviceable items so as to determine and advice management on appropriate action. This is an annual event and the process normally starts in September and ends by June of the following year. Now we will ensure that quarterly meetings are held.

3.6 Functions of Evaluation Committee

Findings

Evaluation committees are established for the tenders within the threshold of the Regulation 16 for the purposes of carrying out the technical and financial evaluation of the tenders.

For these tenders reviewed, the following generic weaknesses were found:

- In the case of Tender KARI/HQTS/08/07-08 the evaluation period of 30 days was exceeded contrary to the Regulation 16(5)(b);
- Mr J. M Ndaruga who was not in the list of the appointed members of the evaluation committee for the KARI/HQTS/10/08-09 participated in the evaluation process contrary to the Regulation 8(3)(g) and Regulation 16(3);
- Evaluation report for the tender KARI/HQTS/6/08-09 for supply of 4X4 Cabin pickups was not dated;
- There were no records to ascertain that each member of the technical evaluation committee evaluated the submissions independently from the other members prior to sharing his or her analysis, questions, and evaluation including his or her rating with

the other members of the technical evaluation committee as required by Regulation 16(6);

- The Bid Bond value from Jencoms Scientific Ltd for KARI/HQTS/08/07-08 was entered in pencil and submitted after the opening committee registered that the original was not submitted with the bid documents; and
- The evaluation committee did not provide the names of those who bought the bids for the KARI/HQTS/08/07-08.

Recommendation

The identified weaknesses in procedures should be addressed to conform to the Act and Regulations.

Response

- ❖ *KARI will ensure that availability of funds set aside for the procurement activity will be verified before recommending the award of the contract as required by Section 26(6);*
- ❖ *Mr J. M Ndaruga who was not in the list of the appointed members of the evaluation committee for the KARI/HQTS/10/08-09 participated in the evaluation process contrary to the Regulation 8(3)(g) and Regulation 16(3). This was an oversight on the part of the Institute and will not be repeated.*
- ❖ *Evaluation report for the tender KARI/HQTS/6/08-09 for supply of 4X4 Cabin pickups was not done. Again this was an oversight.*
- ❖ *In future KARI will ensure that each member of the technical evaluation committee evaluated the submissions independently prior to sharing his or her analysis, questions, and evaluation including his or her rating with the other members of the technical evaluation committee as required by Regulation 16(6);*
- ❖ *The evaluation committee will in future provide the names of those who bought the bids for respective tenders.*

3.7 Functions of Inspection and Acceptance committee

Finding

There are ad hoc committees appointed for all inspection activities under Regulation 17.

The following weaknesses were found in the functions of the committee:

- Out of 38 files examined 25 procurement proceedings examined did not have inspection and acceptance committee interim certificates in the procurement files;
- Does not issue interim or completion certificates or Goods Receipt Notes ; and
- The team did not find any certificate of completion of project or consultancies issued by the inspection and acceptance committee as provided by Regulation 17(4) (a).

Recommendations

- The inspection and acceptance committee members should rectify the weaknesses observed; and

- While the review team noted that the standard *Inspection and Acceptance Report Form* would shortly be released by PPOA, the Procurement Unit should meantime develop interim certificates that conform to the requirements of the PPDR, to be certified by the inspection and acceptance committee members after inspection of the complex goods, works, and services.

Response

Inspection and acceptance committee interim certificates, Goods Receipt Notes, certificate of completion of project or consultancies issued by the inspection and acceptance committee were issued but had not been filed in the respective tender files as provided by Regulation 17(4) (a). This anomaly has been noted and KARI will ensure copies of these reports are filed in the respective tender files in future.

3.8 Systems and procedures for implementation of the procurement law and regulations

Findings

- The Institute has not yet established procedures for implementing procurement decisions in accordance with Section 26(1). The review team did not find any schedules of duties in the Institute outlining separation of functions. It is therefore difficult to determine whether there is clear separation of powers for those undertaking initiation, processing and receipt;
- The PE has prepared procurement operational manual for use by all persons involved in the procurement related functions but the PE has not shared the manual with PPOA to verify conformity with the law and regulations;
- There is limited awareness of updated publications, directives, manuals, and standard documents prepared and distributed by PPOA in accordance with Section 9(c) (i) of the PPDA to be used by procuring entities;
- All the staff involved in the procurement related functions that the team spoke to did not know the existence of the following manuals published by PPOA which would be relevant to their work:
 - Procurement and Disposal General Manual;
 - ICT Manual;
 - Insurance Manual;
 - Non-Intellectual Services Manual;
 - Projects Manual;
 - Works Manual;
 - Records Management Manual;
 - User Guide; and
 - Bidders Guide.

Recommendations

- The Institute should put in place appropriate systems and procedures that distribute procurement information including manuals, guidelines and directives from PPOA to

the appropriate people, at the necessary level of detail, on a timely basis and that is accessible to all those involved in procurement related functions; and

- The PE should prepare an operational schedules manual that incorporates the PPDR First Schedule.

Response

- ❖ *All staff in the PU have been allocated duties and responsibilities and the duty allocation schedule is available in the CSO Office.*
- ❖ *The Institute procurement manual had not been shared with PPOA and this will be done. We shall also follow up with PPOA to acquire the various updated publications and manuals from time to time.*

3.9 Threshold matrix and segregation of Responsibilities.

Findings

The Institute did not provide schedules of duties to enable the review team to verify if the requirements of First Schedule of PPDR are being followed in the initiation and approval of the procurement processes.

Recommendations

Prepare written operational procedures and systems that set out the initiation and approval of the procurement activity in accordance with First Schedule of PPDR.

Response

In the year under review, this did not exist. However, this has been noted and is being adhered to.

3.10 Poor record keeping and filing systems of the procurement documents

Findings

The procurement data provided has several gaps could not provide sufficient procurement expenditure analysis information including:

- What was bought;
- When was it bought;
- With whom did we buy it; and
- How much did we pay for it?

The files sampled are not complete, as they do not contain all the documents used in a procurement activity as provided in the Regulation 34(3) including the following documents:

- Procurement initiation requisition;
- All internal and external correspondence on the procurement;
- Bid documents;
- Bids received;

- Bids analysis or evaluation and award of the contract; and
- Information on the award of the contract and particulars of the contract.

The procurement records were fragmented and different documents relating to procurement are kept by different offices, e.g. User Departments, Finance, and Accounts.

Recommendation

- The PE should strengthen the process of collecting, collating classifying and analyzing procurement expenditure data with the purpose of reducing procurement costs, improving efficiency and monitoring compliance. This will also impact in other areas such as inventory management, budgeting and planning and service delivery.
- The Procurement Unit should upgrade the filing systems and records management to conform to the provisions of Section 45, Regulation 34(3), General Manual, Procurement Records Management Procedures Manual and recommendations of in the associated *Report on the Management of Records of the Kenya Agricultural Research Institute*, prepared by ARD; and
- The PU should ensure that a complete procurement file is maintained for each procurement activity. The file should contain all the relevant documents starting with the purchase requisition, documents for the tendering process, evidence of receipt and payment for goods. As far as possible, these should be original documents, or where not possible, certified copies of the originals.

Response

The issue of record keeping has featured prominently in the report. This is partly due to limited office space. Some room has been identified to set up a procurement registry and hence improve on record keeping.

3.11 Procurement Planning

Findings

- The procurement plan for the period under review was not made available to the review team. The review team made several attempts to get this document and informed the Head of the PU, Deputy Director Finance and Administration and even the Director of the need for the team to be given the document. However, the Consolidated procurement plan for the period 2010-2011 was made available;
- The Institute has a single consolidated procurement plan for the Government and for the donor funded procurements for the period 2010-2011;
- The review identified the following weaknesses in procurement planning prepared by the mainstream PU:
 - The procurement plan is not linked the budgetary and financial framework in accordance with Regulation 20(2) and Chapter 6.2 of the General Manual;
 - There are no individual procurement plans for the following general services, consultancy services and civil works procured by KARI for various as provided in the General Manual Chapter 6.5 for the following tenders:

Tender	Description	Category	Method	Value(Ksh)	Supplier
KARI/HQTS/008/07-9	Freeze dryer	Goods	ONT	76,026,115.00	Jencons Scientific Ltd
KARI/HQTS/006/07-8	Insurance Brokerage Services	Services	ONT	30,861,334.00	Canopy Insurance
KARI/HQTS/022A/04-5	Construction of offices	Works	ONT	21,969,105.00	China Huasi State Corporation
KARI/HQTS/010/08-9	Cotton processing equipment	Goods	ONT	18,721,361.00	Ulster Technologies
KARI/HQTS/012/08-9	Security Services	Services	ONT	16,247,280.00	Various

- Multi-annual, rolling work plans for procurement are not prepared by each User Department and there is no indication whether the requirements should be procured under single-year or multi-year arrangement (Regulation 20(3));
- There is no schedule of the planned delivery, implementation or completion dates for all goods, works, services and consultancies sampled;
- There is no evidence that the procurement plans are regularly updated to accommodate changes during the year; and
- The review team were not provided with User Departmental annual procurement plans, nor with information to show that they were submitted and approved by the Accounting Officer at least thirty days before the close of each financial year (Regulation 20(4)).

Recommendation

- Planning is essential for effective procurement. Procurement planning entails more than the development of estimates for various goods, civil works, and services. It combines the legal and institutional frameworks within which procurement must be carried out. The PE should address all the weaknesses identified;
- The Procurement Unit should not commence any procurement activity which is not in the procurement plan;
- The PU should conduct procurement planning meetings with User Departments more frequently so that the users can be assisted with technical expertise; and
- The work plan of the PU should include preparation and updating of the procurement plan in regular progress reports (giving status of procurement progress, reasons for delay and revised procurement schedule).

Response

- ❖ *Under the review period the Institute was still migrating to the new PPDA and PPDR requirements. For now the procurement plans are being developed and submitted to the BOM for approval.*
- ❖ *The Institute endeavours to link its annual budgets to the procurement plan. The anomalies highlighted have been noted and are being addressed accordingly for improvement.*

3.12 Purchase requisitions

Findings

- The PE does not initiate procurement proceedings using the standard purchasing requisition forms as provided for by Regulation 22(1). Procurement processes are initiated by internal memos from User Departments, which do not indicate that they have been originated by the authorized official and approved by the official within the threshold for procurement being considered (First Schedule of PPDR);
- The PE did not provide any supporting document to show how the following procurements were initiated:

Tender	Description	Category	Method	Value(Ksh)	Supplier
KARI/HQTS/006/07-8	Insurance Brokerage Services	Services	ONT	30,861,334.00	Canopy Insurance
KARI/HQTS/022A/04-5	Construction of offices	Works	ONT	21,969,105.00	China Huasi State Corporation
KARI/HQTS/010/08-9	Cotton processing equipment	Goods	ONT	18,721,361.00	Ulster Technologies
KARI/HQTS/012/08-9	Security Services	Services	ONT	16,247,280.00	Various

- There is no budget line indicated on the memos to show source, allocation, and availability of funds in the budget for particular procurement as required by Section 26(3), or authority to incur expenditure for the purchases requested;
- Of all the 38 sampled requests only the following requests have estimated values:

Tender	Estimate Value
KARI/HQTS/253/08-09	530,885.00
KARI/HQTS/08/07-08	45,000,000.00
KARI/HQTS/269/08-09	1,750,000.00
KARI/15/08-09	3,052,032.00

- The estimate value indicated of Ksh 45,000,000.00 for the tender KARI/HQTS/008/07-8 was not realistic and was not based on up-to-date information on economic and market conditions as provided in Regulation 22 (2) as the best evaluated bid was Ksh 76,026,115.59.

Recommendation

- The review team noted that the Standard Purchase Requisition Form is expected to be released by PPOA shortly. In the meantime, the Procurement Unit should develop an interim purchase requisition form that conforms to the requirements of the PPDR, General Procurement Manual and directives or guidelines from PPOA;
- The Standard Purchase Requisition Form for works, which initiates the procurement process for procurement for works, should be in accordance with the Procurement Works Manual which has been prepared by PPOA and should specify as a minimum the following information:

- State the objective of the works;
- Establish the preliminary specifications;
- Confirm budget availability;
- Indicate authority for the procurement; and
- Allocate a unique Procurement Number to be used for procurement tracking and monitoring;
- The Procurement Unit should put in place a central control register for all requisitions received in the unit in order to put in place sufficient internal control.

Response

- ❖ *In the year under review the procurement provisioning had not been developed. This has now been developed and will be reviewed regularly in consultation with user departments*
- ❖ *The requests for the listed procurement were contained in the user department work plans though not in the respective procurement files. The comprehensive filing anomaly has been noted and is being addressed.*

3.13 Prequalification and registration of suppliers

Findings

- There is an approved standing list of registered suppliers in place developed during the period under review as required by Regulation 8(3)(a) but there was no evidence that the standing list is being updated annually to allow new bidders to be included and to remove those who are no longer qualified;
- There was no evidence that the entity undertook evaluation of the suppliers to ascertain:
 - The person being qualified has the necessary qualifications, capacity, experience, resources, equipment and facilities to provided the goods and services, if awarded;
 - The person has legal capacity to enter into legal contracts;
 - The person is not debarred from participating in procurement proceedings under Section 115 of the Act and Regulations 90 and 91;
 - The person is solvent; and
 - The Institute is not precluded from entering into the contract with the person under Section 33 of the PPDA.
- Although there were no records made available to ascertain that the PU is rotating the suppliers listed in the standing list to ensure fairness and transparency, the review team found from the assessment of the RFQs that there was some degree of rotation of registered suppliers being considered for bids;
- There is no prequalification undertaken for specialised, complex, and high value services required by the entity for solicitation of restricted goods or services. The review team could not find how the firms were pre-qualified for the Customer survey consultancy

Recommendation

- Before approving or prequalifying a particular supplier, PU in conjunction with the User Department should conduct a supplier evaluation to validate the information provided by the bidders or pre-qualified bidders and to assess whether suppliers' performance meets the expectation or does not meet the expectation in terms of quality of goods and services;
- There is also need to strengthen supplier performance evaluation; and
- The PE should ensure a fair and equal rotation amongst the persons on the standing list of registered suppliers in respect of requests for quotations, as required by Regulation 59 (2) (c).

Response

The recommendations of the review team on supplier evaluation and rotation during RFQ have been noted and will continue to be adhered to as per regulation 59 (2).

3.14 Specifications

Findings

- The User Departments did not prepare the terms of reference for the cleaning services before submitting the request to the Procurement Unit; and
- The PE does not use clear, objective, neutral and functional technical specifications for all its requirements, as illustrated by the tender for the cotton delinting machines where the suppliers quoted for different machines of large variation in prices. In the case of the cotton seed delinting machine the User Department provided only technical specifications without stating the functional requirements. The two bidders who were responsive to the technical requirements submitted their financial bids:
 - ✓ Precise Industrial Suppliers Ksh 4,375,000.00
 - ✓ Ulster Technologies AG Ksh.14,346,361.52The tender committee award to the lowest responsive bid. The machines which were supplied later failed to meet the functional requirements of the PE and are currently a matter of dispute between the supplier and the PE.

Recommendations

The PE should ensure that all persons involved in procurement related functions prepare technical specifications in accordance with the law.

Response

Cotton delinting machine:

- ❖ *Detailed technical specifications prepared for these equipments were adequate to enable the prospective bidders to quote as well as facilitate tender evaluation.*
- ❖ *The source of dispute is not due to functional specifications. The supplier was awarded a contract to supply, install and commission a Bajaj machine but the delivered/installed machines did not have manufacturer's label and also the manuals*

provided by the firm were from a different company (Bhagvati Engineering Works) thus making it difficult to certify the technical compliance of the equipment to contract agreement and acceptability difficult. That is the cause of the dispute

3.15 Choice of procurement method

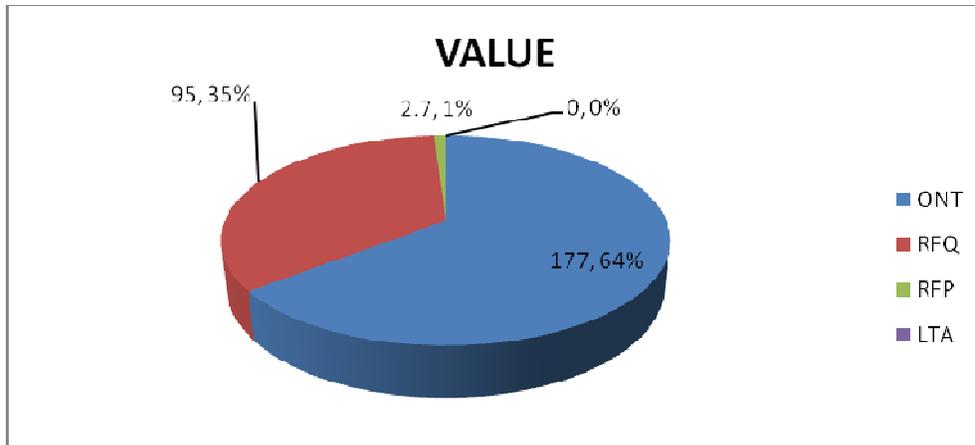
Findings

The PE employs various procurement methods as required by PPDA and donor procurement regulations.

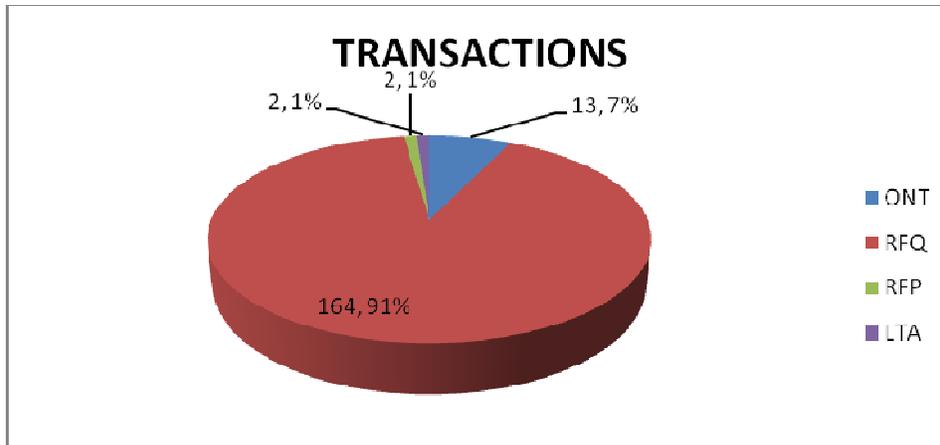
Procurement method	Number	Value(Ksh)
ONT	13	176,949,141.00
RFQ	166	95,158,543.00
RFP	2	2,735,000.00
LTA	2	0.00
	182	274,842,684.00

Open tendering is the main procurement procedure as stipulated in the PPDA at 64% of the expenditure on procurement Government and donor-funded projects for the period under review. Alternative procurement methods are used in accordance with the criteria in Part VI of the Act.

3.15.1 Value of procurement proceedings for the YR2008-2009 (Ksh, 000,000)



3.15.2 The number of transactions of the procurement proceedings for the YR 2008-2009



The team observed that many common user goods and services currently being procured on RFQ methods take a lot of the level of effort, currently standing at 91%.

Response

The request for quotation was used because the items procured during the review period were mainly below Ksh. 6 million thresholds.

3.16 Preference and reservations

Findings

The PE has not applied preference and reservations as provided in Section 39 (8) of the PPDA for procurements that were 100% funded by the Government of Kenya and below the thresholds prescribed in Regulation 28 (1). The PE did not provide any reason for not applying these preferences.

Recommendations

The PE should apply preference and reservations as provided in Section 39 (8) of the PPDA.

Response

KARI has not had a situation where preference for local suppliers could have been applied. If such a situation arises the requirements of Regulation 28(1) will be applied.

3.17 Preparation of tendering documents

Findings

The appropriate standard tender documents as prescribed in Section 29(4) of PPDA, Third Schedule of the PPDR and General Manual are not used in all procurement processes reviewed. The PE has not adopted the following key standard bidding documents as specified in the Third Schedule of the Regulations namely:

- Procurement requisition form;
- Tender register;
- Application for adjudication of tenders/quotation;
- Standard tender document for procurement of general services
- Contract agreement for general services;
- Standard tender document for small works;
- Standard tender documents for management contracts;
- Application for adjudication of tenders/quotation; and
- Standard tender documents for preference and reservations.

The review team acknowledged that most of the standard tender documents are presently under review by PPOA and that some existing documents do not conform to the present law. The PE should liaise with PPOA to agree how to handle the documents required by Regulations but not operational.

Recommendations

- The PE should adopt the recommended standard bidding documents and procurement forms that are relevant to its procurement and disposal procedures, once the PPOA's revision of these documents and forms has been completed. In the cases of where the document is still in preparation by PPOA, the Institute should liaise with PPOA and agree on the appropriate form to be used; and
- The PE should take advantage of the ARD training workshops for the revised standard bidding documents currently being organised in collaboration with PPOA.

Response

The review team admits that most of the standard bidding documents are still under review by the PPOA. Once the PPOA completes reviewing the documents and they are available KARI will adopt their use.

3.18 Advertisement of tender opportunities

Finding

- The PE has taken reasonable steps to bring the invitation to open tender to the attention of those who may wish to submit tenders, in accordance with Section 54 of PPDA; and
- Advertisements indicate the closing date and time, with an invitation to bidders to attend the bid opening.

3.19 Modification to tender documents

Finding

The tenders reviewed did not have any modification. The PE was therefore not evaluated on this indicator.

3.20 Submission and Receipt of Bids

Finding

- There is a secure facility for the receipt of tenders provided at the designated tender location, with two locks with keys for each lock kept by a different officer; and
- Bid opening procedures are carried out in accordance with Sections 60 and 89 of PPDA and Regulations 45 and 61.

3.21 Formation of Contracts

Findings

- Out of 38 files examined 24 files did not have records of the notification letters recorded;
- There were no records to ascertain that notifications of award letters were sent out to all the successful bidders in accordance with Section 67 of PPDA and copies filed in the procurement file;
- There were no records to ascertain that all unsuccessful bidders were notified at the same time when the notification of award was sent out and copies recorded in the procurement file;
- The release of security bonds was not recorded;
- All contracts reviewed were awarded to qualified bidders who had met the requirements of Section 31 and 66 (4) of PPDA;
- Some of the signed 'Bid Acceptance letters' were not filed in the procurement files as required by Chapter 2.6 of the General Manual;
- The PE does not record all advance payment or progress payments secured by the performance bond or bankers guarantee in the procurement file;

Recommendations

The identified weaknesses in procedures should be addressed to conform with the Act and Regulations.

Response

KARI shall ensure that record keeping as regards filing of documents in the procurement files is complied with as per the PPDA and PPDR requirements.

3.22 Termination of Proceedings

Findings

As far as the review team was made aware, there were no terminated procurement proceedings.

3.23 Notification to PPOA

Finding

The following contracts over Ksh 5,000,000.00 were not reported to the PPOA as required by directives from PPOA:

Tender	Description	Category	Method	Value(Ksh)	Supplier
KARI/HQTS/008/07-9	Freeze dryer	Goods	ONT	76,026,115.00	Jencons Scientific Ltd
KARI/HQTS/006/07-8	Insurance Brokerage Services	Services	ONT	30,861,334.00	Canopy Insurance
KARI/HQTS/022A/04-5	Construction of offices	Works	ONT	21,969,105.00	China Huasi State Corporation
KARI/HQTS/010/08-9	Cotton Fibre	Goods	ONT	18,721,361.00	Ulster Technologies
KARI/HQTS/012/08-9	Security Services	Services	ONT	16,247,280.00	Various
KARI/HQTS/170/08-9:	4x4 D/C pick up	Goods	RFQ	5,120,000.00	General Motors
KARI/HQTS/015/-7-08	Supply of switches	Goods	RFQ	5,074,893.84	Micro LAN (K) Ltd

Other required notifications did not arise.

Recommendations

The PE should notify PPOA of all the procurement and disposal as follows directed by the PPOA as follows:

- All procurement contracts of Ksh 5,000,000.00 and above;
- All terminated procurement proceedings;
- All direct procurement of Ksh 500,000.00 and above; and
- All disposals made to employees.

Care should be taken to ensure that communications sent to PPOA are received and acknowledged.

Response

The failure to submit the listed procurement of over Ksh. 5 million to PPOA during the period under review is an oversight that has been noted and will not be repeated in future.

3.24 Enquiries and Complaints Mechanism

Findings

The Institute does not have documented systems and procedures for handling bid complaints and does not keep a complaints/protest log.

Recommendation

Introduce a documented systems and procedures for handling bid enquiries and complaints and keep a complaints/protest log.

Response

The institute has not had any complaints so far. However consultations will be made with PPOA to ensure the systems and procedures for handling complaints are documented.

3.25 Follow up of ARB decisions and recommendations.

Findings

There was no procurement taken to the review board for the period under review so the PE was not evaluated on this indicator.

3.26 Value for Money

Finding

The PE does not consider value for money in its procurement functions:

- The high value procurements for projects were linked to the consolidated procurement plans of the financial year 2009-2010;
- There are no realistic estimates on for large procurement activities; reviewed; and
- The degree to which RFP's identify the scope of work required, including an assessment of contract change orders or scope changes is deficient and
- The PE did confirm during our discussions that they do compare their prices with PPOA common user prices but no evidence was made available when requested.

Recommendations

The PE should seek to enhance value for money.

Response

The procurement unit always strive to ensure the Institute gets value for money by soliciting for competitive bids. The prices are compared with the PPOA price index as well as the prevailing market prices for items not listed in the PPOA index. In future such comparisons will be recorded for reference.

3.27 Contract Management

Findings

The team observed the following weakness in contract management:

- Contract files were not opened for all the contracts reviewed;
- There is no contract management plan;
- There is no file record relating to the release of bond security;
- Advance payment are not reflected in the procurement records;;
- Inception report for projects delivered not filed in the procurement file;
- Progress reports/works complete/time period completed are produced but not filed in the procurement file;
- Final report/completion of works/installation and Institute not filed in the procurement files;
- Final payment records made are not recorded in the file; and
- There is no contract register maintained by PU.

Recommendations

PU to enhance management and administration of procurement contracts as provided in Chapter 9 of the General Manual.

Response

- ❖ *The issue of filing has been raised in other sections of this report and compliance with filing requirements of having complete files for each procurement will be adhered to.*
- ❖ *KARI will work in consultation with PPOA to ensure contract management plans are prepared and appropriately filed.*
- ❖ *It is noteworthy that the PPOA index does not contain all items procured in the Institute.*

4 SPECIFIC FINDINGS

4.1 KARI/HQTS/08/07-08 SUPPLY OF A FREEZER DRYER

PROCUREMENT METHOD: ONT

CONTRACT VALUE: Ksh.76, 026,115.59

Key flaws identified:

- Lack of purchase requisition to initiate procurement (Regulation 22 (1));
- The estimate for the value of Ksh 45,000,000.00 for the dryer be purchased (Regulation 22.(2) was not realistic;
- Initiation is not approved by the person authorised in First Schedule of the regulations prior to commencing the procurement proceedings (Regulation 22 (3));
- PU did not prepare individual procurement plan for the procurement (Regulation 22 (5));
- The bidders were not invited to attend the opening of the bids;
- The Bid Bond value from Jencoms Scientific Ltd was entered in pencil;
- The evaluation committee did not provide the names of those who bought the bids;
- Each member of the committee did not undertake the bid evaluation individually;
- There was no appointment letter for the evaluation committee in the file;
- The recommendation for the award is inclusive of taxes while the tender invited bids exclusive of VAT;
- The tender committee approved the award without verifying that there were adequate funds set aside for this procurement activity (Section 26(6) of PPDA);
- External observers were not invited for the tender committee meetings as required by PPDA;
- Letter of offer was not in the procurement file;
- Letters of regrets were not in the file for those who failed;
- Copy of contract is not in the procurement file; and
- There is no contract file.

4.2 KARI/HQTS/170/08-9 SUPPLY OF VEHICLES FOR NJORO AND KAKAMEGA

PROCUREMENT METHOD: RFQ

PROCUREMENT VALUE: Ksh; 7,680,000.00

Key flaws identified:

- The wrong procurement method was used for this threshold which was above Ksh 6,000,000.00;
- Lack of purchase requisition to initiate procurement (Regulation 22 (1));
- Initiation is not approved by the person authorised in First Schedule of the regulations prior to commencing the procurement proceedings (Regulation 22 (3));

- The commercial criteria was not set out in the bid document;
- Each member of the committee did not undertake the bid evaluation individually;
- The recommendation for the award is inclusive of taxes while the tender invited bids exclusive of VAT;
- The tender committee approved the award without verifying that there were adequate funds set aside for this procurement activity (Section 26(6) of PPDA); and
- There is no contract file.

4.3 KARI/HQTS/8/08-9 PROVISION OF CONSULTANCY SERVICES TO CARRY OUT CUSTOMER SURVEY

PROCUREMENT METHOD: RFP

PROCUREMENT VALUE: Ksh.1, 535,000.00

Key flaws identified:

- Lack of purchase requisition to initiate procurement (Regulation 22 (1));
- Lack of realistic estimate for the assignment to be undertaken(Regulation 22.(2));
- Initiation is not approved by the person authorised in First Schedule of the regulations prior to commencing the procurement proceedings (Regulation 22 (3));
- There is no record of how the five firms were pre-qualified for solicitation(Regulation 23(1);
- There is no record of the TC approval for the firms to whom the RFP was sent(Regulation 25(2);
- PU did not prepare individual procurement for the procurement (Regulation 22 (5));
- The bidders were not invited to attend the opening of the bids;
- There was no record of the nomination of the bid evaluation committee by the Head of PU (Regulation 8(3)(w));
- Each member of the committee did not undertake the bid evaluation individually(Regulation 16(6);
- The evaluation period exceeded the 35 days allowed by the law from the opening of the request for proposal;
- There were no tender documents in the procurement file; and
- There is no contract file.

4.4 DELAYED PREPARATION OF CONTRACT FOR TENDER NO KARI/HQTS/268/08-09

Findings

- No contract was availed to the review team;
- Correspondence from the Ag. Principal maintenance superintendent stated that M/S Riva Hydro Systems who were awarded the contract started work based on LSO NO 542 dated 30/9/09 but no contract had been supplied by 30/3/2010. This was in contravention of the Act section 68(3) which stipulates that No contract is formed

between the person submitting the successful tender and the procuring entity until the written contract is entered into.

Recommendation

The head of Procurement Unit should ensure that contracts are signed before commencement of work.

4.5 USE OF WRONG PROCUREMENT METHOD

Findings

Request for quotation procurement method was used for soliciting bids for goods above the Ksh 6,000,000 threshold on tender No. KARI/HQTS/15/05/07-08 for the supply of servers and IT equipment for which the lowest evaluated suppliers quoted a total of Ksh 10,586,643.00.

Recommendation

The Procurement Unit should ensure that the correct procurement method is used in compliance with the Threshold matrix.

Response:

This tender is out side the review period. It is also important to note that the new law was relatively new having become effective in January 2007 and the Institute was still learning its application.

5 COMPLIANCE RATING

Item	Performance Indicator	Indicates aspect of the procurement	Scores				Max score	Actual score
			3	2	1	0		
1	Functions of Accounting Officer (1)	The Accounting Officer is carrying out his responsibilities under Section 27 (2) of the PPDA and has ensured that the procuring entity fulfils its obligations by ensuring that all provisions of the PPDA, the PPDR and directives of PPOA are complied with	3				3	3
2	Functions of Procurement Unit (3)	The key procurement officials have professional qualifications in procurement and supply management from a recognised institution.	3				9	9
		The Head of Procurement Unit and key staff with procurement responsibilities have received training in PPDA, PPDR, and General Manual.				0	9	0
		The key procurement officials are members of a recognised institute of purchasing and supply.				0	9	0
		The functions of the Procurement Unit as set out in Regulation 8 of the PPDR are satisfactorily complied with		2			9	6
3	Functions of Tender Committee (3)	Tender Committee is established in accordance with PPDA and PPDR and holds regular meetings with minutes that conform to Regulation 12	3				9	9
		The functions of the Tender Committee as set out in Regulations 10 of the PPDR and Chapter 4.5 of the General Manual are satisfactorily complied with.		2			9	6
		The approvals by Tender Committee conform to Regulation 11.		2			9	6
4	Functions of Procurement Committee (3)	Procurement Committee is established in accordance with Regulation 13 and holds regular meetings with minutes that conform to Regulation 15	3				9	9
		The functions of the Procurement Committee as set out in Regulations 14 of the PPDR and Chapter 4.4 of the		2			9	6

		General Manual are satisfactorily complied with.						
		The Procurement Committee has submitted quarterly reports to the Tender Committee on contracts it has awarded				0	9	0
5	Functions of the Disposal Committee (3)	The Disposal Committee is established in accordance with Section 128 and holds regular meetings with minutes.		2			9	6
		The functions of the Disposal Committee as set out in the PPDA, PPDR, and Chapter 12 of the General Manual are satisfactorily complied with.		2			9	6
6	Functions of Evaluation Committees (3)	Evaluation committees have been appointed as and when required within the threshold of the Tender Committee	3				9	9
		The evaluation committees have undertaken technical and financial evaluation of tenders or proposals strictly in accordance with the compliance and evaluation criteria set out in the tender documents		2			9	6
		No person has been appointed to serve in the Evaluation Committee if that person is a member of the Tender Committee of the procuring entity	3				9	9
		Each member of the technical evaluation committee has evaluated independently from the other members prior to sharing his or her analysis in accordance with Regulation 16 (6)				0	9	0
		Evaluation committees have prepared a report analysing the tenders received and final ratings assigned to each tender and submitted the report to the Tender Committee in accordance with Regulation 16 (9)		2			9	6
		Tender evaluation has been completed within 30 days of tender opening (with a further 5 days allowed where there is separate financial evaluation)		2			9	6
7	Functions of Inspection and Acceptance	The Inspection and Acceptance Committee has been established and undertakes its functions in accordance with Regulation 17 of PPDR and Chapter 4.7 of the General			1		9	3

	Committee (3)	Manual and makes appropriate use of quality assurance organisations or specialists where appropriate.						
8	Systems and procedures for implementation of the procurement law and regulations (3)	There are comprehensive and written operational procedures and systems which are updated regularly, setting out how the PPDA, PPDR and directives are being implemented in the PE, as stipulated in Section 26(1)			1		9	3
		The Head of the Procurement Unit is generally aware of updated publications, directives, manuals, and standard documents prepared and distributed by PPOA			1		9	3
		The procurement publications are in a central location that is accessible to all persons who want to refer to them, as provided in Chapter 1.8 of the General Manual				0	9	0
		Manuals including the General Manual and guidelines are available to all persons involved in procurement related functions				0	9	0
9	Threshold matrix and segregation of responsibilities (3)	The threshold applied conforms to Section 26 of PPDA and the category determined by Gazette Notice No. 719 of 24 January 2007 and the First Schedule of Regulations.		2			9	6
		The person responsible for procurement initiation for each procurement method and threshold is as provided for in the First Schedule of the PPDR		2			9	6
10	Record keeping of the procurement activities (3)	Adequate and comprehensive procurement records are maintained in accordance with relevant provisions of PPDA, PPDR and the Procurement Records Management Procedures Manual throughout the procurement process and provide sufficient information to enable an audit or independent review		2			9	6
		The procuring entity maintains a comprehensive and individual file for each procurement requirement containing all information, documents, and communications relating to that procurement proceeding with such files being marked with the relevant			1		9	3

		procurement reference number.						
11	Procurement planning (3)	All procurements have been undertaken within the approved budget of the procuring entity and have been planned by the procuring entity through an annual procurement plan, as stipulated in Section 26 of PPDA			1		9	3
		The Heads of User Departments have submitted annual departmental plans to the Accounting Officer at least thirty days before the close of each financial year as stipulated in Regulation 20 (4)			1		9	3
		Where appropriate every significant procurement has an individual procurement plan in accordance with Chapter 6.5 of General Manual			1		9	3
		All procurements are undertaken on the basis of the consolidated procurement plan which is regularly updated and linked to the approved budget of the procuring entity and approved by the Head of the procuring entity and where applicable by the board of directors or a similar body			1	3	9	3
12	Purchase requisition (2)	Each procurement proceeding is initiated using an official procurement requisition form containing all necessary information pertaining to the procurement in accordance with Regulation 22				0	6	0
		The requisitions are generated from the consolidated procurement plan				0	6	0
13	Prequalification and registration of suppliers (3)	There is a standing list of registered suppliers prepared in accordance with Regulation 8 (3) (a)	3				9	9
		Prequalification for works, goods and services of complex and specialized nature is carried out in accordance with the procedures in Section 32 and Regulations 23-25 and the PE has ensured that tenders are sent to all pre-qualified				0	9	0

		suppliers and contractors						
		Qualification to perform a contract is determined based on possession of the necessary qualifications, capability, experience, resources, equipment and facilities to provide what is being procured	3				9	9
		The PE has ensured a fair and equal rotation amongst the persons on the standing list of registered suppliers in respect of requests for quotations, as required by Regulation 59 (2) (c).			1		9	3
14	Specifications (3)	The procuring entity uses clear, objective, neutral and functional or technical specifications and in accordance with Section 34		2			9	6
15	Choice of procurement method (3)	Open tendering is the main procurement procedure as stipulated in Section 29	3				9	9
		Alternative procurement methods used by the PE are chosen in accordance with the criteria in Part VI of the PPDA	3				9	9
		Procurements are not split to evade the appropriate procurement method, in accordance with Section 30	3				9	9
16	Preference and reservations (3)	The PE has applied preferences and reservations in accordance with Section 39 and Regulation 28 and any Guidelines which may be issued				0	9	0
17	Standard Tendering Documents (3)	The prescribed procurement documents are used in accordance with Section 29 (4), Regulation 33 and the Third Schedule of the PPDR				0	9	0
18	Advertisement of tender opportunities (3)	The procuring entity has taken such steps as are reasonable to bring the invitation to tender to the attention of those who may wish to submit tenders, in accordance with Section 54	3				9	9
		Advertisements indicate the closing date, and time, with an invitation to bidders to attend the bid opening	3				9	9

19	Modifications to tender documents (2)	Any modification to tender documents are set out in an addendum which is promptly provided to each person who obtained the tender documents, as required by Section 53 (3)					NA	NA
20	Submission and receipt of bids (2)	A secure facility for the receipt of tenders has been provided at the designated tender location, with two locks with keys for each lock kept by a different officer and box remaining locked until the time for tender opening.	3				6	6
		Tender opening procedures are carried out in accordance with Section 60 and Regulation 45	3				6	6
21	Formation of contract (2)	Notification of acceptance of tender is given to successful and unsuccessful tenderers in accordance with Section 67		2			6	4
		Written contract is entered into in accordance with Sections 68-70		2			6	4
		Bond security released and recorded in procurement file				0	6	0
		Performance bond raised and recorded in procurement file				0	6	0
		Any advance payment is adequately secured by the performance bond or bankers guarantee and recorded in procurement file				0	6	0
22	Termination of proceedings (2)	Any termination of procurement proceedings has been carried out in accordance with Section 36 and approved by the Tender Committee					NA	NA
23	Notification to PPOA (1)	Notification is provided to PPOA of (a) Contracts over Ksh 5 million				0	3	0
		(b) Direct procurement over Ksh 500,000					NA	NA
		(c) Termination of procurement proceedings					NA	NA
		(d) Disposals to employees					NA	NA
24	Enquiries and Complaints mechanism (1)	There are systems and procedures for handling bidders' enquiries and complaints				0	3	0
25	Follow up of	The PE has taken adequate remedial action on any ARB					N.A.	NA

	ARB decisions and recommendations (2)	decisions and observations made following appeal						
26	Value for money (3)	The PE has sought to maximize economy and efficiency and to obtain value for money in its procurements		2			9	6
		The PE has compared prices of common user items with the PPOA price index and Supplies Branch long-term contracted prices, where appropriate, and has procured standard goods, services and works with known market prices at the prevailing real market price, as required by Section 30 (3)		2			9	6
27	Contract management (2)	Contract management, including amendments and variations, is carried out in accordance with Section 47, Regulation 31 and Chapter 9 of the General Manual		2			6	4
	Total						474	252

Compliance level= $252/474*100=53.2\%$

6 ACTION PLAN

Item	Task	By	Review Date
1	The Institute increase sensitization and advance training to all those staff responsible for key stages of the functions relating to procurement processes and records management. The senior management should be included in the training to acquaint themselves with the procurement law and regulations	AO/PU	90 days from the date of publication of final report
2	PU should improve on all identified deficient areas of its functions and ensure that it undertakes its functions in accordance with Regulations 8 and General Manual	PU	90 days from the date of publication of final report
3	TC should improve on all identified deficient areas of its functions and ensure that it undertakes its functions in accordance with Regulations 10-12 and General Manual	PU/TC	90 days from the date of publication of final report
4	PC should improve on all identified deficient areas of its functions and ensure that it undertakes its functions in accordance with Regulation 13 and General Manual	PU/PC	90 days from the date of publication of final report
5	The Disposal Committee should undertake all functions as set out in the Section 128(2), Regulation 92, Regulation 8(3)(p-q) and General Manual. An annual disposal plan should be prepared.	AO/PU	90 days from the date of publication of final report
6	All identified weaknesses in tender evaluation procedures should be addressed	PU/TC	90 days from the date of publication of final report
7	Develop operational systems and procedures for implementation of the PPDA and Regulations in the Institute in accordance to Section 26 (1)	AO/PU	90 days from the date of publication of final report
8	The Institute should prepare the schedules of duties handbook to reflect the approval of procurement processes as set out in the First Schedule of PPDR	AO/DA	90 days from the date of publication of final report
9	The Institute should upgrade its record keeping and filing systems for the procurement documents as set out in the baseline report on management of records in the KARI.	AO/PU	90 days from the date of publication of final report
10	PE should prepare consolidated procurement plan in accordance to the requirements of the PPDA, PPDR, and General Manual and ensure that all procurements are generated from the procurement plan. The Procurement Unit should not commence any procurement activity, which is not in the procurement plan. Head of departments to prepare their annual plans and submit to AO within 30 days before close of financial year.	CPO/AO	90 days from the date of publication of final report
11	Introduce purchase requisition forms that meet the	PU	90 days from the

Item	Task	By	Review Date
	requirements of PPDR and General Manual for User Departments to initiate procurement processes.		date of publication of final report
	Endorse budget line on all procurement documents for cross reference to the budgets	PU/ USERS	90 days from the date of publication of final report
12	Prepare a prequalified list of all firms and individuals providing specialised services to the Institute to be used for restricted tendering.	AO/PU	90 days from the date of publication of final report
13	The PE should ensure a fair and equal rotation amongst the persons on the standing list of registered suppliers in respect of requests for quotations, as required by Regulation 59 (2) (c).	PU	90 days from the date of publication of final report
14	Use alternative procurement methods strictly in accordance to Part VI of the PPDA.	AO/PU	90 days from the date of publication of final report
15	Apply preferences and reservations in accordance with Section 39 and Regulation 28 and any guidelines which may be issued by PPOA	AO//PU	90 days from the date of publication of final report
16	The Institute to start using standard tender documents to initiate and process all procurements as provided in the PPDR and General Manual	AO/PU	90 days from the date of publication of final report
17	Ensure that tender opening procedures are carried out in accordance with Section 60 and Regulation 45	PU	90 days from the date of publication of final report
18	Ensure that all termination of procurement proceedings are done in accordance with Section 36 of PPDA and that notification is sent to PPOA as stipulated in the directives issued by PPOA.	PU	90 days from the date of publication of final report
19	Prepare notification to PPOA for all: <ul style="list-style-type: none"> • Contracts over Ksh 5 million • Direct procurement over Ksh 500,000 • Termination of procurement proceedings • Disposals to employees 	PU	90 days from the date of publication of final report
20	Develop systems and procedures for handling bidders' enquiries and complaints	AO/PU	90 days from the date of publication of final report
21	Develop measurable mechanisms that seek to maximize economy and efficiency and to obtain value for money in the Institute's procurements. Compare prices of common user items with the PPOA price index and Supplies Branch long-term contracted prices, where appropriate.	PU	90 days from the date of publication of final report
22	Develop comprehensive contract management systems and procedures that comply with Section 47 of PPDA, Regulation 31 and Chapter 9 of General Manual	PU	90 days from the date of publication of final report

7 CONCLUSION

We have reviewed procurement functions and procedures to verify whether they conform to the Public Procurement and Disposal Act 2005 and the related regulations. We have also assessed whether the functions comply with generally accepted good practices. We have identified deviations in general areas and procurement stages and attached ratings to them.

The major challenges in the Institute are in the area of recordkeeping, data and documentation controls, and inadequate contract management. Retrieving records for review purposes was slow, time consuming and even for the files made available, some records pertaining to fulfilment of the procurement process were incomplete, limiting the review scope. The PU did not provide several records requested for the exercise despite several reminders.

We have included an action plan, which as discussed and agreed with the PE, for follow-up in our recommendations to ensure that the corrective measures are carried out in order to improve compliance, efficiency, and effectiveness in procurement management.

The office of the internal auditor needs to be strengthened through capacity building to verify, examine, and determine that individual transactions comply with the Act and regulations.

We are pleased that the Kenya Agricultural Research Institute senior management welcomed the review exercise as a mechanism to identify and address any shortcomings and weaknesses in the compliance with Act and associated regulations. The management committed themselves to undertake remedial actions within the timeframe set out in the action plan.

Overall, KARI has demonstrated an unsatisfactory level of compliance at 53.2% (against the minimum threshold of 60%) with relevant PPDA, and the regulations and guidelines in respect of the sampled procurement transactions. The procuring entity should endeavour to improve their performance so that the PE will become compliant by organising training on various aspects of procurement law and regulations as pointed out in the report..

The Procurement Operational Manual should be shared with PPOA to ascertain that it conforms with the Act and Regulations.



From the American people and jointly sponsored by USAID/Kenya and the Public Procurement Oversight Authority